

**Mid-Term Evaluation**  
**of the**  
**Budget Strengthening Initiative**

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## Acronyms

AFRITAC	African Technical Assistance Center
BSI	Budget Strengthening Initiative
CAPE	Centre for Aid and Public Expenditure
CPIA	Country Policy and Institutional Assessment
DFID	Department for International Development
DRC	Democratic Republic of the Congo
IMF	International Monetary Fund
MDTF	Multi-Donor Trust Fund
MoF	Ministry of Finance – Liberia
MoFEP	Ministry of Finance and Economic Planning – South Sudan
MTEF	Medium-Term Expenditure Framework
NGOs	Non-government organisations
ODI	Overseas Development Institute
OECD-DAC	Organisation for Economic Cooperation and Development – Development Assistance Committee
PFM	Public financial management
TA	Technical assistance
TACs	Technical Assistance Centers
TORs	Terms of reference
USAID	United States Agency for International Development

## Executive summary

The Overseas Development Institute (ODI) has commissioned a Mid-Term Review of its Budget Strengthening Initiative (BSI) programme. BSI was designed as an innovative programme for supporting economic governance in fragile states, focusing on core budget and aid management processes. It operates in three main countries: South Sudan, Liberia and the Democratic Republic of the Congo (DRC). The evaluation was undertaken by a two-person team<sup>1</sup> and included interviews with BSI managers and funders and week-long visits to South Sudan and Liberia, where the most important work streams were examined in detail and feedback was sought from a range of counterparts and other stakeholders.

The evaluation has two main components. First, it validates a number of aspects of BSI's reporting on its results. This external validation is part of the programme's monitoring and evaluation system. Second, it tests the BSI theory of change against a set of evaluation questions derived from the OECD-DAC evaluation criteria and assesses whether the causal mechanisms are supported by the results achieved to date and whether they accurately capture the BSI model in operation.

### *The BSI programme*

BSI aims to build stronger economic governance in fragile states by providing flexible, demand-driven support that fills gaps in the assistance provided by other donors and addresses bottlenecks or obstacles to progress in implementing reform plans. It is one of a number of aid delivery mechanisms that David Booth has described as 'arms-length organisations' – that is, programmes that are allowed operational freedom from their funders through open-ended designs, leaving them able to operate as free agents in the pursuit of agreed goals. In principle, their comparative advantage is building relationships of trust with their counterparts, identifying hidden potentialities for change and helping to broker solutions to collective action problems.<sup>2</sup>

BSI provides a combination of strategic advice, technical support and capacity development, supported by peer-to-peer learning to promote the sharing of experience between fragile states. It aims to operate according to a number of principles. It builds relationships of trust and offers independent and confidential advice. It is politically informed, taking into account the incentives of counterparts and other stakeholders, making it able to anticipate political and programmatic risk. It is responsive to the particular needs and wishes of its partner countries, avoiding pre-conceived approaches and institutional templates.

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<sup>1</sup> Marcus Cox is a Director of Agulhas Applied Knowledge ([www.agulhas.co.uk](http://www.agulhas.co.uk)). Ken Robson is an independent consultant specialising in public financial management and other public sector reform.

<sup>2</sup> David Booth, "Facilitating development: an arm's length approach to aid", ODI Discussion Note, March 2013; David Booth, "Development as a collective action problem: addressing the real challenges of African governance", synthesis report of the African Power and Politics Programme, October 2012.

BSI is funded from a DFID accountable grant of £6.617 million over five years, which covers its management costs, small operating budgets in three countries<sup>3</sup> and a research component. Moreover, DFID has covered the secondment costs of the BSI Director from May 2010 to May 2013, at an approximate cost of £330,000. AusAID has contributed around £172,000 to BSI core costs. BSI seeks to raise additional funding for its country operations. So far, it has received £1.5 million for the period 2010-11 to 2012-13 from the DFID South Sudan country programme and a further grant is under preparation. It has also received tied grants from AusAID, Danida and the World Bank for its support to the g7+, a network of fragile states that promotes good aid practice, and grants from GIZ, the World Bank, the IMF and the OECD for its Research & Dissemination Programme.

### *Validation of results*

BSI has succeeded in providing its planned inputs. It has been responsive to requests for assistance and willing to adjust the mix of advisory inputs as needed. Feedback from counterparts and other stakeholders on the quality of the BSI teams was very positive. They offer strong analytical skills and form good relationships with their counterparts. They have proved effective both at the design of new systems and procedures and at supporting their implementing through effective communication and facilitation. While BSI offers both high-level strategic inputs from senior advisers and younger or mid-career technicians, the demand from counterparts has been primarily for longer-term technical support, rather than short, strategic inputs.

BSI measures the effectiveness of its technical assistance by producing internal scores for each substantial work stream, using a DFID scoring methodology. We validated these by producing our own scores, based on our findings in South Sudan and Liberia. Of ten work streams, we scored one at A++ (substantially exceeded expectations), three at A+ (moderately exceeded expectations) and five at 'A' (met expectations). Compared to BSI's internal scores, we downgraded two scores (by one point) and upgraded one (by one point).

BSI tracks its results by collecting stories of significant changes at the policy, institutional, financial or service delivery level. This enables it to capture changes that were not individually anticipated at programme design. BSI has so far produced 12 stories of change relating to South Sudan and Liberia. We examined 11 of them as to whether they were accurate representations and whether the reported changes merited being treated as 'significant'. We validated 8 of them, in each case relating to BSI's core work on budget processes and aid management.

Other than through these narrative reporting processes, we found it very difficult to assess BSI's results against the indicators in its logframes. BSI measures its impacts and outcomes primarily through external scoring mechanisms: World Bank CPIA scores, the Mo Ibrahim Index and Public Expenditure and Financial Accountability (PEFA) assessments. These indexes are updated too infrequently to be useful for monitoring, and they are too high level for any changes to be plausibly a result of BSI's efforts.

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<sup>3</sup> In 2012-13, it has budgeted £1.1 million for South Sudan, £450,000 for Liberia and £438,000 for DRC.

However, despite weaknesses in the logframe, we found that BSI had made a significant contribution (alongside other actors) to its intended outcome of ‘more effective, transparent, and accountable budget policies, processes and systems’. In South Sudan, it has supported the establishment of a regular budgeting cycle, developed key instruments such as a National Budget Plan, and helped to introduce systems for expenditure limits and a regular cycle of budget reporting. In Liberia, its work in support of a Medium-Term Expenditure Framework is at an earlier stage, but has provided a useful platform for the team to introduce new budget processes, including a reclassified budget structure, a new chart of accounts and more effective sector budgeting. On aid management, BSI has developed an impressive system for capturing aid data on the budget, which is now in use in both countries. In South Sudan, it has helped to introduce a process of diagnosing and resolving blockages to local service delivery that offers a roadmap for donors to make a transition towards supporting service delivery through country systems.

We were impressed at the extent to which the new systems and processes promoted by BSI have been successfully implemented and institutionalised – particularly in South Sudan in the midst of a major fiscal crisis. This is a sign not just of the relevance of the technical advice provided, but also the facilitation and support that BSI provides to their implementation. The flexible, problem-solving approach adopted by BSI appears to have a higher success rate than is typical for PFM capacity-building programmes.

BSI does not, however, have a sufficiently structured approach to capacity development. While its work plans suggest that it offers “a complementary package of strategic advice, technical support, training and peer learning”, in practice training is not being provided systematically. BSI is not a training institute and should not be offering generic skills training. It should, however, focus more systematically on the capacity dimensions of the reforms it is helping to introduce, including conducting capacity assessments and helping to develop capacity building plans, even if these are delivered mainly by other actors.

The project documentation places strong emphasis on peer learning, but in practice the experience has been mixed. While some positive results were achieved, the process has proved time-consuming to manage and the idea of passing the learning relationship across to the counterpart governments has not proved feasible. In our view, peer learning should be seen as one capacity development tool among many, rather than as integral to the BSI model. On budget accountability, BSI is not well set up to provide capacity-development support directly to parliament or civil society. Its attempts to work directly with the Ugandan parliament were only partially successful. It can however make a useful contribution to increasing the transparency of national budgets.

It is early to be drawing firm conclusions on sustainable impact, and the changes we observed will need time to become embedded and to result in improved economic governance and better development outcomes. They are nonetheless necessary steps towards giving the partner countries the capacity to make more effective use of their development finance. **We rate BSI’s level of achievement to date at ‘A+’ (above expectations) overall, and at ‘A++’ for its work on bringing aid onto the budget.**

## *Testing the theory of change*

The evaluation concluded that BSI has a distinctive model of support that is particularly relevant to fragile states in the early stage of a post-conflict transition. The key features of the model include:

- ***What BSI works on:*** BSI has a strategic focus on the management of development resources as a whole, including budget and aid flows. This is of key importance in fragile states, where an inrush of poorly coordinated donor support can overwhelm national management capacity and undermine the incentives for sound budgeting. BSI has had some remarkable successes in integrating aid onto the budget in ways that can inform both aid coordination and national budgeting. In South Sudan, it has designed a process that potentially could facilitate a transition from donor funding of basic services through NGOs towards support through country system – a key state-building goal. It is difficult to imagine a conventional TA programme being able to engage effectively with a problem set as broad as this.
- ***How BSI works:*** BSI offers four distinctive types of support: strategic advice; systems design; problem-solving; and facilitating implementation. Its approach is flexible, iterative and politically informed, making it well placed to identify and promote solutions to problems that might defeat other TA programmes. This has contributed to a good level of implementation of the reforms it has supported.
- ***What BSI is:*** BSI's unique structure as a programme makes it well suited to working in this strategic and flexible fashion. This includes its accountable grant, its central pool of untied funding, its open-ended design, its position within ODI as a development think tank and its profile of staff with strong analytical, communication, facilitation and networking skills.

These attributes make BSI well placed to address problems that are characteristic of early-stage transitions, including the challenging of building basic systems in a low-capacity environment, helping partner countries manage the inrush of poorly aligned and coordinated aid, and helping to manage a volatile context.

At present, the advantages of the BSI model are only partially captured in the written theory of change. We recommend a number of ways in which it could be refined.

## *Recommendations*

1. BSI should revise its theory of change to better capture the BSI approach, including a clearer statement of what issues it works on, what kinds of support it provides and its distinctive profile as an arms-length programme.
2. BSI should revise the indicators in its logframes. It should ensure that outcome indicators are measurable on a more regular basis – for example, adopting individual components of the CPIA or PEFA scoring methodology and using its own scoring (validated by an independent party) when official CPIA or PEFA scores are not

available. It should set its outcomes at a slightly lower level, focusing on aspects of budgetary systems that relate directly to the reform processes it supports.

3. BSI should develop a more considered approach to capacity assessment and development, identifying which elements it will provide directly and where it will help its counterparts source support from other providers. Peer learning should be treated as just one of a range of options for capacity development, rather than as integral to the BSI model.
4. When supporting the introduction of new processes or systems, BSI should put greater emphasis on implementation and sustainability by ensuring that there is a clear assignment of responsibilities, identifying capacity requirements and helping counterparts develop a strategy for addressing capacity gaps.
5. BSI should give more attention to the communication dimension of its work, identifying key message and audiences and developing a broader range of communication products to support its efforts.
6. BSI should ensure that the flexibility of its model is balanced by robust accountability mechanisms at country level, involving both funders and counterparts.
7. ODI should consider housing the g7+ work stream outside of the BSI programme, to avoid complicating the theory of change.

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## Part A: Introduction

### 1. Introduction

The Overseas Development Institute (ODI) has commissioned a Mid-Term Review of its Budget Strengthening Initiative (BSI) programme. BSI was designed as an innovative programme for providing support for public financial management (PFM) and related reforms in fragile states. It operates in three main countries: South Sudan, Liberia and the Democratic Republic of the Congo (DRC). It is housed within ODI's Centre for Aid and Public Expenditure (CAPE).<sup>4</sup> The majority of its funding is provided by a £6.617 million accountable grant from the Department for International Development (DFID) over a five-year period (2010-11 to 2014-15), together with the secondment of the BSI Director, at an approximate cost of £330,000 from May 2010 to May 2013. AusAID has also contributed around £172,000 to BSI core costs. Additional, tied contributions have been received from AusAID, Danida and the World Bank for its support to the g7+, a network of fragile states that promotes good aid practice, and from GIZ, the World Bank, the IMF and the OECD for its Research & Dissemination Programme. DFID also provides additional funding for South Sudan from its country programme. The total annual expenditure in 2012-13 was £3 million.

The Mid-Term Review is a formative evaluation, coming three years into the life of the programme. The TORs set out three main tasks for the evaluation. First, it should validate BSI's internal assessment of results to date. Some of the indicators in the programme logframe require independent verification. Second, it should assess whether the inputs have been provided as planned and whether the programme is on the anticipated path to deliver its planned outputs and outcomes. Third, it should test the theory of change to determine whether its assumptions about cause and effect actually hold in practice.

The intended audiences for the evaluation are the BSI management and its Advisory Board,<sup>5</sup> to support learning and management choices for the remainder of the programme, and BSI's current and potential funders, for accountability purposes and to inform future funding decisions. According to the Terms of Reference (TORs), the evaluation should also add to the growing literature on the design of PFM reform programmes. The evaluation was undertaken by a two-person team<sup>6</sup> and included visits to South Sudan and Liberia in March 2013.

The evaluation report is structured as follows. Part A briefly describes the evaluation scope and methodology and introduces the BSI programme and the context in which it operates. Part B contains our validation of BSI's internal reporting on results and our comments on its

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<sup>4</sup> <http://www.odi.org.uk/programmes/aid-public-expenditure>.

<sup>5</sup> The Advisory Board includes representatives of DFID, the African Development Bank, the IMF, the World Bank, AusAID, and the governments of South Sudan, Liberia and Uganda. It has no formal governance function but has nonetheless been influential on the strategic direction of the programme.

<sup>6</sup> Marcus Cox is a Director of Agulhas Applied Knowledge ([www.agulhas.co.uk](http://www.agulhas.co.uk)). Ken Robson is an independent consultant specialising in public financial management and other public sector reform.

overall level of achievement. Part C tests the BSI theory of change against a set of evaluation questions derived from the OECD-DAC evaluation criteria and assesses whether the causal mechanisms are supported by the results achieved to date. Part D contains conclusions and recommendations.

## **2. Scope and methodology**

The review covers the BSI programme as a whole, but with detailed examination of its activities done on a sample basis. We looked closely at the two largest and most mature country operations, South Sudan and Liberia, which we visited for one week each. In each country, we looked at a selection of activities that we judged the most significant, in terms of their likely contribution to the achievement of the BSI's overall objectives. The activities we examined amounted to the majority of expenditure in both countries. For BSI's other country programmes (DRC and Uganda), its support for the g7+ and the research component, our review is based on BSI's own reporting and briefings from the BSI team.

The evaluation methodology consists of two main components. First, we were asked to validate the programme's internal reporting on results. BSI's M&E strategy depends in part on narrative reporting on outcomes by BSI teams, which are to be validated through external assessment. We assessed progress on the delivery of inputs. We scored the Annual Work Stream Reviews for the Liberia and South Sudan programmes. We validated a series of Stories of Change generated by the Liberia and South Sudan programmes. We then made an overall assessment of progress, both against the indicators in the programme's logical frameworks ("logframes") and using our own assessment methodology, to generate an overall progress score.

Second, we tested BSI's theory of change against the findings of our evaluation. To do this, we answered ten evaluation questions derived from the OECD-DAC evaluation criteria, which were specified in our Terms of Reference. Drawing on the answers to these questions we assessed:

- How is the BSI model different from other, more traditional forms of PFM support?
- Does it have a clear problem statement that is relevant to the fragile states context?
- Have the assumptions about causality in the BSI model proved to be valid?
- Are there other causal mechanisms involved?

The methodology for the evaluation is described in more detail in Annex F.

## **3. The BSI programme**

BSI was designed as an innovative model for delivering strategic advice and technical support to the governments in fragile states on the development of their budgetary and financial systems. It supports the management of both domestic revenue and external assistance, with the additional goal of promoting accountability to national parliaments and civil society. It works in fragile states, selected on the basis of their need for this kind of support and a demonstrated political commitment to improving PFM. They should have an

actual or emergent reform strategy or the potential to develop one (BSI is willing to undertake initial, small-scale interventions to test this potential).

BSI aims to provide flexible, opportunistic and demand-driven assistance that fills gaps in the assistance provided by other donors and addresses bottlenecks or obstacles to progress in implementing reform plans. It provides a combination of strategic advice, technical support and capacity development, supported by peer-to-peer learning to support sharing of experience between fragile states. It operates according to a number of principles. It builds relationships of trust and offers independent and confidential advice. It is politically informed, taking into account the incentives of counterparts and other stakeholders, making it able to anticipate political and programmatic risk. It is responsive to the particular needs and wishes of its partner countries, avoiding pre-conceived approaches and institutional templates.

BSI aims to influence national PFM policy through strategic advice and technical support. It aims to have a catalytic effect by accelerating reform programmes and influencing approaches taken by other partners. It also aims to support international policy on fragile states, both through its support for the g7+ process and by disseminating innovative approaches to supporting fragile states through its research outputs.

BSI is one of a number of aid delivery mechanisms that David Booth has described as ‘arms-length organisations’ – that is, programmes that are allowed operational freedom from their funders and from restricted project designs, leaving them able to operate as free agents in the pursuit of agreed development goals. In principle, their comparative advantage is building relationships of trust with their counterparts, identifying hidden potentialities for change and helping to broker solutions to collective action problems.<sup>7</sup> Other organisations in this category include Tony Blair’s Africa Governance Initiative<sup>8</sup> and the TradeMark programmes in southern<sup>9</sup> and east Africa.<sup>10</sup>

BSI is funded from a DFID accountable grant of £6.6 million over five years, which covers its management costs and annual operating budgets in its three countries of operation; AusAID has added around £172,000 to these core costs.<sup>11</sup> BSI seeks to raise additional funding for its country operations. So far, it has received £1.5 million for the period 2010-11 to 2012-13 from the DFID South Sudan country programme and a further grant of £2.4 million is under preparation. It has also received tied grants of £330,000 from AusAID, £107,000 from Danida and £13,000 from the World Bank for its g7+ work stream.

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<sup>7</sup> David Booth, “Facilitating development: an arm’s length approach to aid”, ODI Discussion Note, March 2013; David Booth, “Development as a collective action problem: addressing the real challenges of African governance”, synthesis report of the African Power and Politics Programme, October 2012.

<sup>8</sup> <http://www.tonyblairoffice.org/africa/pages/our-approach>.

<sup>9</sup> [http://www.trademarksa.org/about\\_us/background](http://www.trademarksa.org/about_us/background).

<sup>10</sup> <http://www.trademarkea.com/about-us/>.

<sup>11</sup> In 2012-13, it has budgeted £1.1 million for South Sudan, £450,000 for Liberia and £438,000 for DRC.

#### 4. Operating context

The two country contexts that we examined are both fragile states, although with different levels of fragility and conflict. South Sudan is the world's newest state, achieving independence in July 2011. It continues to experience low-level internal conflict and ongoing border disputes with Sudan. Its oil production of 350,000 barrels a day (at peak) provided over 90% of government revenue. Oil production was halted in January 2012 in connection with a dispute with Sudan over charges on use of the oil pipeline, which crosses Sudanese territory, precipitating a major fiscal and balance of payments crisis. The government of South Sudan is still establishing core institutional structures and functions. Although the Ministry of Finance and Economic Planning (MoFEP) is one of its stronger ministries, basic budgetary and PFM systems are missing or incomplete, internal structures are not matched with functions and basic skills are missing. The Ministry has been through a major change of leadership over the life of the BSI programme. The donor community is still predominantly in humanitarian mode and most support for basic services is directed through NGOs. The government is relatively inexperienced at dealing with donors. In 2012, donor-government relations suffered a major setback as a result of the government's decision to halt oil production without informing the donors in advance.

By contrast, Liberia is ten years post-conflict and has enjoyed two democratic elections and a decade of economic recovery. Economic growth is projected at 7.5% in 2013 as a result of strong growth in the mining sector.<sup>12</sup> Compared to South Sudan, the Ministry of Finance (MoF) is a more substantial institution with a stronger skills profile, in part because of its use of contracted-in technical experts. The Ministry has a Reform Coordination Unit, headed by a national expert, which manages a Multi-Donor Trust Fund (MDTF) providing support for a comprehensive PFM reform programme. The Ministry therefore demonstrates clear leadership of the reform process. The Ministry is nonetheless undergoing significant internal restructuring, following a merger with the Ministry of Planning, and demonstrates substantial capacity gaps and internal and external coordination problems.

In addition to their capacity constraints, fragile and conflict-affected states demonstrate a number of characteristics that are relevant to the BSI model. They have wide-ranging reform and capacity development needs, combined with limited capacity to manage complex reform and institution-building initiatives. Faced with a large number of urgent needs, they find the prioritisation and sequencing of reforms difficult. They are often faced with an inrush of donor support which, in the absence of strong national coordination mechanisms, risks overwhelming limited capacity with too many or contradictory reform or institution-building initiatives. With weak fiduciary controls, donors are reluctant to fund through country systems; as a result, funding of basic services through non-government channels can undermine state-building goals.

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<sup>12</sup> IMF, "Liberia 2012 Article IV Consultation", November 2012, page 14.

## Part B: Validation of results

### 1. Inputs

We came across no significant problems with the delivery of BSI's planned inputs. Expenditure has proceeded as planned. BSI has succeeded in sourcing TA inputs in line with its agreed work plans without significant delays. Feedback from partners was that BSI has been responsive to requests for assistance and willing to adjust the mix of personnel as needed.

Feedback from counterparts and other stakeholders on the quality of the BSI teams in both Liberia and South Sudan was almost universally very positive. Stakeholders praised both their analytical skills and the quality of their relationships with national counterparts. They have proved very effective both at the technical design of new systems and procedures and at supporting their implementation through effective communication and facilitation. It is clear that the presence of former ODI Fellows in the teams is a strength. These individuals are accustomed to working inside ministries of finance in low-visibility, facilitative roles, building capacity by demonstrating good practice.

BSI aims to provide a mixture of short- and longer-term advisors, including senior experts and younger or mid-career technicians. While there is obvious value in having a range of advisory inputs available, it is also clear that the demand has been predominantly for mid-career advisers able to provide technical support, rather than for short, strategic inputs.

In Liberia, BSI has two advisers permanently stationed in MoF. In South Sudan, it has a number of advisers who visit on a regular basis, spending upwards of half of their working year in the Ministry. Feedback from counterparts was that they valued longer-term advisers and that the periodic absence of BSI advisers was sometimes a source of frustration. We note, however, that it may also have some benefits. It limits dependency by ensuring that new initiatives are entrusted to counterparts, rather than delivered directly by BSI.

Overall, there has been a shift in the balance of personnel inputs from what was originally anticipated, towards having a mix of mid-level advisers who are stationed full time or regularly present, with less use of high-level, short-term experts. This rebalancing is an appropriate response to the needs and preferences of the counterparts.

### 2. Effectiveness of technical assistance

The BSI logframe includes as an output indicator: "Relevance, effectiveness, efficiency and sustainability of TA support". This is assessed through the production of internal reviews each year on any work stream where the annual investment exceeded £100,000.<sup>13</sup> These Annual Work Stream Reviews (AWRs) are prepared by Country Team Leaders. They provide a narrative description of what progress has been made towards the expected results of each activity. The work stream is then scored by BSI management in London, using the same

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<sup>13</sup> £50,000 for work streams related to programme Output 3, Parliamentary and civil society oversight

scoring methodology as DFID uses for annual project reviews.<sup>14</sup> As part of DFID's Annual Review process, these scores are reviewed and in some cases adjusted by DFID. The scores are then be verified on a sample basis by the external evaluation.

Ten AWRs have been produced and scored to date: 8 for South Sudan and 2 for Liberia. For each of these, we checked that the AWRs were a fair representation of the achievements and assessed the outcomes against the indicators and milestones set out in each country logframe, taking into account where activities and outputs had been appropriately adjusted in accordance with the changing needs and priorities of the counterparts (see Annex A for further detail of the methodology and our rating for AWR).

Of the ten, we scored one at A++ (substantially exceeded expectations), three at A+ (moderately exceeded expectations) and five at 'A' (met expectations). Our scores, in comparison to those produce in-house by BSI, are as follows.

Annual Work Stream Reviews	BSI score	Our score
<b>Liberia</b>		
Support on budget process and policy reform (2011/12)	A++	A+
Support on budget process and policy reform (2012/13)	No score	A
<b>South Sudan</b>		
Support on aid coordination (2011)	A++	A++
Support on budget policy reform (2011)	B	B
Support on PFM reform (2011)	A++	A+
Support on the planning and budgeting process (2012)	A	A
Support on aid coordination (2012)	A++	A+
Support on peer learning (2012)	A	A
Support on PFM reform (2012)	B	A
Support to the Presidency (2012)	A	A

Under each of its output areas, the BSI logframe sets targets for the number of completed assignments scoring 'A' or above by 2014, with a milestone for the number to be achieved by the end of 2012. Progress against that target and milestone is as follows:

<sup>14</sup> Reviewing and Scoring Projects How to Note, DFID, November 2011 provides the following ranking: A++ = Outputs substantially exceeded expectation, A+ = Outputs moderately exceeded expectation, A = Outputs met expectation, B = Outputs moderately did not meet expectation and C = Outputs substantially did not meet expectation.

Output areas	AWRs scoring 'A' or above		
	End of programme target	End 2012 milestone	Our assessment
Stronger budget policy, process capacity and financial management systems in Ministries of Finance	9	5	6
Better management of domestic revenue and external resources by Ministry of Finance	3	2	3
Capacity of Parliaments and Civil Society to perform effective oversight of budget and government spending strengthened	3	2	Not assessed (BSI assessment: 1)
More effective international engagement in fragile states being developed and implemented or applied	3	1	1

This suggests that, for the two areas we examined in detail, BSI has exceeded its 2012 milestones and is on track for achieving its end-of-programme targets on effective technical assistance.

### 3. Stories of change

BSI also tracks its results by collecting stories of significant change (policy, institutional, financial or services). This method is commonly used by capacity building programmes with a flexible delivery model. The technique captures changes that occurred as a result of BSI's interventions that were not separately anticipated at programme design, and are therefore not measured through specific outcome indicators. The stories of change also provide a more detailed and contextualised assessment in narrative form of the programme's achievements. Given the difficulties of capturing these kinds of results within a logframe, we find them to be a valuable addition, providing an accessible means for outsiders to assess the significant of BSI's achievements.

As with the AWRs, the stories of change are generated by BSI staff, informed by recipient assessment and verified on a sample basis by the external evaluation. BSI has produced 12 stories of change for South Sudan and Liberia. We examined 11 of them during our visits, in each case assessing whether the story of change represented a fair assessment of the results achieved and BSI's contribution to them, and whether the change in question merited being treated as 'significant', in terms of its actual or likely contribution to the BIS's overall goal of improving economic governance in the partner countries. BSI has also produced a story of change in respect of its contribution to the development of the New Deal for Fragile States, which we verified through telephone interviews with some of the key stakeholders.

Annex B contains a description of our rating methodology and our rating for each Story of Change. Of the 12 we examined, we verified 9 of them as significant change outcomes. These related the BSI's work on budget and aid management processes. The remaining three were accurate reports, but did not in our view constitute sufficiently significant changes. These included:



- the production of a Citizen’s Guide to the Budget, which was a useful product but not anchored in a significant institutional or policy change;
- peer learning activities in South Sudan in 2012: while peer learning in 2011 was assessed as producing significant outcomes, the activities in 2012 were curtailed and we were not able to link them to any significant institutional change; and
- the provision of an internet connection to the South Sudan Director of Planning: while this was arguably a valid use of BSI’s flexible funding, the story of change does not connect the provision of the output to any significant institutional, policy or service change.

Output areas	Significant changes achieved		
	End of programme target	End 2012 milestone	Our assessment
Stronger budget policy, process capacity and financial management systems in Ministries of Finance	9	Not set	5
Better management of domestic revenue and external resources by Ministry of Finance	6	Not set	3
Capacity of Parliaments and Civil Society to perform effective oversight of budget and government spending strengthened	3	2	0

The logframe tracks the number of significant changes achieved in each of the three output areas, against end-of-programme targets (see table above). The figures suggest that BSI is on track in the budget and resource management areas, but behind on parliament and civil society oversight of the budget. In both Liberia and South Sudan, the latter goal has been narrowed to supporting ministries of finance with the production of documentation for use by parliament and civil society, rather than direct support for parliamentary or civil society capacity. We agree that the appropriate role for BSI is to support ministries of finance in its outreach with external stakeholders and its production of transparent budget data, which is a key enabling condition for effective external oversight of the budget. However, it means that the programme cannot claim capacity development of parliament or civil society as an output. The logframe will need to be adjusted accordingly.

For a programme like BSI, stories of change play an important role, supplementing the necessarily incomplete picture that emerges from quantitative indicators with ‘thick’ descriptions of key change processes. We are less convinced, however, that it is useful to turn them into a quantitative target by counting them. The validation exercise revealed a number of difficulties with this. For example, BSI is supporting complex, multi-annual budget reforms with many different dimensions. It is essentially arbitrary as to whether these are broken down into a number of smaller stories of change, or treated as a single, compound change. We note that the South Sudan stories of change for each of its work streams, which means that it is capturing the same results as the AWR scores. We urge BSI to clarify the difference between these two indicators.

#### 4. Progress against logframe indicators

In this section, we look at BSI's achievements against the indicators in its overall logframe and its logframes for the Liberia and South Sudan programmes (although in principle these are nested logframes, they do not entirely correspond). The three logframes and our assessments of the current indicator ratings are contained in Annex C.

The exercise reveals the difficulty BSI has faced in representing its results in logframe format. At impact level, BSI measure improvements in economic governance through changes in the World Bank's CPIA score<sup>15</sup> (clusters on economic and public-sector management) and the Mo Ibrahim Index (public management sub-category). Neither index has yet scored South Sudan, so there is neither a baseline nor results. In Liberia, no CPIA assessment has been done since the baseline was set. The Mo Ibrahim score increased very slightly from 51.2 of a possible 100 to 51.3, but against the background of a 5.8 point improvement over the past six years, this is not a strong result and is probably a result of changes that pre-date BSI's support.

In South Sudan, the country logframe also introduces some more specific impact indicators. One is the extent of variance in expenditure composition during the last financial years, which has been reduced from a baseline of 43% to 33%. This suggests an improvement in the credibility of the budget. The other is the level of budget resources transferred to the sub-national level in the four BSI priority sectors, which was partially achieved (i.e., in absolute amount, but not as a percentage of the total). The impact indicators therefore show positive impact in South Sudan, but no impact in Liberia or overall.

At outcome level, the overall logframe relies on CPIA scores (no data) and on the Open Budget Index. The latter suggests some improvement in both Liberia and DRC (no data for South Sudan). In the case of Liberia, this improvement may be attributable to BSI's support.

In South Sudan, the three outcome indicators give only a very partial picture of the outcome goal, which is: "More effective, transparent and accountable budget and aid management policies, processes and systems in South Sudan focused on infrastructure and service delivery". A PEFA score of 'C' for public access to information has been achieved, which is clearly attributable to BSI support, but a 'B' score for transparency of intergovernmental fiscal relations was not achieved. No method has been developed for reporting against the third indicator, which is the proportion of aid passing through country systems. While BSI has some very promising activities in this area, it is unlikely that they have yet delivered results. In Liberia, the only results against outcome indicators is the slight improvement in the Open Budget Transparency Index. This is poor representation of the BSI's outcomes, which we assess qualitatively in the next section.

The indicators tell a better story at output level. In the overall logframe, improvements in the quality and timeliness of budget documents are measured through PEFA scores, which

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<sup>15</sup> Country Policy and Institutional Assessment, now known as the IDA Resource Allocation Index: <http://www.worldbank.org/ida/IRAI-2011.html>.

are available only in the case of Liberia and there show regression. There is no data on changes in predictability of budget releases or improved management of aid resources. On parliamentary and civil society oversight of the budget, only the Uganda programme suggests some qualified progress. The output story therefore rests on the number of AWRs scored at 'A' or above (9) and the number of significant change stories (8). Although there is a measure double counting here, this is a much stronger result. The stories of change are, in our assessment, outcomes of the project, as they indicate not just the delivery of an activity or product, but a significant change to counterpart policies, institutions, finances or service delivery.

The outputs for the g7+ component all demonstrate progress. BSI has supported the uptake of New Deal principles in Liberia, has significantly contributed to the functionality of the g7+ secretariat in Dili and has successfully supported the conduct of a Fragility Assessment in Sierra Leone. Similarly, the research component, although to some extent back-loaded over the five years, appears on track to deliver its output targets, having produced 4 major research papers and a significant number of smaller research and dissemination outputs, including a dedicated website. BSI has not yet developed a method for assessing the quality of these outputs, but they appear to us to meet ODI's usual high standard.

## **5. Overall assessment of progress**

Through this validation exercise, we can offer the following conclusions on the progress of BSI to date. Its inputs have been delivered as planned and the quality of the advisory support is consistently very high. Of its 10 Annual Work Streams, 9 have delivered at expectations or above. This is a very high success rate for a programme working in an experimental way in volatile environments. The Stories of Change suggest that BSI has contributed to an impressive range of significant changes at the policy and institutional level.

The indicators in the logframes provide very little useable information on progress towards outcomes and impact. However, this is due more to weaknesses in the logframe indicators than to deficiencies in the performance of the programme. It is notable that the South Sudan country logframe, where the indicators have been better adapted to the information available, the indicators tell a better story on emerging impact. Our assessments of the logframes and indicators and our suggestions for improving them are set out in Annex G.

We found that BSI has made a significant contribution (alongside other actors) to its intended outcome of 'more effective, transparent, and accountable budget policies, processes and systems'. In South Sudan, its contributions, working in collaboration with others, include:

- helping to establish a regular budget calendar with planning guidelines, that have been broadly followed, albeit with delays, despite the fiscal crisis;
- developing the National Budget Plan, as the key budget strategy document;
- strengthening the mechanism for setting budget ceilings and linking them to strategic budget priorities;

- increasing the capacity of four line ministries to participate in the budget process, including through the development of sector budget strategies and aid financing plans;
- developing a system for cash management and setting expenditure limits;
- initiating a regular cycle of budget execution reports;
- integrating aid and budget data, creating a capacity for more strategic management of development finance as a whole;
- policy influence and stakeholder facilitation around the fiscal crisis and the need for an austerity budget;
- supporting the design of systems for aid coordination and management through a revised Aid Strategy;
- building a shared understanding between MoFEP and key line ministries of the constraints on effective service delivery and beginning to develop a shared vision for how these might be addressed; and
- as a result of BSI's work, donors had begun planning the funding of service delivery through country systems.

Many of these results have been delivered in the midst of a severe fiscal crisis when budgetary processes could easily have deteriorated. Although harder to attribute, we think it is likely that BSI has also delivered substantial preventative outcomes, in helping to contain the impact of the crisis.

In Liberia, it will take several more years before an assessment can be made of the success or otherwise of the introduction of the MTEF. International experience suggests that an MTEF requires at least three budget cycles to become effective. The MTEF process has nonetheless provided BSI with a platform for supporting some useful changes to sector planning and budgeting, including

- a reclassified budget structure by sector and programme;
- a new chart of accounts;
- the introduction of Budget Policy Notes;
- more functional Sector Working Groups; and
- the preparation of Sector Expenditure Plans.

BSI has also introduced a methodology and tools for producing medium-term estimates of expenditure, and software that integrates data from ministries and on aid flows into the MTEF and Public Sector Investment Programme reports. In the aid management area, it has contributed to a new structure and staffing plan for the Aid Management Unit. It has helped to align aid data to the new budget structure, providing a comprehensive, medium-term investment picture. It has facilitated some useful contacts between the UK Treasury and the Liberian Ministry of Finance, particularly its macro-fiscal unit.

The level of achievement in Liberia is somewhat lower, owing to a smaller engagement and a narrower remit for BSI, giving it less scope to pursue its flexible, problem-solving approach. Furthermore, PFM reform processes in Liberia are more mature, its aid architecture is more structured and government leadership of the development partnership much more advanced. The BSI model is therefore arguably a better fit to the early transition

environment of South Sudan. We nonetheless conclude that the BSI model has proved its value in the Liberian context, delivering useful results on a smaller scale.

In our view, the programme would rate an 'A+' (above expectations) for its achievements to date, and an 'A++' for its work on bringing aid onto the budget.

## **Part C Theory-based evaluation**

In this section, we assess BSI's theory of change against its claim to offer a unique and innovative model for delivering PFM reforms in fragile states. First, we offer brief answers to each of the evaluation questions sets out in the TORs, which are derived from the OECD-DAC evaluation criteria. Second, we test the theory of change for its relevance, its difference from other delivery models and whether its assumptions on causality are borne out by experience. Finally, we offer our suggestions for how the theory of change can be refined.

### **1. Evaluation questions**

#### *1.1 Is BSI providing high quality, relevant and cost effective advice?*

BSI's technical support is of consistently high quality. We reviewed a significant number of written outputs which had been either authored by BSI or where BSI had supported their production by national counterparts. These included short briefing notes and PowerPoint presentations, 'how to' notes and training materials, through to substantial concept and research papers. We found these to be of consistently high quality with impressive depth of analysis even where produced under very tight time frames. The content was always relevant and informed by the experience of BSI staff in other countries. The style of presentation and drafting was straightforward and easy to follow, which is extremely important for the context. Where lengthy documents were required, BSI also produced summary versions, showing an appreciation for the preferences and time constraints of their counterparts.

Importantly, BSI's support is not limited to designing processes. It also supports implementation in a hands-on fashion, working directly with the responsible officials to demonstrate processes and ensure that they are understood. Feedback from stakeholders and our own observations confirm that the BSI teams are very good at this communications role. As a result, we were able to confirm a high rate of uptake of BSI's proposals, indicating both their relevance and usefulness and the quality of facilitation that BSI provides for their implementation. There are of course exceptions, given the volatile environment. For example, work done to prepare a Road Infrastructure Fund in South Sudan was not taken forward, owing to changing government and donor priorities.

We had some feedback from stakeholders to the effect that BSI is sometimes unrealistic (leading its counterparts also to be unrealistic) as to the length and complexity of implementing some of its initiatives, and the speed with which donors can adapt their programmes and approaches. There were suggestions to the effect that stronger implementation experience in the team would be helpful. Connected this observation was a concern that BSI is sometimes excessively 'pushy' in its dealings with donors. While a

measure of pushiness would seem to be a necessary part of BSI’s role, there would be merit in BSI giving more consideration to how to manage communications with stakeholders around some of its initiatives.

While BSI’s core skills are in designing and introducing new systems and processes, it is less convincing on issues of organisational restructuring. There was one instance in South Sudan where an attempt to support the restructuring of MoFEP had gone awry. While the fault was not solely BSI’s, it appears that organisational change management is not a particular strength of the programme.

It is also apparent that high-level strategic advice, provided through short visits from senior advisors, has proved to be less important to the model than originally anticipated. It is usually only possible for advisers to play a strategic advisory role when they have established relationships with senior counterparts and ministers. These relationships are difficult to develop from a distance through short visits. Furthermore, the demand from counterparts has been predominantly for technical advice and implementation support, which is best delivered in a hands-on manner by advisers who are either stationed in country or visiting on a regular basis.

### *Cost effectiveness*

Cost-efficiency refers to economy (securing inputs for the lowest price) and efficiency (maximising outputs for a given level of inputs). BSI uses two variables to measure its cost-efficiency. First, it benchmarks its daily consulting rates with those of other TA providers. Second, it compares its administrative overhead with comparable programmes.

Table 2 compares BSI’s current fee rates for consultants with different levels of experience with (a) the current DFID Framework Agreement for governance-related consultancy services; (b) indicative rates from a range of major UK consultancy firms working in the PFM arena; and (c) the average fee rate paid to short-term experts funded by the IMF’s Caribbean Technical Assistance Centre.

<b>Table1: Comparison of daily fee rates (£)</b>				
<b>Years’ experience</b>	<b>BSI</b>	<b>DFID Framework Agreement</b>	<b>UK major firms</b>	<b>IMF<sup>16</sup></b>
5-10	300-500	430-655	750	
10-20	600-800	605-875	900-1200	
20+	950	825-985	1700+	
<b>Average</b>	<b>596<sup>17</sup></b>			<b>760</b>

<sup>16</sup> K. Watson et al., “Evaluation of the Cost Effectiveness of CARTAC in the First year of Phase IV (FY2011)”, May 2012. Average cost per day of short-term experts = US\$1,141, converted to GBP at US\$1.5:£1.

<sup>17</sup> Figures provided by BSI.

BSI has relied on the comparison with UK major firms to demonstrate its economy. In fact, we think that published fee rates from consulting firms may differ significantly from those they ultimately receive in donor-financed PFM programmes, particularly of longer duration. Competitive pressures probably bring their rates closer to those offered under the DFID Framework Agreement.

At middle and high levels of experience, there is little difference between BSI's rates and those under the Framework Agreement. BSI is, however, more competitive on rates for junior consultants, who deliver a significant proportion of the support. BSI has also made efforts to reduce its travel costs by making more extensive use of video-conferencing for management purposes and limited use of business class flights. We therefore conclude that the economy offered by BSI is on a par with or slightly better than alternative delivery partners.

BSI's programme documents originally estimated administrative overheads at 12%, and at DFID's insistence it has kept within this ceiling. This is well below the IMF's published overhead rates (covering 'office coordination and administration' and 'backstopping and programme management') for its Technical Assistance Centres, which vary from 19% to 21%. However, such comparisons are likely to be unreliable owing to definitional differences. We nonetheless are of the view that, based on the information we have collected, management overheads on PFM reform programmes are typically at 15% or above, putting BSI at the lower end.

### *1.3 How effectively has the programme responded to uncertainty and risk in fragile states?*

Fragile states are characterised by high levels of volatility, which was particularly apparent in the case of South Sudan. BSI's activities were undertaken during a period of profound fiscal crisis. At the time of our visit, the government had been unwilling to set realistic budget ceilings because of the political costs involved, which had delayed implementation of the annual budget calendar. Some of the line ministries we consulted queried the point of a rigorous budget process when the available resources were so inadequate. The cessation of oil production also led to a substantial deterioration in government-donor relations which affected BSI's activities.

We found BSI's response to this succession of crises to be strategic. First, it provided strategic advice to the government on how to manage the fiscal crisis, including advice on dealing with the IMF and on the political handling of austerity. This advice was offered at both political and technical levels. Second, it advised and supported communications with the international community, including reassuring donors that government was taking the fiscal crisis seriously and developing a strategy for attracting budget support. BSI analysis and materials were included in the Minister of Finance's Budget Speech and at key government-donor meetings. We received good feedback from donors as to the value of this work.

Third, BSI pressed ahead with supporting the implementation of core budgetary systems and processes. It recognised that budget reforms were essential in order to manage an austerity budget effectively, demonstrate to donors that government was taking the fiscal

crisis seriously and increase the prospects of donors agreeing to provide emergency budget support. The fiscal crisis also created opportunities for introducing fiscal discipline that had not been present while oil revenues were plentiful.

BSI's ability to respond strategically to the crises in South Sudan flows from its flexible, problem-solving approach to delivery, rather than from the use of conventional risk-management tools (although these also exist). In that sense, the model is inherently well suited to the volatility found in fragile states.

### *1.3 Are inputs provided by BSI contributing to identifiable institutional changes?*

#### *Approach to capacity development*

According to the South Sudan work plan, BSI's model of capacity development involves "a complementary package of strategic advice, technical support, training and peer learning". In practice, the support is mostly strategic advice and technical support, together with some on-the-job training. There is no capacity needs assessment, no structured mentoring of key counterparts and no explicit training programme.

Some skills transfer clearly occurs through BSI staff working directly with counterparts. We had some feedback from donors that BSI's senior counterparts had become more confident in their portfolios and in dealing with donors as a result of BSI's support. However, the feedback from the South Sudan MoF was that, while on-the-job training was useful, they saw the need for a more systematic approach to skills development. In South Sudan, we met with a group of junior budget officers. While they had picked up some skills, our impression was that they had not benefited as much as they might from BSI's presence.

By contrast, one of the senior counterparts in the Liberia MoF expressed the view that the role of BSI was to act as role models for his staff in diagnosing problems, identifying solutions and seeing them through to successful implementation.

While BSI is clearly not set up as a training or mentoring programme, the model would be strengthened by giving more thought to an overall capacity building approach, identify BSI's role among contribution among other assistance programmes. Furthermore, when supporting the introduction of new systems, BSI could pay more attention to assessing the capacity requirements of those systems, to enhance sustainability.

#### *Peer learning*

BSI's programme documentation identifies peer learning among fragile states as a key element of the model – particularly linking fragile states with states that have progressed further in transition out of conflict and fragility. To that end, BSI has attempted to build a lasting partnership between South Sudan and Uganda, which are contiguous and share a range of commonalities. It organised or supported three visits by different groups of South Sudanese officials to Uganda. In each case, BSI staff supported the visits with background briefings and ensured that the messages received from Ugandan officials were consistent and pitched at a useful level. The BSI team reports a range of learning outcomes, including



the importance of involving the President more in the budget process. Other peer learning activities were also held with Rwanda.

More recently, peer learning activities have been curtailed by the fiscal crisis, with the government unable to pay *per diems* for travelling abroad. While feedback on these activities was broadly positive, the South Sudanese counterparts questioned the relevance of the Ugandan experience and expressed a desire to visit other countries.

Our conclusion was that, while peer learning can be useful, it needs to be both tightly focused on the achievement of specific learning outcomes and extensively prepared by the BSI team. It seems unlikely at this point that BSI could help to broker peer learning partnership which are then taken forward effectively by the two countries without BSI support. While peer learning should be retained as a strand of BSI's capacity development approach, it should not be seen as integral to the model.

#### *1.4 Is BSI having an effect on Government strategy and policy on PFM reforms?*

Here, there is a clear difference between the experiences in South Sudan and Liberia. At the time of BSI's engagement, South Sudan was at a much earlier stage of its post-conflict transition, without a well-established PFM reform programme and with limited government leadership of external assistance. The programme worked to build consensus on the reforms required. It conducted an internal review of PFM and budget systems and a senior management retreat, leading (with the support of other TA programmes) to the development of a new planning and budgeting calendar and guidelines. It helped to prepare a number of key budget policy documents, including a National Budget Plan (macro-economic and fiscal plans; overall budget priorities) and the 2012/13 Budget Speech (annual budget policy).

It has regularly helped the Ministry of Finance to communicate its PFM reform policies and strategies to donors, through presentation materials and advice on communication. This helped to minimise the disruption caused by the fiscal crisis on external support and rebuild the government's credibility with donors following the rupture in relations. It is likely that it also helped to reinforce the commitment of the Minister of Finance and his senior staff to persevere with PFM reforms through the crisis period. We therefore conclude that BSI has made a substantial contribution to shaping and maintaining government strategy and policy on PFM reforms.

In Liberia, the strategies and policies were already well established at the time of BSI's engagement. BSI has fitted into a particular niche at the request of the Ministry of Finance, filling a function alongside larger and flexible assistance programmes. The Ministry of Finance clearly indicated that BSI's contribution had been to introducing basic systems and supporting good practices, rather than at the policy or strategy level.

#### *1.5 How demand led has BSI been?*

BSI's programme documentation stresses that it is a demand-led programme, responding to requests from governments. Its work plans are agreed on an annual basis with counterparts.

There are instances where BSI responds to a direct request from government – for example, by funding internet connections for the South Sudan Directorate of Planning or conducting an urgent costing of the poverty reduction strategy in Liberia.

However, the phrase ‘demand-led’ is not an adequate description of the BSI model. Fragile states are not necessarily able to articulate a clear set of priorities and their requests for support tend to be *ad hoc* rather than strategic. They may receive conflicting advice from donors as to the priorities, and the donor-promoted reform agenda risks overwhelming limited capacity to manage change. In such an environment, country ownership and leadership of the reform process must be built over time. Effective demand is therefore an outcome of BSI’s support, rather than a precondition for it.

This is particularly apparent in the South Sudan context, where BSI has been instrumental in helping to diagnose needs and develop a credible reform strategy. At the activity level, it helps to broker solutions to recognised problems by building consensus across a range of stakeholders and resolving blockages as they arise.

We can say, however, that BSI is clearly not supply-driven. The flexible design means that teams are not accountable for the delivery of specific, pre-determined outputs. They are able to try out different solutions, abandon initiatives that are not successful or shelving them until the political climate is more favourable. This suggests that the BSI model involves a different set of incentives than those of most TA programmes.

One of the conditions for the model is that teams have a relatively high degree of licence to work on a range of problems and identify possible solutions. We encountered some concern from peer programmes in South Sudan as to whether BSI always had clear authorisation from government, particularly to engage in politically sensitive areas. In practice, BSI’s work plans are always approved by its counterparts and it has explicit permission from the Minister of Finance for its political engagement. Nonetheless, we take the view that the high level of flexibility and trust given to BSI in turn requires constant attention to the authorising environment and very clear lines of accountability. To this end, the programme would benefit from a stronger governance structure at the country level (see section X below).

### *1.6 Has BSI had a catalytic effect?*

‘Catalytic effect’ is a difficult idea to test through evaluation. We take it to apply to interventions that mobilise the efforts of other actors (government and development partners), thereby achieving results that are of a different order of magnitude than the inputs provided.

We saw examples of interventions in South Sudan that are at least potentially catalytic in nature. These include the provision of strategic advice to government around the handling of austerity budgets and donor relations and design work for donor financing of basic services through country systems, both of which may unlock new sources of donor funding. The problem-solving nature of the assistance helps to clear blockages and increase the prospect that other donor programmes will be successful. BSI has also provided significant

contributions to other donor programmes, by supporting design processes and helping to the counterparts to engage more strategically with donors.

None of these results can be quantified, nor can attribution be proved against a counterfactual. We nonetheless think that it is plausible that the BSI model is achieving catalytic results.

### *1.7 Is BSI having a sustainable impact on budget, policies, processes and systems capacity?*

#### *South Sudan*

In South Sudan, BSI has made good progress towards its goal of introducing more effective, transparent and accountable planning and budget processes. Working collaboratively with other TA partners, it has helped to introduce and/or strengthen a number of key elements in the annual budget process, including a new planning and budgeting calendar and guidelines, a National Budget Plan (macro-economic and fiscal plans; overall budget priorities), the 2012 Budget Speech (annual budget policy), a Donor Book (describing donor programmes by sector) and a Budget Book (revenue and expenditure estimates). It supported the introduction of quarterly budget execution reports. It supported Sector Working Groups in health, education, water and community infrastructure to prepare Budget Sector Plans,<sup>18</sup> which define their intended outcomes, priority activities and aid financing plans, and to develop Service Delivery Frameworks (mapping the responsibilities for service delivery and identifying blockages) for education, health, water and community infrastructure. BSI supported both the design and implementation of these new processes, including building an understanding of their function across MoFEP and key sectors and demonstrating how they should be implemented.

As a result of these activities, there is now a more structured approach to budget preparation. The budget is underpinned by a better understanding of strategic spending priorities, the aggregate resource envelope and the importance of budget ceilings. The budget timetable has been established and key inputs into the budget process are being produced, disseminated and utilised. The main requirements of the South Sudan's Financial Management and Accountability Act in relation to the budget process are now being met.

These reforms were severely tested through the fiscal crisis and we saw some evidence of disruption to MoFEP's reform programme and the budget cycle. We were nonetheless impressed at the resilience of the new budget processes to the crisis. Despite severe cutbacks in expenditure, the structure and discipline of the budget processes has remained intact. There are signs that, in response to the crisis, the government increased its commitment to transparency and improved its engagement with both national and international stakeholders in the preparation of its austerity budgets. The evidence suggests that the presence of BSI also played an important in minimising disruptions and encouraging MoFEP to take advantage of the opportunities presented by the crisis.

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<sup>18</sup> USAID-financed advisers supported the remaining sectors.

BSI's second goal is to introduce effective aid management processes. To that end, it supported the development of an Aid Strategy that describes the main aid coordination processes. Its implementation has been somewhat disrupted by the fiscal crisis. Donors expressed concern about the level of government attendance at some events and at the failure of the government to convene a planned high-level forum. BSI designed and implemented a mechanism for integrating aid data into the budget planning system, allowing aid and national budget data to be presented jointly. This is a very effective software tool that has also been used in Liberia. BSI has provided strategic advice and support to MoFEP in its dealings with the donor community during a difficult period. BSI has also been working to develop a Local Services Support Aid Instrument, which sets out principles and processes by which donors could shift to financing local services and infrastructure through government systems. The initiative has been highly influential on the design of the World Bank's Local Government and Service Delivery Programme (to which BSI has provided technical support). It has also led to the development of a coordinating structure within certain sectors to address constraints on effective service delivery.

It is difficult to draw conclusion on the results of these processes for aid management, given the disruptions to the development partnership over the past year. It seems likely that the systems and processes that BSI has helped to develop will begin to take root once the immediate fiscal crisis is resolved. Some of the donor representatives we spoke to gave feedback to the extent that BSI's support to MoFEP had helped to prevent further deteriorations in the development partnership and to rebuild communications after a breakdown.

### *Liberia*

The Liberia country programme is on a smaller scale and its outputs and outcomes should be assessed accordingly. Its overall goal is to support the introduction of more effective, transparency and accountable budget policies, processes and systems. Within that goal, on the request of MoF, it has focused on the development of a Medium-Term Expenditure Framework (MTEF), which was a statutory requirement. It has made progress on introducing the MTEF into core budget processes at the centre, while embedding it and rolling it out across line ministries will take several budget cycles. We observed that the basic building blocks are in place and understood by the relevant officials. Across sector ministries, there appears to be an understanding that budgets need to be linked to the achievement of the country's development objectives, and a progressive alignment of sector priorities and budgets is underway.

An MTEF is an ambitious undertaking for a fragile state. There are substantial challenges ahead with using the MTEF to align the recurrent budget, capital budget and aid flows to the national development strategy. In the best case, it will take some years to achieve. Furthermore, if there continue to be protracted delays in passing budgets, by up to five months in the 2011/12 and 2012/13 fiscal years, it will pose a serious threat to the credibility and value of the MTEF process.

BSI has also been working to integrate aid flows into the budget and align them to the MTEF process. To that end, it has adapted the software tools developed in South Sudan.

Information from donors has been aligned to the new budget structure, by sector and programme, providing a comprehensive picture of development expenditure over the medium term. Donor projects are also fully integrated into the national budget, with project profiles introduced into the capital budget. There is still much to be done to improve the quality of aid data, but a good start has been made and a roadmap developed for further improvements.

### *1.8 Has BSI increased uptake of good practice and promoted innovation?*

The bulk of BSI's efforts go towards the introduction of basic budgetary practices and aid management systems. The challenges faced by its counterparts are common ones, to which there are only a limited range of possible solutions. For the most part, the innovative aspect of BSI's support lies not in its technical solutions, which other providers could equally offer, but in its ways of working with its counterparts, which leads to a higher level of take-up of its initiatives that would be the case for most PFM reform programmes.

We did, however, come across two important examples where innovation had been important. First of all, in both Liberia and South Sudan, BSI has introduced an innovative technical approach to integrating aid data onto the budget, using its own software tools. In our experience, other countries have struggled to integrate aid and budget data in such a way as to strengthen the overall management of development resources. In Liberia, the Ministry of Finance was able to provide us with specific examples where the integration of the data had enabled it to achieve savings by avoiding double financing of capital projects between government and donors.

Second, in South Sudan, BSI has designed a reform programme that would allow donors progressively to shift to supporting basic services through country systems. The reform programme builds on BSI's research into common blockages in service delivery. Based on this research, BSI developed a diagnostic tool for identifying blockages, such as policy incoherence, unfunded mandates and capacity gaps. It is promoting a new approach to funding basic services through transfer to local governments as and when they are able to demonstrate a credible processes to addressing these blockages. Although at an early stage, we observed that this initiative had helped to build a shared vision between government and donors for how to shift from emergency provision of basic services through NGOs towards government service delivery.

### *1.9 Has BSI increased partner Government capacity and capability sustainably?*

Sustainability is a difficult standard to apply to this kind of work. The results described above are still emergent and it is premature to draw conclusions as to their sustainability. Furthermore, BSI supports fragile states during their early transition phase, helping with a set of challenges that are characteristic of that period. Often, the problems that BSI seeks to address will be short term in nature. In complex transitions, the mark of progress is often that today's problems are resolved so that tomorrow's problems can be tackled. If BSI is successful, the country in question will develop core budgetary systems and will be a more astute customer of external assistance. It will, however, continue to need external support for many years.

We have some specific concerns about the sustainability of BSI's activities in Liberia. International experience suggests that the risks of failure in introducing an MTEF into a low-capacity environment are high. The sustainability of the Liberia MTEF is in addition under threat from two directions: the inability of the Legislature to approve the budget on time; and the disruption to budget execution caused by unpredictable cash releases. Both of these factors undermine the credibility and predictability that are the goals of the MTEF process.

We also believe that there is scope for BSI to develop a more explicit focus on the sustainability of the systems and processes it helps to introduce. When designing new initiatives, it should put more emphasis on planning the implementation process, including ensuring clear assignment of responsibilities, identifying capacity gaps and developing an strategy for filling them. While it may not be BSI's role to deliver training programmes, it should work with others to make sure that the necessary skills development occurs.

## **2. Assessment of the theory of change**

### *2.1 How is the BSI model different from other, more traditional forms of PFM support?*

In our interviews, BSI staff described the model primarily in terms of its operating principles – namely, independent advice, relationships based on trust and confidentiality, the speed and flexibility of support and the use of politically informed, tailor-made solutions rather the mechanical application of best-practice models. While the BSI does indeed conform to these principles, we were not able to establish that they were unique to BSI. Other technical assistance (TA) providers claim to follow the same principles. For example, managers of the USAID-funded TA programme in South Sudan informed us that they were not required to share confidential information with USAID, that they were able to change activities and outputs quickly in pursuit of their goals and that they could deploy short or long-term advisers on short notice. Similarly, the IMF's AFRITAC programme aims to provide high-quality TA that is flexible, responsive and country-owned, able to deploy advisers within two weeks of a request. All information received and advice given is kept confidential unless the partner country gives explicit approval for its disclosure.

Nor is the type of advice and support that BSI provides necessarily different from other TA programmes. In both South Sudan and Liberia, BSI is working alongside a range of other TA providers according to an agreed division of labour that is largely arbitrary – that is, the division could be organised in a different way without affecting the quality of support.

Similarities and differences between BSI and the IMF Technical Assistance Centres	
Similarities	
<p><u>Both aim to provide:</u></p> <ul style="list-style-type: none"> <li>High-quality TA</li> <li>Flexible and responsive support</li> <li>Tailored to the context</li> <li>Both demand-driven and proactive</li> <li>Based on country ownership</li> <li>Strong relationships</li> <li>Confidentiality</li> <li>Informed by good practice and international experience</li> <li>Support for regional networking</li> <li>Strategic use of small-scale funding</li> </ul> <p><u>Neither has:</u></p> <ul style="list-style-type: none"> <li>Established country offices</li> <li>A structured approach to skills development</li> </ul>	
Differences	
BSI	TAC
<ul style="list-style-type: none"> <li>Short- and long-term TA inputs</li> <li>Combines ‘upstream’ advice on strategy, policy and reform design with ‘downstream’ support for implementation</li> <li>Low visibility/profile</li> <li>Limited management infrastructure</li> <li>Strong analytical, problem solving, facilitation and communication skills</li> <li>A mixture of mid-level and senior expertise</li> <li>Research support</li> <li>Problem-solving methodology</li> </ul>	<ul style="list-style-type: none"> <li>Short-term inputs</li> <li>Upstream only, with no implementation support</li> <li>Higher IMF visibility/profile</li> <li>Permanent regional presence and infrastructure</li> <li>Strong technical skills</li> <li>Senior expertise</li> <li>No research capacity</li> <li>Greater reliance on international best practice</li> </ul>

In Liberia, the government’s Public Financial Management Reform Strategy and Action Plan 2011/12 - 2014/15 is supported by multi-donor support totalling US\$28.5 million. BSI’s annual budget for 2013/14 is just £250,000. On the request of the MoF, BSI works on a specific element of the reform programme (the introduction of a Medium-Term Expenditure Framework and related processes) not covered by other assistance, playing a useful gap-filling role. BSI is also willing to pass activities on to other projects better equipped to deliver them. For example, in connection with its work on local service delivery in South Sudan, BSI helped to design the terms of reference for the development of a local government financial management system and PFM manual, which was funded through a multi-donor Capacity Building Trust Fund.

While BSI is not necessarily different than other TA programme in its operating principles or the type of advisory support it provides, the model has a number of distinct features. First,

it has a broader and more strategic remit. It focuses on the management of development resources as a whole, including both the national budget and aid flows. This is of key importance in fragile states, where an inrush of poorly coordinated donor support can overwhelm national management capacity and undermine the incentives for sound budgeting. In both South Sudan and Liberia, BSI has helped to introduce systems that capture aid data in such a way that it can be used to inform both aid coordination and national budgeting. While donor programmes working on aid management and budget processes are common in fragile states, BSI has gone further in integrating the two than we have seen elsewhere. The Deputy Minister for Budget in Liberia volunteered to us that any programme that enables a fragile state to gain effective oversight of its aid flows “deserves a Nobel Prize”.

This ‘big picture’ orientation also enables BSI to provide strategic advice on critical issues. In South Sudan, it has been developing systems that, over time, will allow a transition from donor financing of basic service delivery through NGOs to funding public services through government systems – a key state-building goal and one of great importance to the government of South Sudan. This is a complex transition involving changes in systems and behaviours on both government and donor sides. BSI has been instrumental in the design of a transition process, working both on aid practices and government systems, although its implementation is at an early stage. It is difficult to imagine a conventional TA programme being able to engage effectively in a problem set as broad as this. Our feedback from stakeholders included comments such as: “ODI/BSI keeps connecting the dots” and “ODI sees the big picture and translates it into reality”.

In terms of how BSI works, we identified four distinctive types of support that it offers:

- It helps the partner government to articulate an overall PFM reform strategy, providing strategic advice to ministers and senior managers on the prioritisation, sequencing and design of reforms.
- It helps with the design and implementation of core budget and aid management systems. In doing so, it works alongside other TA providers, often in gap-filling mode. The BSI team offers particular skills on system design.
- It helps identify and resolve problems or blockages in the delivery of budget reforms and in the management of the development partnership. BSI is an embodiment of the approach to TA known as ‘problem-driven iterative adaptation’.<sup>19</sup> Its distinctive features are that it begins from recognised problems, rather than international best practices, it pursues institutional change as an iterative, step-by-step process, and it emphasises building consensus among stakeholders and across institutional boundaries. David Booth describes it in terms of brokering solutions to collective action problems.<sup>20</sup>
- It helps to fill in a missing management layer in its counterpart institutions. While the Ministries of Finance in both South Sudan and Liberia have policy-competent

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<sup>19</sup> Matt Andrews & Michael Woolcock, “Escaping capability traps through problem-driven iterative adaptation”, Center for Global Development Working Paper No. 299, June 2012.

<sup>20</sup> David Booth, “Development as a collective action problem: addressing the real challenges of African governance”, synthesis report of the African Power and Politics Programme, October 2012.



individuals in senior positions, they lack a middle management capable of seeing reform initiatives through to a successful conclusion. In South Sudan, in particular, where BSI has a larger team, BSI's presence boosts the capacity of the counterpart institution to manage and absorb change. In both countries, it supports the capacity of the Ministries of Finance to communicate and support line ministries, strengthening their engagement with the budget process.

In addition, the BSI programme structure facilitates its strategic orientation and its flexible, problem-solving approach to delivery.

- It is funded from an accountable grant, giving it greater autonomy in the pursuit of agreed goals.
- It has an open-ended design. Its logframes commit it to achieving a certain number of identifiable institutional changes, without specifying in advance what those changes should be.
- As an implementer, ODI bring its own mandate as a development think tank with a commitment to improving international aid practice that goes beyond its immediate accountability to BSI's funders.
- ODI deploys staff (many of them former ODI Fellows<sup>21</sup>) with experience of working inside institutions and supporting change processes in a low-profile manner. Their team brings strong analytical, communication, facilitation and networking skills, together with a familiarity with the politics of reform processes.

Together, these factors create a distinct set of incentives that set BSI apart from other TA providers. BSI teams display an evident concern not just with the immediate outcomes of their activities, but with the success of the wider development partnership. They are willing to facilitate processes behind the scenes without taking credit for them, which contributes to their ability to support meaningful institutional change. (The Liberian Deputy Minister for Budget praised BSI's willingness to "move from the driving seat to the back seat".) It also affects the way they work with other aid projects. In South Sudan, we observed that they were helping to shape and facilitate other projects and were willing to pass activities across to other projects where that made sense.

BSI has £6.6 million in un-earmarked or core funding from DFID. This enables it to fund small-scale operations in three countries. If BSI wishes to expand its operations in a particular country, it needs to raise additional funds, as it has done in South Sudan. This combination of flexible, core funding and additional funds secured at country level seems to us strategic. First, the flexible funding enables BSI to establish operations on a small scale in new countries for a limited period, to test whether the environment is suited to the BSI model. If it can demonstrate success, it should be able to raise additional funds to expand its activities. Second, the flexible funding enables BSI to launch programmes under its own initiative, rather than according to the directions of a funder. This contributes to position as an 'arms-length' organisation. Third, it enables BSI to commit funds to other opportunities

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<sup>21</sup> The ODI Fellowship Scheme deploys graduate economists into line positions the government institutions in developing countries: <http://www.odi.org.uk/fellowship-scheme/about>.

as they arise – for example, its support for the New Deal process at the Busan High-Level Forum and a fragility assessment in Sierra Leone.

## 2.2 Does BSI have a clear problem statement that is relevant to the fragile states context?

While there are aspects of the BSI model that would represent good aid practice in any developing country context, it is particularly well suited to fragile states embarking on major transitions. These transitions are characterised by large donor flows without well established channels or channels or coordination mechanisms, making it difficult for governments to exercise effective leadership. Country systems are weak across the board, making the prioritisation and sequencing of reforms particularly challenging, while partner country capacity to manage complex reform processes is low. Donors are committed in principle (including under the New Deal) to supporting state-building by directing aid through country systems, but the practical problems in making the transition from emergency humanitarian support to more sustainable development aid are substantial. Trust and communication between government and donors is often limited. Early transitions are also punctuated by frequent political or economic crises that keep both government and the donor community focused on short-term imperatives rather than strategic goals.

With its broad, strategic outlook and its problem-solving approach to systems development, BSI is well placed to address this characteristic set of problems. It is able to address the problem of aid coordination and establishing basic budgetary systems as two components of the larger problem of building effective management of development resources. The combination of strategic advice, systems development, implementation support and a problem-solving approach are particularly suited to this environment. As the country in question progresses further into its transition and establishes more effective management of donor assistance, it becomes a more effective consumer of conventional forms of technical assistance and its need for this kind of support reduce. The BSI model therefore has a window of time in which it is particularly relevant.

## 2.3 Have the assumptions about causality in the BSI model proved to be valid?

The following table summarises the main causal mechanisms in BSI’s written theory of change (see Annex E) and our comments as to whether we were able to observe these causal mechanisms at work.

Testing of BSI causal mechanisms	
ToC	1. BSI policy advice and administrative support to g7+ international agreement on new approaches in fragile states and new national strategies, including on PFM ⇒ fragile states work towards development priorities in a more systematic way
Observations	BSI’s advice and support was an important factor in achieving international agreement on the ‘New Deal’ principles. BSI has also helped to establish an effective alliance among a group of fragile states through support to the g7+ Group of Fragile States, including its Secretariat. The New Deal is now being

	piloted in a number of countries and its potential to strengthen national development policies cannot yet be assessed. We note that BSI has not opted to make the New Deal the guiding principles for its in-country support, and the on-going administrative support to the g7+ is peripheral to the main BSI model.
ToC	2. BSI strategic analysis and confidential advice ⇒ new PFM strategies and laws ⇒ PFM reforms and their implementation are more realistic and focused;
Observations	We observed that BSI strategic advice had had some influence in South Sudan, principally in the area of managing the fiscal crisis and donor relations in a difficult period. In Liberia, PFM reform processes were already well established prior to BSI's deployment. While valuable, BSI is only one strategic advisor among many and its advice has proved less significant than its technical and implementation support.
ToC	3. BSI designs and facilitates the introduction of new procedures and practices ⇒ a more systematic approach to budget preparation and new systems for budget execution introduced and supported by motivated and capable national staff ⇒ more realistic budgets, comprehensive and credible budgets
Observations	This causal mechanism is central to the BSI model. We observed that the combination of systems design and implementation support had had a substantial impact on introducing core budgetary systems and strengthening expenditure management in South Sudan, and had potential for doing so in Liberia.
ToC	4. Peer learning events ⇒ transfer of good practices ⇒ faster adoption of tried and tested PFM reforms
Observations	This causal mechanism was borne out to some degree from the experience in South Sudan, where lessons from Uganda and other countries do appear to have given some additional impetus to the adoption of reforms. However, our view is that this is just one possible approach to capacity development, rather than integral to the theory of change.
ToC	5. Support for greater transparency and capacity for external scrutiny of the budget ⇒ more capable parliamentary committees ⇒ a more accountable executive
Observations	BSI is not set up to work directly with parliaments or civil society. Its attempt to provide direct support to parliament in Uganda has, according to its own reporting, been a difficult process and only partially successful. In practice, BSI has narrowed this objective to improving the transparency of budget documents and supporting the capacity of ministries of finance in communicating with parliament and civil society. While this remains a useful contribution, its contribution to the wider objective of greater accountability depends on many factors beyond BSI's influence.
ToC	6. Hands-on mentoring by BSI staff of key budget officials ⇒ a more confident and capable workforce ⇒ improved performance of budget, finance and revenue personnel
Observations	We observed that BSI does not have an explicit strategy or approach to

	mentoring or coaching ministry of finance staff, although skills transfer and capacity building does occur indirectly through its work.
ToC	7. BSI research into PFM reforms ⇒ developing countries and practitioners have improved knowledge and ideas ⇒ creative receptiveness to innovative approaches ⇒ better results.
Observations	There are two potential causal mechanisms here. One is that BSI research directly informs BSI's own operations in-country, leading to the introduction of innovative approaches. We observed that this is underway in South Sudan through the local service delivery work, which draws directly on BSI research and is potentially a very strategic contribution, although at an early stage of implementation. The other mechanism is BSI's wider influence on donor practice. It is too early to attempt an assessment of this. We note that BSI has not yet developed a way of assessing the quality or influence of its research outputs, to test this proposition.

#### 2.4 Are other causal mechanisms involved?

There are a number of causal mechanisms at work in the BSI model that are not currently captured in the theory of change.

1. BSI supports the integration of aid data onto the budget. This strengthens governments' capacity to manage their development resources more strategically, leading to more efficient use of development finance.
2. BSI supports innovative aid instruments and practices, helping donors in fragile states make the transition to more sustainable forms of development support.
3. BSI's problem-solving and politically informed approach helps to clear blockages in reform processes and government-donor relations, reducing the risks of setbacks to PFM reform and other key development processes (i.e., preventative outcomes).
4. BSI facilitates the implementation of complex reform processes, thereby increasing the capacity of ministries of finance to manage and absorb change.

#### 2.5 Refining the theory of change

There is clearly scope for BSI to refine its theory of change.

- It needs a clearer problem statement, identifying the difficulties in donor relations and PFM reform that are characteristic of fragile states.
- The theory of change should identify more accurately the different kinds of support that BSI provides.
- The theory of change should set out explicitly the assumptions behind its causal mechanisms.
- The theory of change should locate BSI's support alongside other assistance providers, to give a clearer sense of how it is different.

## Part E Conclusions and recommendations

### 1. Conclusions and lessons

We have concluded that BSI offers a distinctive model of support that is particularly relevant to the challenges facing fragile states in the early stage of a post-conflict transition. The distinction lies not in its operating principles, which other TA projects also claim to share, or in the types of advice and support that it offers. Rather, it comes from its strategic orientation and problem-solving approach. Its key features include:

- **What BSI works on:** the management of development resources as a whole, including budgets and aid flows and their integration. This big-picture orientation allows BSI to target problems with the development partnership itself that are characteristic of fragile states, and to support the transition of international support away from emergency humanitarian assistance towards building and using country systems;
- **How BSI works:** BSI offers four distinctive types of support: strategic advice; systems design; problem-solving; and facilitating implementation processes. Its approach to capacity development is flexible, iterative and politically informed, making it well placed to identify and promote solutions to problems that might defeat more conventional TA programmes;
- **What BSI is:** BSI's unique structure as a programme makes it well suited to working in this fashion. This includes its accountable grant, its central pool of untied funding, its open-ended design, its position within ODI as an organisation whose commitment to improving international aid practice goes beyond its immediate accountability to BSI's funders, and its profile of staff with strong analytical, communication, facilitation and networking skills.

While there are aspects of the BSI model that would represent good aid practice anywhere, it is particularly relevant to fragile states. BSI is well placed to address a set of problems that are characteristic of early-stage transitions, including managing the establishment of basic budgetary systems in a low-capacity environment, helping partner countries manage the inrush of poorly aligned and coordinated aid, and helping to ensure that economic management is not derailed by the crises and setbacks that punctuate complex transitions.

In the two countries we examined, BSI support is being delivered effectively. Counterparts and other stakeholders praised the quality of the teams and the way they worked, particularly their willingness to operate behind the scenes, facilitating processes without needing to take credit for them. It is notable that short-term, senior advisers have not played as important a role in delivery as junior and mid-level advisers, who provide a permanent or regular presence in-country and are able to build relationships and support complex implementation processes.

BSI's reporting on its activities, outputs and outcomes is extensive and easy to follow. We chose a selection of the most important activities in South Sudan and Liberia to review in more detail and were able to validate the claimed results. We were consistently impressed by the quality of the outputs, within complex processes well described in accessible

language. We were also impressed at the high rate of adoption of BSI-supported initiatives, which indicates that they are well tailored to the counterparts' needs. It also reflects the support BSI provides for implementation and the facilitation skills of the teams.

As a result of these activities, it is clear that there is a more structured approach to budget preparation in both countries. In South Sudan in particular, we were impressed at the resilience of new budget processes in the face of a severe fiscal crisis. We found that BSI's presence had played an important role in minimising the disruption. BSI's efforts to integrate aid into the budget have proved particularly strategic. BSI has developed a proven methodology with supporting software for integrating aid and budget data into a single budget process. There is considerable potential to develop this further into an approach that could be valuable across many fragile states.

This is an impressive range of outcomes for a relatively short period of implementation. We found it impossible to assess these outcomes against the logframes, owing to a lack of data and poor choice of indicators. Making our own assessment of the institutional changes that we observed, we would rate the programme at an overall 'A+' (above expectations), with its core work on budget processes and aid management rating the highest.

BSI needs a more considered approach to capacity building. At the moment, individual skills development occurs only incidentally through BSI's work and we had feedback from counterparts to the effect that a more systematic approach would be appreciated. We take the view that BSI is not a training institute and should not be offering generic skills training to counterparts. It should, however, think more systematically about the capacity dimensions of new initiatives that it is supporting, to increase their sustainability. This would include undertaking capacity assessments and supporting the counterpart to develop a training or capacity development strategy, even if this is mostly delivered by other actors. There may also be a case for BSI team members to take on a more explicit mentoring or coaching role in respect of individual counterparts.

The original project documentation placed a strong emphasis on peer learning. The experience has been mixed. There were some positive results from the South Sudan/Uganda partnership, but the process was time-consuming to manage and it is difficult to see how it could be passed over to the two governments to manage and fund. In our view, peer learning should be seen as one capacity development tool among many, rather than as integral to the BSI model.

Measurement of results is necessarily a challenge for a programme like BSI. If one of the advantages of the model is to be liberated from restrictive project designs, then inevitably its activities will be difficult to fit into a logframe. BSI's basic approach to results reporting – narrative descriptions of significant institutional changes, validated by independent observers – is a sensible one, although it would benefit from a clearer definition of what constitutes a significant institutional change. There are difficulties, however, in turning stories of change into targets (i.e., numbers of significant changes to be achieved), as institutional change does not readily break down into 'units' that can be counted.

Because the BSI model cannot easily be held to account for the delivery of quantitative results, accountability needs to be provided in alternative ways, through strong governance arrangements. To this end, the Advisory Board has been an effective mechanism and clearly influential in shaping the programme. We were less convinced about the governance arrangements for individual country engagements. We do not think that country representation in the central Advisory Board is sufficient. Some form of in-country structure is also required, to provide clear and continuing authorisation from both counterparts and funders for BSI to engage on specific problem sets, particularly those of a more political nature.

Overall, we believe that BSI offers potentially very good value for money as a modality for supporting fragile states, even if that is impossible to quantify. Among comparable programmes, its cost base and management overheads are at the lower end. Perhaps more importantly, BSI does have the potential to deliver catalytic impact – that is, strategic results for modest inputs. We saw a number of examples, particularly in South Sudan, where BSI support had helped other, much larger aid programmes to deliver stronger results. We believe that the presence of BSI, at least in South Sudan, has the potential to provide a multiplier effect on the development partnership as a whole.

One final observation concerns the relationship between BSI and DFID around the accountable grant. DFID presumably agreed to fund an innovative programme of this type in part in order to benefit from new learning on how to promote economic governance in fragile states, which is integral to its state-building strategy. We were therefore surprised to find that there is little interaction between DFID and BSI, beyond the administration of the accountable grant. We would have expected to see a closer learning partnership between BSI and relevant DFID policy teams on state-building, capacity development, PFM and aid effectiveness. We would encourage both DFID and ODI to invest time in building these relationships.

## **2. Recommendations**

1. BSI should revise its theory of change to better capture the BSI approach, including a clearer statement of what issues it works on, what kinds of support it provides and its distinctive profile as an arms-length programme.
2. BSI should revise the indicators in its logframes. It should ensure that outcome indicators are measurable on a more regular basis – for example, adopting individual components of the CPIA or PEFA scoring methodology and using its own scoring (validated by an independent party) when official CPIA or PEFA scores are not available. It should set its outcomes at a slightly lower level, focusing on aspects of budgetary systems that relate directly to the reform processes it supports. More specific recommendations on logframes are contained in Annex G.
3. BSI should develop a more considered approach to capacity assessment and development, identifying which elements it will provide directly and where it will help its counterparts source support from other providers. Peer learning should be

treated as just one of a range of options for capacity development, rather than as integral to the BSI model.

4. When supporting the introduction of new processes or systems, BSI should put greater emphasis on implementation and sustainability by ensuring that there is a clear assignment of responsibilities, identifying capacity requirements and helping counterparts develop a strategy for addressing capacity gaps.
5. BSI should give more attention to the communication dimension of its work, identifying key message and audiences and developing a broader range of communication products to support its efforts.
6. BSI should ensure that the flexibility of its model is balanced by robust accountability mechanisms at country level, involving both funders and counterparts.
7. ODI should consider housing the g7+ work stream outside of the BSI programme, to avoid complicating the theory of change.



## Annex A: Validation of Annual Work Plan Reviews

### Introduction

BSI's monitoring system includes the production of internally generated reviews of the work completed each year on those work streams where the annual investment has exceeded £100,000.<sup>22</sup> These annual work stream reviews (AWRs) are prepared by the Country Team Leaders following a standard format:

- Background, including title, period under review, spend in the year and AWR preparation date
- Outputs, covering responses to these questions: what was the situation at the outset of the project i.e. the baseline? and what progress has been made against the expected results i.e. actual achievements against milestones and indicators?
- Additional comments, to provide more detail on the context and any wider achievements
- Score.

The final section of the AWR, relating to the score, is completed by the BSI senior management in London. The scoring follows DFID's procedures for annual project reviews.<sup>23</sup>

The scoring of these AWRs is used as the measurement of the achievement of the Output indicators in the overall programme logical framework<sup>24</sup> which refers to the "relevance, effectiveness, efficiency and sustainability of TA support".

### Approach to the validation of the scoring of the AWRs

The following AWRs were validated and scored:

- Liberia – Support on budget process and policy reform (2011/12)
- South Sudan – Support on aid coordination (2011), support on budget policy reform (2011), support on PFM reform (2011), support on the planning and budgeting process (2012), support on aid coordination (2012), support on peer learning (2012), support on PFM reform (2012), and support to the Presidency (2012).

In addition, for Liberia, the Annual report for 2012/13 was reviewed and the sections relating to budget process and policy reform were validated and scored as a proxy for an AWR for 2012/13.

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<sup>22</sup> £50,000 for work streams related to programme Output 3, Parliamentary and civil society oversight

<sup>23</sup> Reviewing and Scoring Projects How to Note, DFID, November 2011 provides the following ranking: A++ = Outputs substantially exceeded expectation, A+ = Outputs moderately exceeded expectation, A = Outputs met expectation, B = Outputs moderately did not meet expectation and C = Outputs substantially did not meet expectation

<sup>24</sup> Specifically, Output indicators 1.3 (in relation to budget policy and process and financial management), 2.2 (domestic revenue and external resources), 3.3 (budget oversight by Parliament and civil society), and 4.3 (international engagement in fragile states)

This exercise has highlighted some issues about the use of the AWRs as instruments within the BSI monitoring approach. There are the three issues:

- is the AWR process intended (a) to measure progress in delivering the expected results articulated in annual work plans, within the broader performance framework summarised in the programme logical framework, or (b) is it intended to demonstrate successful achievement of the four criteria through from relevance to sustainability?
- if it is intended to be (a) above, then the linkages and 'line of sight' between annual work plans, AWRs and logical framework indicators is not readily discernible; there are no consistent set of indicators being presented to enable the reader to easily track the progress from the start of the year to the results at the end of the year and to see how all of this relates to the milestones in the logical framework
- if it is intended to be (b) above, then the current format and content of the AWRs fails to provide sufficient commentary on the achievement, or otherwise, of the four criteria.

For the purpose of this assessment, the objective has to been to rate progress by reviewing the achievements made in each year within each work stream. To do this, the following approach was adopted:

- from the annual work plans for Liberia and South Sudan, identify the expected results (and relevant indicators if provided) for each work stream
- review the actual performance in delivering the expected results as reported by each Country Team Leader in the respective country Annual Report
- review the narrative provided in the relevant AWR to ensure consistency with the Annual Report
- confirm that the results described are a fair assessment (through cross reference to the validation of the Stories of Change, where appropriate)
- verify that the results align with the indicators and milestones reported in the country logical frameworks
- derive a score for each AWR using the DFID rankings.

An additional, overarching consideration has been applied to this scoring exercise. Given the flexible and often uncertain nature of the activities performed by the BSI country teams, there are several instances where the expected work plans did not materialise because the needs and priorities of the Governments changed. Similarly, there are occasions where BSI's 'products' have not been taken up by Governments given the exploratory nature of BSI's analytical work. Consequently, there needs to be some caution in expecting that it is always possible to discern a clear link between initial work plans, actual results and strict conformity with expectations summarised in the logical frameworks.

## Results of the validation and scoring

### Liberia – Support on budget process and policy reform (2011/12)

The scope of work detailed in the annual work plan was completed with all of the intended activities undertaken. The intended results were exceeded as detailed in the Annual Report and summarised in the AWR. The additional targets specified in the logical framework were met.

*Score: A+, Output moderately exceeded expectation.*<sup>25</sup>

### Liberia – Support on budget process and policy reform (2012/13)

During this year, changing circumstances required BSI to shift part of its efforts to concentrate more on cash planning and in-year budget execution to inform the 2013/14 budget cycle and the setting of budget ceilings. These inputs, and expected results, were not detailed in the original work plans for the year. However, despite this reprioritisation, BSI was able to substantially complete its original programme of work and deliver the intended results. On the basis of the work done and results achieved, the work stream for 2012/13 is assessed as:

*Score: A, Output met expectation.*<sup>26</sup>

However, if the results reported in the logical framework are used to derive the assessment, then the scoring would be different, at best a 'B = Outputs moderately did not meet expectation' and possibly a 'C = Outputs substantially did not meet expectation'. This scoring is a function of the weakness in the formulation of logical framework, specifically in the extensive use of PEFA indicators. These PEFA indicators are not sufficiently sensitive and responsive measures to report the detailed process changes that BSI is helping to introduce; they are too high level and very difficult to attribute, if at all, their improvements to the inputs provided by BSI.

### South Sudan – Support on aid coordination (2011)

The assessment of BSI's contribution in this work stream illustrates the weaknesses in traditional logical framework and quantitative results based monitoring. Just taking the intended results from the work plans and logical framework, the assessment would rate an 'A, Output met expectation' at best. Whereas the reality of the achievement, arising from the work on the revised Aid Strategy and the subsequent development of the LSSAI, merits the following:

*Score: A++, Output substantially exceeded expectation*<sup>27</sup>

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<sup>25</sup> BSI scored A++

<sup>26</sup> not scored by BSI

<sup>27</sup> BSI score A++

### South Sudan – support on budget policy reform (2011)

Although success was achieved with the scheduled peer learning events and the beginnings of a semi-automated Budget Planning System, the overall result fell short of expectations. This shortfall was influenced by the disruption caused by the Government's decision to change the financial year and the subsequent additional work required to be completed by the Budget staff in MoFEP.

*Score: B, Output moderately did not meet expectation*<sup>28</sup>

### South Sudan – support on PFM reform (2011)

The work programme was completed successfully with nearly all of the originally intended results achieved. Additional, unexpected results were delivered; these related to the work on expenditure limits and assisting with organising the Management Retreat for the evolution of the PFM reform action plan

*Score: A+, Output moderately exceeded expectation.*<sup>29</sup>

### South Sudan – support on the planning and budgeting process (2012)

2012 proved a difficult period to introduce changes in the budgeting and planning processes when the urgent focus was on trying to tackle the fiscal crisis. Despite this, progress was made in delivering a number of the intended results including the drafting of a range of budget related documents, the completion of service delivery frameworks, and the increased political awareness of the importance of budget transparency and accountability.

*Score: A, Output met expectation*<sup>30</sup>

### South Sudan – support on aid coordination (2012)

BSI's support in 2012 with the continuing development of the LSSAI and the emphasis on local service delivery proceeded as set out in the work plans. The results achieved, against the extensive range of logical framework indicators, were variable. Just taking the balance of these results, a score could be assessed as an 'A, Output met expectation'. But this rating would understate the significance of the influence on the improved dynamic between Government and its Development Partners following a period of poor relations. In this context, the assessment is as follows:

*Score: A+, Output moderately exceeded expectation*<sup>31</sup>

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<sup>28</sup> BSI score B

<sup>29</sup> BSI score A++

<sup>30</sup> BSI score A+

<sup>31</sup> BSI score A+

### South Sudan – support on peer learning (2012)

Although the level of activity during the year did not meet the original aspirations, expectations were managed downwards to match the available resources. So what was planned was delivered and the results achieved were in line with the logical framework milestones.

*Score: A, Output met expectation<sup>32</sup>*

### South Sudan – support on PFM reform (2012)

Whilst progress with implementing the PFM reform plan slowed, MoFEP was able to deliver some positive results, even though the senior management oversight and engagement was not as intensive as expected. But not a surprising situation given the pressures from elsewhere, especially arising from the fiscal crisis and the urgency of compiling and negotiating an Austerity Budget. Despite the challenges, several of the intended results were achieved. Just keeping some momentum for reform is success in itself.

*Score: A, Output met expectation<sup>33</sup>*

### South Sudan – support to the Presidency (2012)

Although there are no explicit indicators in the logical framework relating to BSI's work with the Presidency, the annual work plan does quantify the expected number of products to be delivered. These are expressed in terms of number of briefings prepared by the Economic Adviser to the President and also in relation to the number of peer learning events. These results were achieved.

*Score: A, Output met expectation<sup>34</sup>*

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<sup>32</sup> BSI score A

<sup>33</sup> BSI score B

<sup>34</sup> BSI score A

## Annex B: Validation of Stories of Change

### Introduction

An important component of BSI's monitoring strategy is to capture significant institutional change through Stories of Change. The intention is to capture institutional changes that have occurred as a result of BSI's interventions that were not individually anticipated in the programme design and therefore not reflected directly in outcome or impact indicators. The logframe captures the number of these significant institutional changes that are produced, as an output indicator. The Stories of Change also complement the indicators in the logframe by providing a more detailed and contextualised assessment in narrative form of the programme's achievements.

The output indicator is as follows: "Significant changes (policy, institutional, financial or services) from catalytic effects of BSI." These are to be generated by BSI staff, informed by recipient assessment and verified on a sample basis by the external evaluation.

The following Stories of Change have been prepared by the BSI team:

- in Liberia: Bringing Aid on Budget and Increasing Budget Transparency. Both stories cover the period from late 2011 to date;
- in South Sudan: (a) for each of the calendar years 2011 and 2012 – Planning and Budgeting Processes, Support to Aid Coordination and Peer Learning; (b) for 2011 – Public Financial Management Reform and Expenditure Limits and Provision of Internet to Director of Planning; (c) for 2012 - Public Financial Management Reform and Presidency; and
- the New Deal for Fragile States (2011-12).

During our field visits to South Sudan and Liberia, we examined a sample of activities in detail and others more briefly. Consequently, we are able to verify some of the Stories of Change in full, while for others we did not undertake an independent assessment of results claimed or their attribution to BSI activities. The New Deal for Fragile States story of change was verified through telephone interviews with some of the key stakeholders.

For each Story of Change, we have assessed:

1. whether the Story of Change is a fair assessment of the results that are achieved and BSI's contribution to them (verified/not verified/not assessed); and
2. whether the change in question merits being treated as 'significant' in terms of its actual or potential contribution to the programme's overall goal of improving economic governance in the partner countries (significant/not significant/not assessed).

We note the limitations of assessing BSI's contribution by counting the number of significant changes. In South Sudan, for example, BSI has made a range of contributions into strengthening many different components of the budget process. Scoring this as two significant changes (representative positive results for this work stream in two successive

years) is arbitrary; it could equally have been treated as a single change or broken into more components.

## Results of the validation

### 1. Liberia - Bringing Aid on Budget (2012-13)

**Verified.** The process of bring aid onto the budget has started only recently and there is much more to be done on improving data quality, improving compliance by development partners and capturing spending data. A system has nonetheless been created and is operational. The system has been designed and implemented by BSI, drawing on experience and software tools from South Sudan, giving clear attribution.

**Significant.** Bringing aid on budget is an integral part of the MTEF approach, which requires the full resource envelope to be quantified to enable rational budget allocations to be made. Developing finance is a very significant part of the resources available to a post-conflict state like Liberia. The aid management database, designed with inputs from BSI, has enabled better identification of counterpart funding requirements for aid projects, to ensure they are incorporated into the annual budget. This intervention has considerable potential for replication in other fragile states.

### 2. Liberia – Increasing Budget Transparency (2012-13)

**Verified.** We confirmed that BSI has indeed supported the design and publication of a Citizen’s Guide to the Budget, which has been a factor in improving Liberia’s ranking on the Open Budget Index.

**Not significant.** The Citizen’s Guide to the Budget is one of a number of measures undertaken by government to improve transparency, including enhanced communication through media events and the setting up of an electronic billboard outside the Ministry of Finance that displays budget information. While it is a useful product, we did not see evidence linking BSI’s contribution to the development of a wider institutional process for strengthening public scrutiny of the budget. Liberia’s President has made a commitment to improving budget transparency, in accordance with Open Budget Initiative standards.<sup>35</sup> In practice, however, there is no visible progress on improving parliamentary scrutiny of the budget and BSI does not plan any further activities in this area.

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<sup>35</sup> The Open Budget Initiative is a global research and advocacy programme which promotes public access to budgetary information and accountable budget systems. It has launched the Open Budget Survey, a comprehensive analysis of budgetary practices, the results of which contribute to an Open Budget Index. <http://internationalbudget.org/what-we-do/major-ibp-initiatives/open-budget-initiative/>.

## South Sudan – Planning and Budgeting Processes (2011 and 2012)

### 2011

**Verified.** This Story of Change covers a complex set of activities and changes to different components of the budget process. We confirmed these changes and their attribution to BSI through examination of BSI's technical work, which we found to be of very high quality, and through confirmation from counterparts and independent observers who verified that the reported institutional changes had occurred. BSI's contributions included: support to UNDP in the preparation of planning and budgeting calendar and planning guidelines for the 2011/12 budget process, advice to Deloitte on the additional functionality required for the budget database to perform the planning function; guidance to the Department of Aid Coordination in use of AIMS data in Budget Sector Plans and the development of an outline document to present the rationale for budget ceilings to the Council of Ministers.

**Significant.** BSI's extensive support in this area from BSI is relevant and highly significant. The breadth and depth of the interventions is extensive and impressive, as is the quality of the support provided.

### 2012

**Verified.** BSI continued to support the broadening and deepening of the planning and budgeting processes. Particular features of this increasingly more structured, rigorous and analytical approach included: role of the Sector Working Groups, production of Budget Sector Plans, introduction of Sector Aid Financing Plans (linked to the delivery of the Aid Strategy Benchmarks) and the drafting of the first National Budget Plan.

**Significant.** While there is some on-going threat to the sustainability of these changes as a result of the fiscal crisis, our assessment was that BSI's presence had helped to protect the budget processes from disruption. BSI's presence has encouraged the government to produce credible austerity budgets alongside the continued emphasis on building robust planning and budgeting processes. Through a process of problem-solving and facilitation, it helped to steer the budget process through a difficult period. In the face of a major fiscal crisis, building and maintaining a structured, integrated and inclusive planning and budgeting processes is at least as important as in periods of stability and continuity.

## South Sudan – Support to Aid Coordination (2011 and 2012)

### 2011

**Verified.** BSI has made a solid contribution to strengthening aid management and coordination. It has supported the publication of a new aid strategy and the design of the subsequent roll out and implementation mechanisms. Arising from its work in supporting the drafting of the new aid strategy, BSI played a key role in developing the local service delivery initiative through from the early stage of preparing the concept note to the ongoing work on building the institutional capability to implement the proposed approach.



**Significant.** Aid coordination is a relevant and very important area to fragile states, as confirmed by counterparts. BSI's support for local services has been innovative and highly strategic, helping to establish a process for the gradual transition of the development partnership in South Sudan from over-reliance on emergency assistance delivered through NGOs towards support for government services through country systems with an appropriate Risk Management Strategy. While this transition is still at an early stage, we observed a shared understanding of this transition process within the Ministry of Finance, line ministries and (with some scepticism) among the donor community. Among all the Stories of Change, this is perhaps the clearest example of BSI's potential to deliver catalytic change.

## 2012

**Verified.** The work on building the structures, systems and processes for local service delivery continued. There was closer engagement of development partners in sector planning and budgeting processes and improved quality of aid data captured on budgets. It has helped to establish the architecture for aid coordination meetings, which at time of our visit was partially operational.

**Significant.** The coordination and management structures for the implementation of local service delivery are in place. Government ownership in the approach has been established and Development Partner engagement has increased. The design and recent approval of the World Bank funded Local Government Service Delivery is one visible, significant measure of success.

## South Sudan – Peer Learning (2011 and 2012)

### 2011

**Verified.** We had only limited interaction with individual counterparts who had directly benefited from the various peer learning organised by BSI. These individuals nonetheless confirmed that the events had been well designed and prepared by BSI, had transmitted relevant knowledge and experience and had additional impetus for economic governance reforms in South Sudan.

**Significant.** We confirm that the peer learning between South Sudan and Uganda in 2011 was relevant and significant, in terms of providing shape and impetus to the overall design and delivery of the PFM reform programme. The significance lies less in direct transfer of particular skills or practices, but rather in demonstrating that another countries has successfully found solutions to shared problems.

### 2012

**Not verified.** In our view, the Story of Change for 2012 does not claim any institutional changes. It merely states that some peer learning events had taken place and that some useful messages were transferred. There is no resulting institutional change.

**Not significant.** Peer learning activities diminished in 2012, due both to financial constraints on the government's side and to BSI's realisation that such events are extremely time consuming to deliver effectively. The goal of creating a self-sustaining partnership between South Sudan and Uganda has not been achieved. There is therefore no guarantee that peer learning will continue to be a driver of significant institutional significant change.

#### South Sudan - Public Financial Management Reform and Expenditure Limits (2011)

**Verified.** The principal success, achieved through BSI's facilitation and support in 2011, has been the formulation by Government of its own PFM reform plan. BSI assisted with an initial early internal assessment of PFM capability which was later complemented by an external assessment by an IMF FAD mission to which BSI supplied high level expertise. It reinforced this support with facilitating a peer learning event with Ugandan representatives which subsequently led to the publication of the PFM reform plan in December 2011. In parallel with this support role, BSI provided technical inputs to the design and implementation of a system to introduce cash limits; this work evolved into further refinements in 2012 together with other technical assistance from Deloitte.

**Significant.** The adoption of this plan is highly relevant and significant in that it provides a structured and prioritised route map that all interested parties can follow and against which performance can be measured. There are some distinct features in the design and implementation of the plan which are worthy of note: (a) gradual emergence of the plan following inputs through the peer learning events, (b) importance of Government being in the 'driving seat', (c) need to demonstrate success early through process changes and new ways of working; the introduction of the expenditure limits is the prime example, (d) move ahead on process changes whilst not pushing too forcefully on organisational and staffing changes which are perceived as major threats and (e) challenges of implementing complex reform plans in an environment which itself is in a constant state of change.

#### South Sudan - Public Financial Management Reform (2012)

**Verified.** This story is a continuation of the one above and covering the events of 2012. BSI continued to support and encourage MoFEP with its continued implementation of the PFM reform plan. A further external progress assessment was facilitated by BSI together with the provision of additional senior level technical assistance.

**Significant.** Despite major difficulties arising from the fiscal crisis, MoFEP continued with its reform efforts and made progress. Sufficient and effective political and senior management leadership has proved difficult to supply as key people have been diverted to try to tackle the serious lack of funds. But overall, at the central Government level, the significance of the changes achieved is not as great as the 2011 performance. What is impressive is that the reform plan remains 'live', still on the agenda and continues to be relevant. Of greater significance is the progress made with strengthening PFM processes and capacity at the sub national government levels. The design of the county level PFM system, supported by a new manual, has the potential for achieving significant change especially in helping to mitigate the fiduciary risks associated with the local service delivery initiative.

### South Sudan – Economic Advisor to the Presidency (2012)

**Not assessed.** While we visited the President’s Economic Advisor and received feedback on BSI’s support, we were not able to get feedback from the principal beneficiaries of the support, the President and Vice-President, to assess the capacity or responsiveness of the Economic Advisor’s Office or receive independent verification of the Advisor’s role in wider institutional changes. We note that BSI has discontinued this work stream, although only after on-going support from other donors had been secured.

**Not assessed.** We are not in position to make a judgement on the significance of this change.

### South Sudan - Provision of Internet to Director of Planning (2011)

**Not verified.** While an internet connection existed in the Planning Directory, the Story of Change does not in our view make any claim of significant institutional change, beyond the delivery of an output.

**Not significant.** According to the Story of Change, the attempt to introduce video conferencing to improve communication with external stakeholders was not successful. In our view, the provision of an internet connection and email access is not a significant institutional change. While it may be an enabler of other institutional changes, this does not emerge from the Story of Change.

### New Deal for Fragile States

**Verified.** We confirmed the accuracy of the story of change through interviews with a number of key stakeholders, including in the G7+ Secretariat.

**Significant.** We are satisfied that BSI made a significant contribution to achieving international agreement on a new set of principles for engagement in fragile states and developing a coalition of fragile states able to negotiate as a group with the international donor community.

## Annex C: Achievements against logframe indicators

Progress in achieving overall programme results			
Narrative	Indicator	Milestone, end December 2012	Achievement
<b>Impact</b>			
Improved economic governance in partner fragile states	CPIA indicators: Cluster A – Economic Management	Improvement in one partner country and no deterioration in other two.	No data available
	CPIA indicators: Cluster D – Public Sector Management and Institutions	Improvement in one partner country and no deterioration in other two.	No data available
	Ibrahim Index : Sub category Public Management	Improvement in one partner country and no deterioration in other two.	Liberia: 54-51 (slight deterioration) DRC: 43 – 45 (slight improvement) South Sudan: no data available
<b>Outcome</b>			
More effective, transparent and accountable budget policies, processes and systems in the poorest and most fragile states	Quality of budget policy CPIA for indicator 2 Fiscal Policy [or by other PEFA indicator if more appropriate]	Improvement in one country and no deterioration in other two	No data available
	Quality of budget execution measured by CPIA for indicator 13 Quality of budget and financial management [or by other PEFA indicator if more appropriate]	Improvement in one country and no deterioration in other two	No data available
	More transparent and accountable budgets, measured by Open Budget Index (maximum score 100)	Improvement in 2 of the 3 partner countries	Liberia: 40-43 DRC: 6-18 South Sudan: no data available
<b>Outputs</b>			
1. Stronger budget policy, process capacity and financial management systems in Ministries of Finance	1.1: Quality and timeliness of budget documents measured by PEFA Performance Indicator 24 or by other PEFA indicator if more appropriate	Improvement in one country and no deterioration in other two	Liberia: C+ - D+ (deterioration) DRC & South Sudan: no data available
	1.2 Predictability in the availability of funds for expenditures against commitments measured by PEFA Performance Indicator 16 or by other PEFA indicator if more appropriate	Improvement in 1 country and no deterioration in other two	No data available
	1.3: Relevance, effectiveness, efficiency and sustainability of	Average score A or above on 5	6

	TA support (mandatory over £100,000 and 2 per country).	completed assignments	
	1.4 Significant changes (policy, institutional , financial or services) from catalytic effects of BSI	Not set (final target: 9 significant changes)	5
2. Better management of domestic revenue and external resources by Ministry of Finance	2.1 Improved management of aid resources measured by PEFA indicator D3	Improvement in one country and no deterioration in other two	No data available
	2.2: Relevance, effectiveness, efficiency and sustainability of TA support (mandatory over £100,000 and 2 per country)	2 completed assignments at A or above	3
	2.3 Significant changes (policy, institutional , financial or services) from catalytic effects of BSI	Not set (final target: 6 significant changes)	3
3. Capacity of Parliaments and Civil Society to perform effective oversight of budget and government spending strengthened	3.1: Quality and quantity of parliamentary engagement on budget formulation is measurably increased.	Not set (final target: Two finance committees or parliamentary groups make use of budget analysis on the impact of the budget which is demonstrably of better quality than anything used previously by that group)	1 (based on reporting from the Uganda programme; not verified by the evaluation)
	3.2 Quality and quantity of civil society engagement on budget formulation is measurably increased	Not set (final target: Two civil society organisations produce budget analysis on the impact of the budget on marginalised groups or women which is of better quality than produced previously by that organisation)	No results reported
	Relevance, effectiveness, efficiency and sustainability of TA support (mandatory over £50,000).	1 assignment scoring A or above	1 (based on BSI report; not verified by the evaluation)
	3.4 Significant changes (policy, institutional , financial or services) from catalytic effects of BSI	At least 2 cases underway to delivering change	0

4. More effective international engagement in fragile states being developed and implemented or applied	4.1: New Deal is being used in national strategies on PFM and aid	At least 1 fragile state introduces new deal approaches	1 (Liberia, to some degree, according to BSI reporting; not verified by the evaluation)
	4.2 Implementation capacity of g7+ Secretariat enhanced and progress against plans in line with expectations	Website operational. Regular consultation and discussion across the g7+ members. Peer learning process initiated	Achieved
	4.3 Relevance, effectiveness, efficiency and sustainability of TA support (mandatory over £100,000).	Sierra Leone Fragility Assessment PCR	Achieved
5. High quality research and dissemination of papers on the challenges of budget strengthening in fragile states	5.1: Quality and quantity of research outputs	Not set. Final target: BSI staff produces a cumulative total of 6 research papers which are disseminated through web site and an international event.	4 ODI Research Papers; 9 shorter papers; 14 country learning notes; 10 opinion pieces (blog posts; op eds); 1 major international conference; website operational
	5.2 Quality of dissemination events and papers (indicator not defined)	Not set	No quality measure yet identified

Progress in achieving programme results in South Sudan			
Narrative	Indicator	Milestone, end December 2012	Achievement
<b>Impact</b>			
Improved economic governance	Extent of the variance in expenditure composition during the last complete FY year as measured in the first dimension of PEFA indicators, PI-1	Positive change from baseline = 43%	Achieved: reduced to 33%
	Actual amount and % of RSS budget outturns transferred for sub national service and infrastructure delivery in health, education, water and infrastructure development (including on-budget aid).	Positive change from baseline = SSP 259m and 5%	Achieved in part: SSP 293m but 3%
<b>Outcome</b>			
More effective, transparent and	Public access to key fiscal information, as measured by	C	Achieved

accountable budget and aid management policies, processes and systems in South Sudan focused on infrastructure and service delivery	PEFA performance indicator PI-10		
	Transparency of Inter governmental Fiscal Relations, as measured by PEFA performance indicator PI-8	B	Not achieved: C+
	Proportion of aid that is managed by government and used government systems (provided as LSSAI, RIDF, budget support or equivalent)	??	??
<b>Outputs</b>			
<b>Output 1:</b> More transparent and accountable policy, planning and budgeting processes, with greater sector focus on improved delivery of services and infrastructure	1.1 Number of policy documents prepared (PNBP, NBP, budget speech, donor book, budget book, citizens budget) in line with stages in budget calendar and PFMA Act	4	Exceeded: (1) National Budget Plan, (2) Budget Speech, (3) Donor Book, (4) Budget Book, (5) Citizens' Budget plus Preliminary Budget Plan (not published)
	1.2 No of quarterly and semi-annual budget performance reports prepared and made public by Ministry of Finance and Economic Planning (MoFEP) in line with the PFMA Act	1	Achieved: First Quarterly Fiscal Report published plus Second Quarterly Fiscal Report awaiting Minister (MoFEP) approval for release
	1.3 No. of supported sectors (Health, Education, Infrastructure) giving narrative and financial information on transfers for service delivery and major capital projects in Budget Sector Plans	0	Facility in the Budget Planning System but not scheduled to happen until 2013
	1.4 No. of supported sectors (Health, Education, Infrastructure) meeting to review performance reported on in aid and budget performance budget performance reports	0	Scheduled for achievement in 2013
	1..5 Number of service delivery frameworks (SDFs) developed and percent under implementation	3 developed, 0% under implementation	Exceeded: SDFs completed for Education, Health, Water and Community Infrastructure
	1.6 Number of sectors/areas in which a package of grants have been designed in line with SDFs and the Financing	2	Not achieved: Education and Community Development Grant are work in progress

	Frameworks		
	1.7 Relevance, effectiveness, efficiency and sustainability of TA support to output	One assessment scores A or above	Achieved
<b>Output 2:</b> Aid management processes are established that deliver progress towards the benchmarks for aid delivery set out in the GoSS Aid Strategy, which includes the design and implementation of aid programmes which use government institutions systems for service and infrastructure delivery	2.1 Number of high level aid coordination events that take place in accordance with the aid strategy and aid management calendar	3	Achieved: 3 Quarterly meetings held by MoFEP with Development Partners. [NB Annual High Level meeting yet to take place]
	2.2 No. of Aid Management Guidelines (AMGs) published and % being used by RSS and development partners	7 AMGs published; 40% being used	Achieved in large part: 7 AMGs published (donor coordination fora, sector based approaches, sector working groups, aid and budget calendar, Aid Information Management System (AIMS), Inter Ministerial Appraisal Committee (IMAC), Monitoring the Aid Strategy); 30% being used (AIMS and IMAC) plus aspects of all the remaining 5 AMGs are being adopted
	2.3 No. of LSSAI and infrastructure programmes managed by government institutions fully designed and approved	2 designed	Not achieved: 1 under design, Local Government Service Delivery (LGSD)
	2.4 Relevance, effectiveness, efficiency and sustainability of TA support to output	One assessment scores A or above	Achieved
<b>Output 3:</b> The Government establishes processes which provide strategic direction to economic and financial management reforms at the national and local levels that absorb good practice from the experience of other countries and international organisations.	3.1 Senior Management Retreat, or equivalent takes place, at which a review of the implementation of MoFEP PFM reforms takes place	Yes, annually	Not achieved
	3.2 External review of implementation of MoFEP	Annually	Achieved: joint IMF/World



PFM reforms takes place		Bank review completed in October 2012
3.3 System of monthly expenditure limits being operated and managed by MoFEP	Yes	Achieved in part: system is in place but on occasion is being bypassed by the use of manual overrides to enable certain priority payments to be made
3.4 County PFM system designed, approved and under implementation	Designed	Achieved: draft Manual awaiting final approval by Minister, MoFEP
3.5 Cumulative number of subject areas where MoFEP staff have learned from other countries	6 (incl. Aid, Fiscal Decentralisation, Accounts)	Achieved: Accounts, overall economic management and PFM reform, fiscal decentralisation, Aid management, LGSD study tour and macro economic forecasting
3.6 Cumulative number of countries from which MoFEP staff have engaged in peer learning activities	3 (Rwanda, Ethiopia, Uganda)	Achieved: Uganda – overall reform strategy; Ethiopia – Presidential Adviser visited; Rwanda – discussions and meetings on peer learning opportunities
3.7 Relevance, effectiveness, efficiency and sustainability of TA support to output	One assessment scores A or above	Achieved

Progress in achieving programme results in Liberia			
Narrative	Indicator	Milestone, end March 2013	Achievement
<b>Impact</b>			
Improved economic governance	CPIA (World Bank's Country Policy and Institutional Assessment) for indicators Cluster A Economic Management	Positive change from baseline =3.5	No current CPIA
	Mo Ibrahim economic management indicator	Positive change from baseline = 51.2	Achieved: 51.3
<b>Outcome</b>			
More effective, transparent and accountable budget policies, processes and systems	Quality of budget policy CPIA for indicator 2, 'Fiscal Policy'	Positive change from baseline =3.5	No current CPIA
	Quality of budget execution measured by CPIA for indicator 13, 'Quality of budget and financial management'	Positive change from baseline =2.5	No current CPIA
	Transparent and accountable	Positive change	Achieved: 43

	budgets, measured by the Open Budget Index	from baseline =40 (out of maximum 100)	
<b>Outputs</b>			
<b>Output 1:</b> Stronger budget policy and process capacity of Ministry of Finance	1.1 Quality and timeliness of budget documents measured by PEFA Performance Indicator 24.	Positive change from 2008 PEFA baseline = C	Not achieved: 2012 PEFA = D+ [reference FYs are 2009/10 and 2010/11]
	1.2 Multi-year perspectives in fiscal planning, expenditure policy and budgeting, measured by PEFA Performance Indicator 12.	D+	Achieved: 2012 PEFA = C+ <sup>36</sup> [reference FYs: This indicator has four dimensions. It assesses: (i) the preparation of multi-year fiscal forecasts, FYs 2010/11 and 2011/12; (ii) the scope and frequency of debt sustainability analysis (DSA), FYs 2010/11 and 2011/12; (iii) the existence of sector strategies, FYs 2011/12 and 2012/13; and (iv) linkages between capital and recurrent estimates]
	1.3 Proportion of M&As preparing forward estimates within budget ceilings and aligned to sector strategies/priorities [PFM reform logframe indicator B1.2]	50%	Achieved: 100%
	1.4 All investment project in the PSIP to reflect medium term project profiles	All PSIP reflect medium term project profiles	Not achieved: 90%
	1.5 Classification of budget, measured by PEFA Performance Indicator 5	Positive change from 2008 PEFA baseline = C	Not achieved: 2012 PEFA = C
	<b>Output 2:</b> Better management of domestic revenue and external resources by the Ministry of Finance	2.1 Proportion of aid that is managed by use of national procedure, measured by PEFA Performance Indicator D-3.	Positive change from 2008 PEFA baseline = D
2.2 Proportion of donor financing (project aid) to Government recorded on budget and on accounts [PFM reform logframe indicator B2.1]		40%	Not assessed
2.3 Financial information provided by donors for budgeting and reporting on project and		Positive change from 2008 PEFA	Achieved: 2012 PEFA = D+

<sup>36</sup> Improved score due to improved fiscal forecasting and completion of DSA. No change reported in existence of sector strategies and linkages between recurrent and capital budgets

	program aid, measured by PEFA Performance Indicator D-2.	baseline = D	
<b>Output 3:</b> Capacity of Parliaments to perform effective oversight of budget and government spending strengthened	3.1 Legislator's Guide to the Budget developed and published.	Legislator's Guide published and disseminated	Achieved
	3.2 Orderliness and participation in the annual budget process as measured by PEFA Performance Indicator 11.	Positive change from 2008 PEFA baseline = B	Not achieved: 2012 PEFA = B
	3.3 Legislative scrutiny of the annual budget law, measured by PEFA Performance Indicator 27.	Positive change from 2008 PEFA baseline = C+	Not achieved: 2012 PEFA = C+
<b>Output 4:</b> Improved budget transparency for citizens	4.1 Citizen's Guide to the Budget developed and published	Citizen's Guide published and disseminated including regional information, first version for draft budget and second for approved budget	Achieved
	4.2 Public access key fiscal documentation, measured by PEFA performance Indicator 10.	Positive change from 2008 PEFA baseline = C	Not achieved: 2012 PEFA = C

## Annex D: Evaluation TORs

### Terms of Reference for a Mid Term Evaluation of the Budget Strengthening Initiative (BSI)

#### Introduction

The Budget Strengthening Initiative<sup>37</sup> (BSI) provides advice and support to partner Governments in fragile states on a demand led basis to assist with the development of financial and budgetary systems and to promote more effective international engagement in these areas through the g7+ process. It also aims to support the management of domestic revenue and external aid and to promote transparency through national Parliaments and civil society.

The aim of BSI is to be responsive and flexible to meet urgent needs and to overcome bottlenecks to development. It is anticipated that inputs provided by BSI will support existing efforts by Governments and donors and will help to promote changes in attitudes, behaviour, policy or the systems used by organisations.

#### Objectives

The mid-term evaluation will examine the achievements of the BSI programme to date and independently validate the internal assessments carried out so far. There is a specific requirement to assess progress against the objectives set out in the agreed log frame.

The evaluator will therefore examine if the inputs have been provided as planned and whether the programme is on the anticipated path to deliver the planned outputs and outcome.

The theory of change (TOC) underlying the programme will also be tested to determine whether the assumptions about cause and effect underlying the project actually hold in practice.

(S)he will recommend revisions to the programme design and implementation going forward to maximise effectiveness and impact. These recommendations will ensure that the programme continues to meet its intended objectives and that the implementation model continues to adapt to the demands and requirements in fragile states. The results of the evaluation and the review of the BSI model will add to the growing literature on PFM reform and the design of initiatives to support them.

#### Scope

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<sup>37</sup> See [www.budgetstrengthening.org](http://www.budgetstrengthening.org) for more details

The evaluator will be expected to review the progress of the programme as a whole and in relation to specific programmes of support to individual countries and the g7+ group of fragile states.

The mid-term evaluation is designed to assess the efficiency and effectiveness of the BSI programme including whether inputs are being provided cost effectively and outputs are being delivered as planned. Since the programme is only at the mid-way point the extent of the emerging evidence about outputs will need careful assessment. A judgement needs to be made about the trajectory of the programme and the likelihood of achieving the planned impact at the end of the project.

Counterfactual: It is intended that the mid-term evaluation should assess BSI programme performance both in relation to the planned objectives and in relation to comparator approaches being taken by other donors. This will involve some examination of the IMF AFRITAC experience based on published secondary sources (eg for East Africa), and a review of evaluation evidence for similar budget capacity building work across Africa (e.g. from the Joint Evaluation of PFM led by the AfDB) and on interviews with donors operating in the countries where BSI currently works. The key counterfactual will therefore be to assess the BSI approach with more traditional PFM support programmes in other countries. Consideration will also be given to recent assessments of comparable programmes such as the African Governance Initiative.

### **Key Aspects of the Mid-term Evaluation**

The mid-term evaluation should focus firstly on validating the evidence of achievement against the outputs and indicators set out in the individual partner country log frames and the overall log frame for BSI as a whole.

Secondly, it will extend the analysis of programme performance using the latest evidence from BSI monitoring and reporting systems and from the further analysis of BSI country and g7+ programmes to be undertaken as part of the review to cover outcomes.

Thirdly, on the basis of the evidence produced, the evaluation will consider the implications for the theory of change (TOC) underlying the BSI programme. This is attached as Annex 1. Any lessons and areas for improvement in the approach or the TOC itself will also be identified.

As part of the third component the evaluator will focus on the following key questions derived from the OECD DAC evaluation criteria (see Annex 2) and discuss with the BSI management team how best to gather the evidence to make an assessment. It is recognised that the evaluation will address questions 7 to 10 only to a limited extent and these will be more substantively examined at the end of programme evaluation:

1. Is BSI providing high quality, relevant and cost effective advice?
2. How effectively has the programme responded to uncertainty and risks in fragile states?
3. Are inputs provided by BSI contributing to identifiable institutional changes?
4. Is BSI having an effect on Government strategy and policy on PFM reforms?
5. How demand led has BSI been?
6. Has BSI had a catalytic effect?
7. Is BSI having a sustainable impact on budget, policies, processes and systems capacity?
8. Has BSI increased uptake of good practice and promoted innovation?
9. Has BSI increased partner Government capacity and capability sustainably?
10. In what ways is the support provided by BSI distinguishable from other providers of TA support?

The evaluator will provide an overall assessment of BSI, a review of South Sudan and Liberia country programmes and the g7+ programme including an assessment of their progress against their agreed outputs.

The main requirement is to assess the overall value for money and progress in achieving planned outputs. It is also expected that any general lessons will be drawn out and specific recommendations for improvement in programme design or delivery will be made.

## **Method**

The evaluator will initially examine project reports, Annual reviews and PCRs, stories of change and self-assessments by project staff as well as feedback from partner Governments. This will be done through a desk based review of BSI programme documentation held in London and meetings with BSI staff in London

As part of this initial process, the evaluator will examine the annual reviews conducted by DFID thus far and any trends in the data collected against milestone indicators in the BSI log frame. The range and relevance of the indicators for assessing programme achievements and impact and the time frames for data collection will also be considered.

The evaluator will also select examples of specific interventions by BSI for further investigation which will cover the programmes in South Sudan, Liberia and g7+ programmes. The aim should be to conduct a deeper examination of these cases and to explore the key evaluation questions with individual contacts identified with the help of BSI programme managers. Methods for this will include:

- Telephone interviews
- E mail exchanges
- Questionnaire surveys

Arrangements will be made for the evaluator to visit South Sudan and Liberia to enable face to face structured interviews with partner Governments, other donors and stakeholders. The review of the g7 + work and other activities will be based around desk reviews and remote interviews.

In undertaking the country programme analysis the evaluator should conduct interviews with the other donors involved in budget strengthening and PFM programmes and develop a good understanding of the alternative approaches being used in that country context. In South Sudan this is likely to include USAID and UNDP and in Liberia the World Bank and the IMF. BSI staff will be able to support the setting up of meetings. The evaluator will consider whether these interviews need to be complemented by a questionnaire sent to a wider group of interested stakeholders.

The overall evaluation will be undertaken in accordance with the OECD-DAC evaluation criteria and meet the associated quality standards.

## **Inputs and Timing**

Overall the evaluation is expected to require up to 30 person days including 15 days in the UK, 10 days overseas (allows for 2 country programme visits) and 5 days report writing.

The evaluation will take place in the December 2012 - February 2013 and will be expected to take place over a period of six weeks of elapsed time. The draft report must be available by end Feb 2013 and the final report must be available by end March 2013 to inform the 2013 annual review.

### **Reporting**

The evaluation will be commissioned by the BSI Advisory Board who will oversee and review the evaluation with additional expertise secured from DFID's external evaluation QA panel. Oversight of the evaluation will be undertaken by an Evaluation steering group which will be set up by the Advisory Board with co-opted expertise as required. The final report will be submitted and presented to the Advisory Board. It is anticipated that the evaluation will be of interest to a wider PFM community involving partner Governments, PFM practitioners and others. Further dissemination of the report will be considered by CAPE alongside other recent evaluations of PFM reform undertaken for the AfDB, DANIDA and Sida.

### **Deliverables**

The evaluator will provide a report of 20 pages with an executive summary and supported by annexes as required. This will be presented in an agreed format and in draft to the Evaluation steering group and then completed after comments are received. The report will be formally submitted to the Advisory Board and will be published online by DFID.

A list of recommendations for BSI and for its Advisory Board (including DFID) will be proposed to increase efficiency, effectiveness and impact of the programme amongst other things. This list will also be provided separately to the main report for the Advisory Board to consider. The evaluators may also be required to make a presentation or to provide a concise statement about the evaluation for communication purposes internally and externally.

### **Job description for evaluator**

Experience of working with/evaluating other innovative TA approaches

Experience in qualitative evaluation methods and of taking forward comparable evaluations.

Experience of working in/with Ministries of Finance in sub-Saharan Africa

Experience of working on broad public financial management issues including budgeting and aid management issues in sub-Saharan Africa

Experience of working on fragile state issues

The evaluator should be independent from BSI, ODI and DFID.

## **Annex E: Budget Strengthening Initiative: A Refined Theory of Change**

### **1. Introduction**

1.1 The BSI programme has evolved in its first 18 months of operation and experience to date has generated new insights about the way in which it is possible to promote change. The programme has developed effective programmes at an international, regional and country partner level which necessitates a further refinement of the earlier theory of change.

1.2 This note sets out the various elements of the theory of change (TOC) including the cause and effect relationships between BSI inputs and expected outputs. We intend to use it as an adjunct to the log frame and to draw on both as a basis for the monitoring and evaluation of the programme.

### **2. Context for the Theory of Change**

2.1 BSI has set out to try a new approach to capacity development in developing countries. It intends to be demand led and responsive to the specific needs of fragile states and to build a partnership based on trust. This means it aims to avoid pre conceived approaches and prefers to match its response to the particular country context and draw on regional good practice through peer to peer learning. By offering independent and confidential advice it aims to build a strong partnership that will allow it to indirectly influence strategy and policy as well as help design effective institutional arrangements and budget systems.

2.2 The BSI project selects partner countries to work with on the basis of need but also with demonstrated political commitment to take action to improve public financial institutions. As a pre requisite there should be an emergent strategy or potential to develop a reform programme into which TA inputs can address well defined bottlenecks or obstacles to progress. However interventions can also be opportunistic so that the level of commitment can be tested.

2.3 Country interventions are scaled and paced in line with developments and this “politically intelligent” approach makes it more likely that BSI managers can anticipate risks of political instability or of lack of support for reforms. They can also ensure technical interventions take into account the political (and other) incentives of stakeholders. It is accepted that not all the interventions will deliver results but it is expected that there will be investments which generate a disproportionate return with very high benefits.

### **3. Interventions to Results: Processes and Causality**

3.1 The BSI programme log frame and the country programme output frameworks set out the broad parameters of the expected results. By adding information on the processes and the causal mechanisms we can show the links between the planned results and the underlying TOC more explicitly.



3.2 There are several processes whereby interventions are expected to lead to results within the BSI approach. These are set out below and the tables summarise how these processes are expected to work and the likely causal mechanism:

- Strategic influencing of international policy on Fragile states through facilitation of international agreements and enabling implementation through providing negotiation and implementation capacity to g7++
- Strategic influencing of national PFM policy through high quality expertise offering relevant, appropriate and independent advice through consultancy visits and reports which are absorbed and acted upon by decision makers. Such advice aims to be strategic and have a “catalytic” effect accelerating reforms and changing the approach of partners.
- Opportunistic or demand led interventions supporting specific reforms and institutions. Consultancy inputs can assist reformers to demonstrate the effects of new approaches in specific areas (eg budget planning or execution across Government) or in selected sectors (eg Health or Education) or at different levels of Government (eg Provincial and local PFM)

The range of cause and effects can vary but are likely to include:

<b>Process</b>	<b>Example Change -Outputs</b>	<b>Causal Mechanism</b>	<b>Longer Term Result</b>
Facilitating fragile states g7+ activities. BSI offering confidential and independent research, advice & administrative support to develop international principles for fragile states coalition	International agreements on new approaches in Fragile states and development of national strategies including PFM	Strengthened capability of g7+ Secretariat allows effective fragile states coalition .  Group coheres as planned.	Fragile states work towards development priorities in a systematic way and international peer pressure support this.
Strategic analysis for partner countries by BSI. Covering policy and programme options.  Confidential and independent TA & papers in partner countries for MOF or other Government organisations. .	PFM reforms with higher impact and sustainability  Revised PFM strategy more in line with regional and international good practice .  Reforms promulgated in law or administrative directives.	Advice on PFM reforms, prioritisation, sequencing and approach persuades officials and influences Ministers to accept new policy and directions.	PFM reforms and implementation are realistic , focussed on priorities and can deliver improved budget policy and process capacity of finance Ministries  (will show over time in PEFA indicators)
Partner countries. Specific new	More systematic & comprehensive	Government wants	Planned public spending is realistic.

procedures and practices proposed by BSI. Also designed and implemented through facilitation by TA working with national staff & peer learning	approach to budget preparation institutionalised  New system (eg for budget execution or other areas) introduced & supported by motivated and capable national staff.	improvements in basic mechanisms of expenditure planning, management and financial control introduced quickly.  BSI can respond to urgent needs.	comprehensive and determined centrally.  Actual spending is controlled, on target and diversion minimised  ( will show over time in PEFA indicators)
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- Support to partner Governments through member only facilitated learning networks. Partner countries can draw on the experience of other Sub Saharan African countries who have are dealing with similar problems and maybe further advanced. Facilitated learning allows partners to quickly absorb and contextualise their experience and to adapt and adopt good practice .

Process	Change Output	Causal Mechanism	Result
Partner countries visit network members and get structured exposure to relevant regional experience	Knowledge and skills of partner country enhanced and new approaches are quickly absorbed through South-South information & experience transfer	Good practice disseminated more quickly and take up is facilitated by TA.	Faster adoption of appropriate, tried and tested budget and financial management systems

- Working outside partner Governments to reinforce accountability and transparency : BSI recognises that effective economic governance requires checks and balances from Parliament and civil society. Support to improve the competence and capability of Parliamentary Committee's responsible for scrutinising national budgets can enhance accountability. Facilitating the release of national budgets to the public and engaging with NGOs can also increase transparency.

Process	Change Output	Causal Mechanism	Result
Partner countries. Parliamentary administration works with BSI consultants to strengthen procedures and basis for analysing budgets	Parliamentary Committees have increased capability and are scrutinising the budget more effectively	Parliamentary Committees have strong interest in enhancing their role. BSI helps to develop tools for analysing budgets and standard approaches.	Parliamentary Committees are holding executive to account

		Mentors Parliamentary staff and Committee members	
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- Provision of mentoring and coaching support Interventions will provide hands on training by practitioners who have previous experience of the new approaches and procedures being proposed in partner countries. Close “one on one” support will help improve incentives, skills and performance in the areas related to the proposed institutional changes. Provided pay and incentives are adequate for retention then there should also be an impact on sustainability

Process	Change Output	Causal mechanism	Result
Key practitioners from budget, finance and revenue functions are given hands on mentoring by BSI staff	A more confident and capable workforce	Key staff want skills and capability to manage and sustain new systems.  BSI can provide relevant, practical on the job training and mentoring	Higher and sustained levels of performance by budget, finance and revenue personnel

- Policy Research and Knowledge : There is developing body of experience of what works and doesn't work and policy related research will systematically pull this together and extend the boundaries of the thinking to generate new ideas and approaches

Process	Change Output	Causal Mechanism	Result
BSI conducts research into PFM experience	Improved knowledge base and ideas, with scope for new approach to PFM by developing countries and practitioners	New knowledge identifies high impact and most practical innovations. Partners show interest in taking these up.	Innovations in approach being tried and tested with positive results

## Annex F: Evaluation methodology

### *Scope of the evaluation*

While the evaluation assesses the BSI programme as a whole, the limited scope of the exercised required us to examine the work streams on a sample basis. We looked in detail at the two largest and most mature country operations, South Sudan and Liberia, which we visited for one week each. In both countries, we selected a number of work streams for detailed examination, which included BSI's support to (i) core budgetary processes and (ii) aid management and coordination. These activities were selected as being in our view the most strategic and also the largest, accounting for more than half of the budgets in the two countries. For the chosen activities, we reviewed the technical quality of outputs, collected feedback from counterparts on the relevance and effectiveness of the support and, so far as possible, verified reported outputs and results.

The TORs (Annex C) also asked us to examine the g7+ work stream in detail. However, in subsequent discussions with ODI, a decision was made to focus on the two country programmes, rather than the g7+. For the g7+ work stream, we conducted only a light review, based on internal reporting and telephone interviews with a number of key stakeholders. We therefore do not discuss the g7+ results in the same detail as South Sudan and Liberia.

Our findings in this evaluation report are therefore based on (i) the findings of our field research for South Sudan and Liberia and (ii) BSI monitoring and internal reporting and briefings from team members for the remaining work streams.

### *Validation of programme reporting*

**Delivery of inputs:** BSI's principal input is its expert advisers. We looked at its ability to deploy advisers quickly and flexibly, in response to counterpart need. We also looked at the balance between senior and mid-career advisers and between shorter- and longer-term advisers

**Annual work stream reviews:** As part of its monitoring system, BSI produces an annual review of its achievements under each work stream with an annual investment above £100,000 (or £50,000 for parliamentary and civil society engagement). These Annual Work Stream Reviews (AWRs) are produced by the team leaders following a standard format, providing background information, work stream activities and outputs and a progress score on achievement against the expected outputs, using DFID's standard scoring methodology.<sup>38</sup> We reviewed the AWRs for Liberia and South Sudan. We generated our own score, and then compared it with the score generated internally by BSI.

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<sup>38</sup> DFID, "Reviewing and Scoring Projects: How to Note", November 2011. The method involves scoring projects as follows: A++ = Outputs substantially exceeded expectation; A+ = Outputs moderately exceeded expectation; A = Outputs met expectation; B = Outputs moderately did not meet expectation; and C = Outputs substantially did not meet expectation

**Stories of change:** BSI also produces ‘Stories of Change’, which record individual instances of significant institutional changes, as programme outcomes. These were changes that were not individually anticipated in the programme design and therefore not individually identified measured through output or outcome indicators. The logframe captures the number of these significant institutional changes that are produced, as an output indicator. Per the logframe, these are to be generated by BSI staff, informed by recipient assessment and verified on a sample basis by the external evaluation. Of the 11 Stories of Change produced by BSI, we reviewed all but two of them. We assessed them against two criteria:

- i) whether the Story of Change is an accurate description of the results achieved and BSI’s contribution to them (verified/not verified); and
- ii) whether the change in question merits being treated as ‘significant’ in terms of its actual or potential contribution to the programme’s overall goal of improving economic governance (significant/not significant).

### *Overall assessment of progress*

Based on BSI’s reporting to date, verified in part through the above process, we comment on the overall pattern of delivery and level of progress towards its intended outcomes and impacts. As anticipated in the TORs, there is no limited direct evidence of progress towards the intended impacts, due to the relatively youth of the programme, the volatile environments in which it is being delivered and, arguably, a poor choice of impact indicators for which data is not at present available. Nonetheless, there is a considerable amount of information available on progress at the outcome level, in terms of institutional changes necessary for the achievement of the intended impact. On this basis, we rate the overall level of achievement of the programme using the DFID scale.

### *Testing the theory of change*

The methodology asks us to test the theory of change. We are asked to do this in two ways. First, we are asked to answer ten questions derived from the OECD-DAC evaluation criteria (see table below). Second, we are asked to compare BSI to other PFM delivery programmes, including the International Monetary Fund’s AFRITAC programme, to assess what distinguishes the BSI the delivery model.

BSI’s written theory of change is set out in Annex D. It emerged in discussions with the BSI team that, while convinced the programme had a unique way of delivering results through a flexible, problem-solving model, they had found it difficult to capture the theory of change. Our task was therefore both to test the proposition that BSI has a unique delivery model and to help refine the theory of change. This is entirely appropriate to an experimental programme, where the theory of change is likely to develop over time in an iterative process.

In addition to the evaluation questions posed in the TORs, we used a number of other questions to test the theory of change, namely:

- How is the BSI model different from other, more traditional forms of PFM support?

- Does it have a clear problem statement, that is relevant to the fragile states context?
- Have the assumptions about causality in the BSI model proved to be valid?
- Are there other causal mechanisms involved?

### Questions posed in TOR for testing the theory of change

1. Is BSI providing high quality, relevant and cost effective advice?
2. How effectively has the programme responded to uncertainty and risks in fragile states?
3. Are inputs provided by BSI contributing to identifiable institutional changes?
4. Is BSI having an effect on Government strategy and policy on PFM reforms?
5. How demand led has BSI been?
6. Has BSI had a catalytic effect?
7. Is BSI having a sustainable impact on budget, policies, processes and systems capacity?
8. Has BSI increased uptake of good practice and promoted innovation?
9. Has BSI increased partner Government capacity and capability sustainably?
10. In what ways is the support provided by BSI distinguishable from other providers of TA support?

#### *Data sources*

Our main data sources for the evaluation have been:

- i) interviews with the BSI management team in London;
- ii) telephone interviews with members of the Advisory Board;
- iii) interviews with DFID in London and South Sudan on their expectations for the programme;
- iv) extensive briefings from the BSI country teams in South Sudan and Liberia;
- v) BSI programme documentation, including logframes, work plans, annual reports, annual reviews, stories of change and self-assessments;
- vi) key informant interviews with counterparts and other national stakeholders, including Ministry of Finance officials, other line ministries, members of relevant parliamentary committees and civil society organisations; and
- vii) other donors active in the budget reform area and their implementing partners.

A full list of interviewees is provided in Annex 6. For transparency, each interviewee was provided with a one-page summary of the evaluation TORs.

We note a number of limitations to this methodology. Feedback from counterparts has been a key source of evidence. BSI staff assisted with identifying the appropriate stakeholders and facilitated our access to them. Although BSI staff did not attend interviews, there is some risk that BSI influenced the responses. In any technical assistance programme, there is a risk of that the desire of counterparts not to offend their advisers or endanger continuing assistance led to a bias towards positive responses. This was to some degree offset by critical feedback from other donors and technical assistance providers. Furthermore, the BSI assistance deliberate maintains a low profile, without strong 'badging',

with the result that counterparts did not always associate successes with BSI (this is a strength of the programme, although a challenge for impact measurement).

There were some aspects of the support, particularly the strategic advice given to ministers, for which we could not independently verify the results. We also note that, in South Sudan particularly, the BSI assistance has been provided during a highly volatile period, encompassing a major fiscal crisis and partial breakdown in government-donor relations, which complicates impact assessment. There are also more general problems with determining attribution, given that BSI is only one of a range of actors working towards similar goals.

## **Annex G: Documents consulted**

### ***BSI programme management***

BSI Advisory Board Meeting, Agenda and Papers. London. ODI. November 2011

BSI Advisory Board Meeting, Agenda and Papers. London. ODI. May 2012

BSI Advisory Board Meeting, Agenda and Papers. London. ODI. November 2012

Budget Strengthening Initiative in Fragile States, Proposal for an Accountable Grant to promote more effective, transparent and accountable budget policies, processes and systems in the poorest and most fragile states. London. ODI/CAPE. July 2011

Change stories. London. ODI:

- Liberia, Bringing Aid on Budget, March 2013
- Liberia Public Sector Investment Plan (PSIP)
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- South Sudan Planning and Budgeting, March 2012
- South Sudan Public Financial Management Reform and Monthly Expenditure Limits, February 2012
- South Sudan Support to Aid Coordination, February 2012
- South Sudan Peer Learning, February 2012
- South Sudan Provision of Internet to Directorate of Planning, February 2012

Annex 1 Budget Strengthening Initiative (BSI): A Refined Theory of Change (TOC)

Annex: Theory of Change and Monitoring Framework

Annex: Additional evidence on Value for Money. London. ODI. April 2012

BSI Financial structure: Notes for the MTR. London. ODI

BSI Logframe. London. ODI. July 2012

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Annual Workstream Reviews, 2011. London. ODI. April 2012:

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- South Sudan support on aid coordination
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- South Sudan support on PFM reform

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- South Sudan support on PFM reform
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- South Sudan support on Aid Co-ordination
- South Sudan support on the Planning and Budgeting process

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Medium Term Expenditure Framework Manual, Fiscal Year 2012/13 – 2015/16. Monrovia. Republic of Liberia

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Public Financial Management Reform Strategy and Action Plan, 2011/12-2014/15. Monrovia. Government of Liberia. May 2011

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Public Financial Management Reform Strategy Quarterly Progress Report (October - December 2012). Monrovia. Public Financial Management Reforms Coordination Unit (RCU). February 2013

Semi Annual Budget Performance Report FY2012/13. Monrovia. Ministry of Finance. October 2012

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Project Appraisal Document for Integrated Public Financial Management Reform Programme. Washington. World Bank. November 2011

Public Expenditure and Financial Accountability (PEFA) Assessment. Monrovia. Government of Liberia. July 2012

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- Education Sector Aid Financing Plan FY2012/13 – FY2014/15. Juba. Government of the Republic of South Sudan Budget Calendar. Juba. Government of the Republic of South Sudan
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- Regional Technical Assistance Center for Central America, Panama and Dominican Republic, Annual Report FY2012, June 2012

## Annex H: List of interviewees

Name	Designation
<b>ODI London</b>	
A Evans	Director, ODI
M Manuel	Director, BSI
S Gill	Deputy Director, BSI
E Hedger	Head of Programme, CAPE
R Simson	Research Officer
P Krause	Head of Research, BSI
C Leigh	Head of International Partnerships, BSI
H Tavakoli	Research Fellow
<b>g7+ Secretariat</b>	
Helder Da Costa	Head of g7+ Secretariat
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## Annex G: Advice on amendments to logframes

We reviewed the logframes for the overall BSI programme and those for Liberia and South Sudan. We offer the following observations on their compliance with good practice and their likely ability to provide the basis for an effective monitoring and evaluation.

### Overall programme

- The impact indicators in BSI's overall and Liberia logframes are not very useful. The CPIA and Mo Ibrahim indexes are too high level and respond too slowly to be useful in measuring the impact of BSI's work. It also appears unlikely that a baseline will be established for South Sudan in time to measure changes within the five-year life of the programme. The South Sudan approach of focusing on specific elements of the budget process to which BSI's support most closely relates seems more appropriate. Indicators can be selected that align to particular components of the Public Expenditure and Financial Accountability (PEFA) or CPIA assessment methodology. That way, PEFA or CPIA scores can be used if they are available; if not, the team can make its assessment using the same methodology, to be validated during the final BSI evaluation.
- Outcome statement is too complex and contains too many features: effective, transparent and accountable. Are the three indicators being used the best measures of these intended attributes?
- Selection of PEFA indicators raises the questions of (a) whether they will be available for all countries before or at the end of the programme and (b) if they are available, to which financial year (FY) will they relate (maybe an earlier FY will be taken as the base so that it is not directly comparable with the milestone or target date)
- Output 4 related to support of g7+ is not consistent logically with achieving the intended Outcome; not clear how this support will lead to better budgeting and complement the results delivered through the other Outputs
- Output statements are too long and embellished with too many desirable characteristics. The desired/intended features of any output should be reflected in the choice of indicators.
- Number of indicators per Output should be limited to three. Number of Outputs should be less than 5.
- The use of an indicator relating to the 'relevance, effectiveness and sustainability of TA support' to measure the delivery of an Output seems to be incorrect; the quality of an input is not a measure of the achievement of an intended deliverable at the Output level; it is a measure that applies at the level of inputs and activities
- Output 5 is not worded as an Output statement; it reads more like an activity. As a result of completing the research, what is expected to happen in terms of the

Governments' actions, behaviour, take up or follow through – what is the intended measurable difference?

#### Country logframes

- Not clear whether country logframes are supposed to be 'nested' or are they replicates of the main programme?
- How to deal with different milestone dates when FYs are different in each country but end of project date remains the same for all countries? Needs an explicit statement of how this possible dilemma will be addressed
- Milestones need to demonstrate a trajectory of change; outlying years should not be a repetition of performance standards already achieved in earlier years. Where indicators become redundant due to successful achievement, then new indicators with new milestones need to be introduced into the logframe
- In the Liberia logframe, the use of PEFA indicators at Output level is inappropriate because they fail to capture the success achieved through the programme's interventions; attribution is too problematic for results that clearly the programme is committed to delivering.