



# Evaluation

## *Comparative Review of Austrian Development Cooperation's Budget Support Operations*

*Final Synthesis Report  
Volume 2: Annexes*



## **Imprint**

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This is an independent evaluation report. Views and conclusions expressed do not necessarily represent those of the contractors.

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## Annex I    Benchmark: Belgium

REVIEW QUESTIONS: A) INPUTS	BELGIUM
Policies	
A1 General information	<p>Belgium is active in 18 priority partner countries,<sup>1</sup> across 5 concentration sectors<sup>2</sup> and 5 transversal themes.<sup>3</sup> In practice, however Belgian ODA is quite fragmented across a wider range of countries and sectors and often contributes not more than 2-5% of total aid in a given partner country. Most of its bilateral aid is allocated to Africa, whereby Central Africa (DRC, Rwanda, Burundi and Uganda) represents about 48%, North &amp; West Africa 21% and East Africa 7%.</p> <p>The Law on International Cooperation 2005 defines the general policy framework as regards the Belgian development cooperation. Each sector and thematic area is guided by a policy or strategy paper and partner country interventions are described in a country assistance programme. The OECD DAC Guidelines on Poverty Reduction (2001) and the Millennium Development Goals (2000), as well as the OECD DAC Guidelines on donor practices (2003) provide the central reference framework for the implementation of Belgian development cooperation. The general Belgian policy on BS is influenced by Belgium's commitment to internationally agreed principles such as ownership, harmonisation &amp; alignment, coordination, and the implementation of the MDGs. BS is seen as a key instrument in promoting greater effectiveness of Belgian aid, although BS is part of an aid modality mix approach. The Belgian Action Plan for Harmonisation &amp; Alignment considers a significant scaling up of BS, although no specific targets have been set. The Guidelines on BS (Vademecum)<sup>4</sup> spell out the details of Belgium's BS strategy, which have been revised in 2008 taking into account the lessons learned from Belgium's internal evaluation of BS and the external Joint donor OECD/DAC evaluation of BS.</p> <p>Belgium's BS strategy is very much influenced by the choices Belgium considers important in enhancing the effectiveness of a small donor's support to the budget of a partner country. It recognises that as a small donor with a long colonial history in fragile states, it can only add value if Belgian BS is embedded in its overall strategy of concentration/ specialisation and allows for sufficient flexibility for partner country environments.</p> <p>A few key principles reflect this strategy:</p> <ul style="list-style-type: none"> <li>• Belgium provides BS only to its 18 partner countries, among which fragile states;</li> <li>• Belgium prefers the provision of SBS, although it does not oppose and where relevant supports the provision of GBS;</li> <li>• Belgium will only provide BS in tandem with other donors. SBS will only be provided together with at least one other donor, while GBS can not be</li> </ul>

<sup>1</sup> These include: Algeria, Benin, Bolivia, Burundi, D.R. of Congo, Ecuador, Mali, Morocco, Mozambique, Niger, Palestinian territories, Peru, Rwanda, Senegal, South Africa, Tanzania, Uganda, Vietnam.

<sup>2</sup> These include: basic health care, education and training, agriculture and food security, basic infrastructure, and good governance.

<sup>3</sup> These include: equal rights for women and men, care of the environment, social economy, the fight against AIDS and children's rights.

<sup>4</sup> Directorate of Development Cooperation, Vademecum Budget Support, 2008.

REVIEW QUESTIONS: A) INPUTS	BELGIUM
	<p>provided directly but through a delegated partnership with the EC or the World Bank;</p> <ul style="list-style-type: none"> <li>• BS has to fit within and cannot account for more than 50% of the total country programme. This is in part to respond to increasing critical voices from home constituencies (e.g. Parliament, civil society, Ministry of Finance);</li> <li>• Although there is clear focus on BS within the Belgian development cooperation, BS is only one aid modality within a wider mix of modalities to support a sector;</li> <li>• BS will be provided through multi-annual commitments;</li> <li>• There are no requirements for additionality and Belgium only works with a graduated response mechanism in form of fixed and performance tranches.</li> </ul> <p>It should be noted, that Belgium includes pooled or basket funds in its definition of BS, as often these aid modalities are precursors to SBS.</p>
<p>A2 Do respective policies of smaller donors like ADC define their role <b>with regard to the division of labour in BS</b>? Do these policies suggest that smaller donors should focus on areas of comparative advantage and specific expertise ("niche strategy")? Are there other specific strategies defined by comparable donors?</p>	<p>Belgium clearly follows a strategy of promoting the division of labour and considers this principle as particularly important for a small donor. This strategy is reflected in the following choices:</p> <ul style="list-style-type: none"> <li>• <b>Reduction of partner countries:</b> Belgium has decreased its engagement in partner countries from 25 in 1999 to 18 in 2003, although it remains active, though on a decreasing scale, in a few former partner countries;</li> <li>• <b>Sector concentration:</b> Belgium will successively decrease its engagement to a maximum of 2 sectors in partner countries, with the exception of the three main country operations (DRC, Burundi and Rwanda) where Belgium can operate in a maximum of 3 sectors;</li> <li>• For each partner country the basis is a programme in 2 to 3 priority sectors and a minimum envelope of EUR 40 mln. for 4 years, with the possibility to increase this amount to EUR 100 mln. in case a number of criteria are fulfilled (e.g. low HDI score, vulnerable countries, ODA below average, positive governance evolution).<sup>5</sup> Belgium only engages in a sector where it can assure its support for at least three programme cycles (i.e. usually for at least 10-12 years). SBS is preferably to be provided in the 2 or 3 sectors identified in the country programme. Although Belgium operates BS in a variety of 5 sectors, the health and education sectors are supported most frequently. Belgium has a long history especially in the health sector with supporting network of Belgian organisations active in this area.</li> </ul>
<p>A3 Do respective donor policies define "<b>delegated cooperation</b>" as a desired/accepted option? If so, under which circumstances / conditions?</p>	<p>In the context of the efforts of the Belgian development cooperation towards specialisation, division of labour and greater aid effectiveness, delegated cooperation is a part of its bilateral development cooperation policy. Delegated cooperation is based on the principle of reciprocity. Other donors can delegate projects and programmes either to the Directorate General for Development Cooperation (DGDC), which has them implemented by BTC, the implementing agency for direct bilateral cooperation in Belgium, or can delegate projects</p>

<sup>5</sup> Belgian Technical Cooperation, Belgium and Delegated Cooperation, Principles and Guidelines.

REVIEW QUESTIONS: A) INPUTS	BELGIUM
	<p>directly to BTC. The Belgian bilateral development cooperation will only execute projects and programmes in its partner countries and in sectors in which it has specialised.</p> <p>In this context, BTC has as of April 2008 received certification by the EC to be entrusted with the implementation tasks in the context of indirect centralised management for the EC under Art 54 and 56 of the Financial Regulations applicable to the budget and Art 14 of the Financial Regulations applicable to the EDF.<sup>6</sup></p> <p>Moreover, Belgium will also actively look for opportunities for delegation of its support to other donors, which will mean a full silent partnership. Delegated partnerships are also possible in the case of SBS and are obligatory in case of GBS to the EC or World Bank. Belgium views delegated cooperation from two perspectives:</p> <ul style="list-style-type: none"> <li>• It can be part of the strategy of division of labour between donors. Delegated cooperation is a way to set aside money for underfunded sectors, without having the Belgian development cooperation actively execute projects and programmes;</li> <li>• It can be part of an exit strategy. In the context of the planned concentration on 2 or 3 sectors, the Belgian development cooperation will quit certain sectors, whereas it still wishes to consolidate results achieved while exiting over a period of usually 4 years. This can be achieved by delegating execution to other donors who will remain active in the sectors concerned;</li> <li>• It is estimated that delegated partnership account for about 5-10% of country programmes with 2 sectors, while for approximately 25% of country programmes with 3 sectors.<sup>7</sup></li> </ul>
A4 Do respective donor policies on BS address the role of the respective donor in the <b>policy dialogue</b> ? Do they deal with the possible tension between the interests of each donor to influence the dialogue vs. the need for harmonisation among donors?	<p>Although Belgium recognises that BS disbursements need to have a sufficient volume to meaningfully support a sector, it emphasises that a donor can have a significant value added from playing an active and qualified role in the policy dialogue regardless of the size of the BS operation. In fact, Belgium will only provide BS if it can effectively play this role in the policy dialogue and is regarded as an equal partner despite its size. Whenever Belgium provides SBS to a sector, it posts a sector expert to provide additional expertise. In case of GBS, it recruits a PFM/macroeconomic expert which will preferably be seconded at the EC or the World Bank who is implementing the Belgian BS operation in a delegated partnership. Experiences in Uganda, Mozambique and DRC show that this approach has been working well and Belgium is well respected at the policy table. The Vademecum also provides a number of principles, whereby field offices need to pay attention to generating a clear understanding of how Belgium aims to play an important role in the policy dialogue. Also whenever BS ends, Belgium tries to stay engaged in the policy dialogue and M&amp;E in order to review whether results have been consolidated and funds have been properly accounted for.</p>
A5 Compared to ADC, how	Although there is clear focus on BS within the Belgian development cooperation

<sup>6</sup> Belgian Technical Cooperation, Belgium and Delegated Cooperation, Principles and Guidelines.

<sup>7</sup> Estimates made based on the interviews.

REVIEW QUESTIONS: A) INPUTS	BELGIUM
do other donors define the relationship between BS and other <b>aid modalities</b> (which categorisation/terminology is used, which significance does BS have vis-à-vis other aid modalities)?	with preference for SBS, BS is seen as only one aid modality within a wider mix of modalities to support a sector. The choice for SBS should be seen within Belgium's "portfolio approach", whereby different modalities besides SBS can be used but all should be complementary to one another in supporting coherently a sector programme.
A6 Do respective donor policies define a minimum or maximum share of BS of total ODA provided by the respective donor?	<p>In 2002, the Belgian government committed to achieving the 0.7% ODA/GDP target by 2010. This is likely to be achieved in practice. There are no specific targets on BS as share of total ODA. BS disbursements made up around 20% of total Belgian direct bilateral development cooperation in 2008 and the number of partner countries receiving Belgian BS operations has steadily increased to 10 today.<sup>8</sup> On average, it is estimated that about EUR 6.5 million is spent on BS in the ten partner countries, with some countries like Uganda, Mozambique, Tanzania receiving substantially higher amounts.<sup>9</sup></p> <p>BS disbursements in the 4 case study countries budgeted in 2008:<sup>10</sup></p> <ul style="list-style-type: none"> <li>• Uganda: Health Sector Strategic Plan II (ca 18 mln), Local Government Support (4 mln) and Education (12 mln);</li> <li>• Mozambique: GBS (9 mln), SISTAFE (3 mln), Tax reform (3 mln);</li> <li>• Nicaragua: no intervention;</li> <li>• Cape Verde: no intervention.</li> </ul>
A7 Do respective donor policies foresee a <b>preference</b> for either SBS or GBS?	Yes, Belgium promotes the use of SBS, while GBS is only possible in form of a delegated partnership to EC and World Bank. A choice for SBS should be seen within Belgium's "portfolio approach", whereby different modalities can be used complementary to one another and supporting coherently a sector programme.
A8 Do respective donor policies define whether BS is, in addition to the national level, also provided at <b>municipal or district level</b> ? Which strengths and weaknesses of such an approach are recognized?	The BS guidelines do not define any policy for providing BS to sub-national level. But there are current discussions in Mali to review whether support to provinces by donors can be pooled or provided through BS.
A9 Which <b>criteria</b> are defined in donor policies to decide whether to provide BS to a country?	<p>Belgium manages the risks related to BS, firstly by setting <b>minimum requirements</b> associated with the preparation and implementation of the BS programmes. In addition, Belgium will make a more specific analysis of performance risks. The <b>specific analysis</b> allows Belgium to decide whether or not to provide BS or to suspend disbursement during implementation.</p> <p>The eligibility criteria for analysis are the following:</p> <p><b>Four Minimum requirements:</b></p>

<sup>8</sup> Ministry of Foreign Affairs, International Trade and Development Cooperation, Budget Development Cooperation 2009.

<sup>9</sup> DGDC, Direct bilateral development cooperation budget 2009.

<sup>10</sup> Information provided by BTC.



REVIEW QUESTIONS: A) INPUTS	BELGIUM
	<ul style="list-style-type: none"> <li>Guarantees of good (economic) governance: Using the World Bank's IDA Resource Allocation Index (IRAI). IRAI is based on the results of the annual Country Policy and Institutional Assessment (CPIA) exercise that covers the IDA eligible countries;<sup>11</sup></li> <li>Macro-economic stability: the country needs to be on-track with an IMF programme;</li> <li>Presence of other donors providing BS: there needs to be at least one multilateral donor (EC or WB though they do not need to be in same sector) and one other bilateral donor in same sector;</li> <li>Reliable PFM: credible PFM reform programme in place and PFM analysis needs to be undertaken (PEFA, PETS, PERs etc).</li> </ul> <p><b>Specific analysis</b> related to performance risk:</p> <ul style="list-style-type: none"> <li>Quality of the sector (or national) reform programme;</li> <li>Extent of political willingness in the country to implement reforms;</li> <li>Availability of capacity in the country to implement reforms;</li> <li>Availability of capacity in the donor group to follow up the policy dialogue and the progress of reforms;</li> <li>Existence and quality of policy dialogue in partner country;</li> <li>It should be noted though that the BS guidelines do not focus specifically on how to mitigate these risks through complementary measures linked to a BS operation in the wider context of a Belgian country assistance programme.</li> </ul>
A10 Do respective donors provide BS only to good performers or also to <b>fragile states</b> ?	No, given Belgium's colonial history it operates currently in a number of fragile states with which it has had colonial ties previously such as DRC, Burundi and Rwanda. Whenever feasible and appropriate, Belgium will provide BS also to fragile states and has kept the eligibility criteria broad enough to facilitate this step. The BS guidelines are thus applicable to fragile and non-fragile states. Belgium recognises however that the BS guidelines perhaps will need to be adapted to fragile states situation.
A11 Do respective donor policies address the <b>risks of BS</b> and how to deal with them? What are these risks and how are they to be dealt with?	When deciding if and what kind of BS Belgium chooses to engage in, and when tackling the questions of eligibility, Belgium considers and assesses the risks related to BS through reviewing the minimum requirements and the specific performance risks to a BS operation (see above). Furthermore, Belgium does not view the risks associated with BS a priori larger or smaller than those associated with other instruments. Rather, there is a change of risk profile as one moves from project assistance to BS. Some risks, like those related to PFM and fiduciary risks might become more important while others such as weak policy environment and lack of ownership, lack of co-ordination and weak result culture diminish as they are directly addressed by BS. The changing risk profile implies adaptations in the risk management approach. In general, BS leads to an increased involvement of donors upstream in the political process, where government policies and budgets are decided. This involvement can by itself become domineering when governments are weak, and this poses a different

<sup>11</sup> The CPIA rates countries against a set of 16 criteria grouped in four clusters: (a) economic management; (b) structural policies; (c) policies for social inclusion and equity; and (d) public sector management and institutions.

REVIEW QUESTIONS: A) INPUTS	BELGIUM
	risk, which donors may need to address collectively and jointly with the partner government. <sup>12</sup>
A12 Do respective donor policies define specific situations or criteria for an immediate <b>discontinuation of BS</b> disbursements to partner countries (e.g. human rights violations, corruption scandals etc.)?	Belgium does not spell out a specific strategy. In case of too limited progress or a breach of the underlying partnership principles (e.g. free and fair elections, maintenance of human rights, reduction in corruption) which trigger a discontinuation of disbursement of BS, then Belgium aims to formulate a response closely coordinated with other donors. Belgium will then also consult its internal Working Group on BS at Headquarter. The synthesised advice from the Working Group will be forwarded for approval to the Minister, upon prior approval by the Inspectorate of Finance. Recently, it has included in its guidelines that in case of fraud in a BS operation, the partner government will be asked to pay back the BS funds. Belgium expects to develop an appropriate policy in this area after reviewing more extensively international best practices and lessons learned from its partner countries.
A13 Do respective donor policies state whether to use “fixed” <b>tranches</b> only or a model of “fixed and variable” tranches? Concerning variable tranches, are minimum contribution volumes specified in order to make this instrument feasible?	Belgium does not work with performance tranches. Reasons for this include the fact that graduated response mechanisms are only effective if a sufficient financial leverage can be generated and dialogue & responses around relevant performance criteria are coordinated. Belgium does not believe that it can exert the necessary financial leverage given its relatively smaller size. Experience also suggests that SBS operations are less likely to work with performance tranches than in case of GBS operations.
A14 How are <b>cross-cutting issues</b> (particularly gender and environment) embedded in the respective donor policies on BS?	Cross cutting issues like gender and environment are not explicitly mentioned in Belgium's BS strategy.
A15 Which <b>supplementary measures</b> are defined as part of BS operations in respective donor policies (e.g. strengthening PFM and planning systems, support to line ministries, promoting accountability vis-à-vis parliaments and civil society)? Do such policies foresee financial resources to be provided for these	Belgium does not spell out a specific strategy on how to complement BS operations, although it is recognised that a mix of modalities can increase the effectiveness of a BS operations (e.g. projects on institutional strengthening and capacity building). Institutional strengthening and capacity building concerns have always been a key element of Belgian development cooperation. This is reflected by a number of actions: <ul style="list-style-type: none"> <li>• First, within the specific risk analysis which needs to be undertaken as part of review of BS eligibility, the quality of a sector programme and the capacity to implement it as well as political will &amp; commitment by the partner government are being assessed;</li> <li>• Second, Belgium funds institutional capacity building programmes in support of its BS operations, recently with a more specialised focus on public sector management &amp; human resource management (e.g. trainings for health</li> </ul>

<sup>12</sup> Directorate of Development Cooperation, Vademecum Budget support, 2008.

REVIEW QUESTIONS: A) INPUTS	BELGIUM
objectives and modalities to coordinate such support with other donors involved?	<p>personnel in the area of management, logistics, finance, etc);</p> <ul style="list-style-type: none"> <li>• Third, Belgium aims to underline the importance of strengthening PFM and good governance within sector programmes and increasingly promotes capacity building of its sector advisers in these areas (e.g. trainings and discussion groups several times a year);</li> <li>• Fourth, and quite unique for a donor agency, the Belgian development cooperation can dispose the technical expertise of its sector experts in charge of the BS operation also to the partner government; and</li> <li>• Lastly, to ensure the effectiveness of its TA, BTC commissioned a review in 2006 to provide recommendations on how TA could be made more effective by taking into account the international discourse on the topic and lessons learned by other donor organisations.</li> </ul>
A16 Do respective donor policies include measures to support the future independence of partner countries from BS (“ <b>exit strategies</b> ”) (e.g. strengthening of the domestic tax system)?	Belgium does not spell out a specific strategy for future independence of partner countries from BS.
A17 Do respective donor policies describe (joint) <b>review and evaluation</b> procedures for BS operations?	<p><b>Belgium defines two levels of M&amp;E for BS:</b></p> <ul style="list-style-type: none"> <li>• In a narrow sense, monitoring whether the eligibility criteria continue to be fulfilled to allow the disbursement of BS;</li> <li>• In a wider sense the monitoring of progress in the area of PFM and with regard to implementation of the national &amp; sector strategies in light of a policy dialogue with the partner government.</li> </ul> <p><b>M&amp;E is based on a number of key principles:</b></p> <ul style="list-style-type: none"> <li>• The M&amp;E systems should be based on the systems through which the partner government reports to its own parliament and should make use as much as possible of existing information;</li> <li>• Belgium relies in M&amp;E of BS on joint donor reviews and other relevant appraisals (e.g. PFM assessments) and actively participates in these missions;</li> <li>• Belgium sticks to the agreements of M&amp;E negotiated for BS at country level and promotes the predictability of funding in terms of volume and timing;</li> <li>• Belgium will not only monitor progress based on joint donor reviews of government PAFs but will also review other sources of information (e.g. from civil society, media, NGOs, etc);</li> <li>• As part of the specific risks analysis for BS, the quality of the M&amp;E systems should be reviewed (reliability, frequency, comprehensiveness, etc). In case there is inadequate M&amp;E capacity, Belgium will provide financial support to strengthen partners country systems;</li> <li>• Next to the PAF of BS, timely and high-quality audit reports are an essential element of any M&amp;E and accountability system for Belgian BS resources.</li> </ul> <p>For more information see also question on <b>discontinuation of budget</b></p>

REVIEW QUESTIONS: A) INPUTS	BELGIUM																																			
	<p>(A12) and on financial control (C.8);</p> <ul style="list-style-type: none"><li>An internal Working Group on BS has been established composed of 2 staff members from DGDC, 2 from BTC, 2 BS experts from the academic sector, and 1 staff member from the policy cell of the Minister. This group of seven provides support in the preparation of the BS programme and provide advice on strategic issues whenever relevant.</li></ul>																																			
Financial Resources																																				
A18 General information	<p>Total Belgian ODA has increased from EUR 1,173 million in 2004 to EUR 1,654 million in 2008. The share of ODA/GDP increased from in 0.41% 2004 to 0.48% in 2008. Belgium anticipates to achieve its set target of 0.7% of ODA/GDP by 2010, as a result of its general aid scaling up efforts and granting significant debt relief.</p> <p>The direct bilateral development cooperation accounted for EUR 150 million in 2004 and EUR 269 million in 2008, which equals a share of roughly 16% of total ODA.<sup>13</sup> For comparison with the ADA budget it needs to be stated that this budget is only for <i>direct</i> bilateral cooperation. Support to NGO is not included in this budget, because this are covered under the <i>indirect</i> bilateral cooperation (see below for institutional set-up – general information).</p> <p>BS disbursements made up around 20% of total Belgian direct bilateral development cooperation in 2008 and the number of partner countries participating in Belgian BS operations has steadily increased to 10 out of 18 today.<sup>14</sup> On average, it is estimated that per country, about EUR 6,5 million is spent on BS in the ten partner countries.<sup>15</sup></p>																																			
Human Resources																																				
A19 General information	<p>Each Belgian embassy in partner countries has an average of 2 international and 2 national staff members. The cooperation programmes are negotiated and monitored by the Attachés (i.e. diplomatic personnel) at the Belgian Embassies. In the partner countries BTC is represented by 'resident representatives' in charge of supervising the implementation of the programmes and projects. In 2008, BTC was working with 180 staff in Brussels and more than 200 local staff working at its different country offices. BTC has also 184 technical assistants working in the projects worldwide together with about 73 development cooperation volunteers. In 2008, this amounted to a total of 650 staff at the disposal of BTC worldwide.</p> <p>Table 1: Staffing of DGDC en BTC in Brussels and in the field, 2000 – 2004</p> <table><tr><th></th><th>2000</th><th>2001</th><th>2002</th><th>2003</th><th>2004</th><th>2008</th></tr><tr><td>DGDC</td><td></td><td></td><td></td><td>242</td><td></td><td></td></tr><tr><td>-</td><td></td><td></td><td></td><td>189</td><td></td><td></td></tr><tr><td>Headquarters</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>- Field</td><td></td><td></td><td></td><td>53</td><td></td><td></td></tr></table>		2000	2001	2002	2003	2004	2008	DGDC				242			-				189			Headquarters							- Field				53		
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<sup>13</sup> Ministry of Foreign Affairs, International Trade and Development Cooperation, Belgian official development aid (ODA) 2004-2008.

<sup>14</sup> Ministry of Foreign Affairs, International Trade and Development Cooperation, Budget Development Cooperation 2009.

<sup>15</sup> DGDC, Direct Bilateral Development Cooperation Budget 2009.

REVIEW QUESTIONS: A) INPUTS	BELGIUM						
	BTC	205	221	218	237	260	393
	-	71	73	78	90	103	181
	Headquarters (in FTEs)						
	- Field (in FTEs)*	134	148	140	147	157	212
	<b>Total DGDC &amp; BTC</b>				<b>479</b>		
	<b>- Headquarters</b>				<b>279</b>		
	<b>- Field</b>				<b>200</b>		
	<p>(**) excluding TA experts and development cooperation volunteers.</p> <p>Source: DGDC Management plan 2003 and diverse BTC Annual Reports 2000-2004 and 2008.</p> <p>Over the last few years, both DGDC and BTC have increasingly recruited sector specialists and experts on PFM, macroeconomics and governance. Today there are 15 BTC sector experts operating in the partner countries with BS.</p> <p>Furthermore, at BTC Headquarters are sector experts and 3 experts primarily in charge of BS. Two more experts with expertise in governance, PFM, economics are planned to be recruited.</p> <p>Although Belgium does not have an explicit capacity development strategy in support of the increasing number of BS operations, it has undertaken various efforts to promote capacity building of its own organization:</p> <ul style="list-style-type: none"> <li>• Posting of additional sector expertise and PFM expertise where necessary to support the policy dialogue around BS in the partner countries, and successively building up related expertise at headquarters;</li> <li>• Development of a database which includes best practice principles as regards MoU, Financing Agreements , and other issues during implementation of BS operations;</li> <li>• Once a year, all attachés come together for an one week or 10 days training on BS and to discuss lessons learned;</li> <li>• Likewise, there are regular trainings for BTC personnel on BS and related issues;</li> <li>• At headquarter, the BS working group discusses monthly any issues arising from BS operations in the partner countries and reviews relevance and appropriateness of Belgian BS strategy in this context.</li> </ul> <p>The major challenges comprise that DGDC cannot conduct its own personnel policy, as it is part of the wider Ministry of Foreign Affairs human resource management. BTC however as a public sector organization under private enterprise law can conduct its own HRM policy (see institutional set-up below). This has given BTC much more flexibility in attracting appropriate personnel.</p> <p>The increase in the number of BS operations and the systematic recruitment of relevant sector expertise has created a critical mass of staff with good</p>						

REVIEW QUESTIONS: A) INPUTS	BELGIUM
	understanding of BS and has promoted the general understanding and acceptance of this aid modality within the organization.
A20 What number of <b>staff is involved</b> by respective donors in deciding, planning and implementing BS in relation to the number of operations as well as the volume of funds disbursed?	<p>The attaché in the partner country, with support from BTC resident representative and sector expert (s), is leading the planning and implementation of the BS operations. Thematic backstopping at headquarters takes place by the country desks at DGDC and by the country and sector/thematic desks at BTC (e.g. PFM and BS experts). Furthermore, the Working Group on BS plays an advisory significant role.</p> <p>It is difficult to determine the exact number of staff engaged in planning and implementing a BS operation, but at least 10 to 15 people tend to be involved.</p>
A21 What is the <b>professional background</b> of the respective staff (experience with BS as a modality vs. sector knowledge vs. country knowledge vs. macro-economic knowledge)? Is there a specific thematic back-stopping capacity at headquarters and/or in the field Coordination Offices?	Sector expertise ranges from education, health, decentralisation, while also substantial experience has been build up in the area of PFM, governance, macroeconomics and BS (see <b>also General Information on Human Resources</b> ).
REVIEW QUESTIONS: B) OUTPUTS	BELGIUM
B1 Are BS operations currently funded by Belgium in line with the <b>policies</b> and strategies?	Country programmes generally adhere to Belgium's policies and strategies on BS. For the future, Belgium recognises that BS provides a good opportunity for more effective and efficient aid management and plans to continue increasing its BS funding, among others by further specialisation and division of labour.
B2 What role does Belgium play regarding both <b>financial contributions and supplementary measures</b> to BS operations in recipient countries?	Belgium has managed to become a medium-sized donor given its recent scaling up and its geographic and thematic concentration over time. Belgium has emphasised institutional capacity building but does not seem to have a particular comparative advantage in providing supplementary capacity building. BTC is however well positioned to attract TA experts to support its operations.
B3 What is the role of Belgium in the <b>policy dialogue</b> with the partner governments and the donor community?	<p>Belgium has heavily invested in the policy dialogue to realize its ambition to become an "equal partner" at the policy table. The posting of a sector expert to all its SBS and GBS operations and regular capacity building initiatives at headquarters have been well-appreciated both by government and donors. Experiences in Rwanda, Uganda and Mozambique certify Belgium's value added in providing high quality advisory capacity. The conducting of the policy dialogue is now better coordinated and task distribution has generally become clearer between the Belgian attaché for development cooperation and BTC. The choice of sector for Belgian SBS is determined by a variety of factors, but foremost whether a sector:</p> <ul style="list-style-type: none"> <li>fits within the 5 priority sectors and government preferences;</li> </ul>

REVIEW QUESTIONS: A) INPUTS	BELGIUM
	<ul style="list-style-type: none"> <li>• is not overcrowded by other donors; and</li> <li>• is supported by at least one bilateral donor with which Belgium could cooperate.</li> </ul> <p>It is noted that Belgium is quite frequently asked to take a lead in a sector, because as a small donor it is less likely to be associated with a hidden political agenda and hence can become mediator between donors. Whenever political challenges surface, Belgian experiences shows the need for a coherent diplomatic position and an ability to manage political responses efficiently and effectively in support of its technical development cooperation functions.</p>
B4 What is the role of Belgium in <b>budget preparation and reviews</b> (MTEF, PER, PFM)?	Belgium has invested in attracting staff with relevant expertise in PFM and participates in relevant joint donor review and assessment missions.
B5 Are there <b>synergies</b> between BS and other interventions of Belgium?	Detailed information on the particular role of Belgium is not available at this time.
REVIEW QUESTIONS: C) INSTITUTIONAL SET-UP and OPERATIONAL PROCEDURES	BELGIUM
C1 General information	<p>The <b>main players</b> within the Belgian development cooperation are the DGDC and the BTC. Since 1998, development cooperation policy and implementation has been split between these two partner organisations. DGDC is the Belgian federal administrative entity for development aid. It is a part of the Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation, and comes directly under the Minister for Development Cooperation. While DGDC is responsible for policy, planning, financing and evaluation of the direct bilateral development cooperation, BTC, a public company fully owned by the Belgian State, is responsible for its implementation and monitoring. The main objective of the direct bilateral cooperation is to help partner countries to implement their poverty reduction strategies.</p> <p>In addition to bilateral direct (governmental) cooperation, the DGDC co-finances and coordinates the other types of cooperation such as indirect bilateral cooperation (e.g. NGOs and university cooperation), and multilateral cooperation (with UN Development Agencies, European Cooperation (EDF) and with International Financial Institutions (World Bank and regional development banks). The DGDC is responsible for managing 60% of Belgian official development assistance.</p> <p>Within DGDC, directorate D1 is responsible for the direct bilateral development cooperation. It is divided into 6 geographic departments and is supported by 4 service departments (general affairs and secretariat, policy support, evaluation and statistics, budget preparation). BTC has a directorate committee and 4 directorates (finance, HRM, geographic coordination and sectoral/thematic expertise). Both organisations have management and/or business plans guiding their operations.</p>

REVIEW QUESTIONS: A) INPUTS	BELGIUM
	<p>Within all partner countries, Belgium has a diplomatic representation and a representation office of the BTC. The attaché (diplomatic personnel) usually leads the policy dialogue with the partner government and is supported by BTC and the relevant sector experts. Transaction costs are a concern for Belgium as a small donor, especially when the policy &amp; implementation cycle is split between two organisations, e.g. DGDC and BTC. There are clear guidelines as regards the <b>operational costs</b>. BTC is being reimbursed by DGDC for the implementation of the Belgian direct bilateral cooperation. General project/programme management costs vary between 9 and 14% depending on the size and complexity of the project/programme. This complexity is determined by 10 criteria: competence of project management, capacity of project collaborators, technical complexity, complexity of execution modalities, distance to the country office, suppliers, political importance and communication approach, the number of financial transactions, the number and diversity of public contracts, synergies with projects and resources, follow-up of local staff. If the complexity is high, the management costs are increased by 1% and these costs are decreased likewise by 1% when labour intensiveness is low. For sectors on which BTC has focused for a long while in a country (in principle two or three sectors per country) the management costs are 4% lower. If the delegated cooperation is related to SBS, the management cost is 4%.</p> <p>Major <b>challenges</b> for the future comprise:</p> <ul style="list-style-type: none"> <li>• Belgium's major challenges to effectively implement BS relate to supporting processes &amp; procedures and capacity development. Its strategy and guidelines with regard to BS are relatively well defined;</li> <li>• Programming and approval procedures tend to be long, heavily centralised and focus on ex-ante controls (e.g. significant role of the Inspectorate of Finance in approval process). This limits the predictability and results-orientation of Belgian BS;</li> <li>• The Belgian budget is not multi-annually, which undermines predictability vis-à-vis multi-annual commitments of BS;</li> <li>• Quite some duplication of expertise and processes exist between DGDC and BTC at headquarter level (e.g. regional/country desks at DGDC, separate offices for embassy/diplomatic representation and BTC office) adding to transaction costs;</li> <li>• Although the attaché is formally leading the policy dialogue, in practice it is often the BTC expert who has more in-depth expertise;</li> <li>• During the design of the country strategy, more attention needs to be paid to complementing SBS with other modalities, where relevant, in a more coherent way in support of a government led sector programme.</li> </ul>
C2 Is there a clear <b>operational guideline</b> or outline for all or most procedures regarding BS available?	The so-called Vademecum on BS describes the basic guidelines and the programming cycle for the application of BS. These guidelines outline the most important procedures with respect to programme preparation, formulation and contracting, as well as risk assessment & management, monitoring and evaluation. The Vademecum has been revised in 2008.
C3 Who is responsible for making the <b>decision to</b>	The Minister for Development Cooperation takes the final decision on whether or not BS is provided, based upon prior approval by the Inspectorate of Finances of



REVIEW QUESTIONS: A) INPUTS	BELGIUM
provide BS to a partner country? Which criteria and processes are applied to arrive at this decision?	<p>the Ministry Finance. Any budget spending higher than approximately EUR 31.000 of any Belgian government department needs to be approved by the Inspectorate of Finances. While for projects, the Inspectorate approves commitments &amp; disbursements multi-annually, BS commitments &amp; disbursements are only approved annually by the Inspectorate. The reasoning is that projects funds are managed by BTC, a public company fully owned by the Belgian State, the management of BS funds is delegated to the partner government. This ex-ante role of the Inspectorate has been criticized by the OECD/DAC Peer Review and other internal and external evaluations, as it often delays a timely disbursement of BS resources to the partner country and undermines result-focus. Belgium is now reviewing how to adapt the relevant procedures to promote greater timeliness and predictability of Belgian BS.</p>
C4 How are the BS contributions being prepared (defining the amount, negotiation authority etc.)?	<p>The approval process of BS takes place in 6 steps:</p> <ul style="list-style-type: none"> <li>• In the framework of the preparation of a country assistance strategy, the embassy reviews the <b>feasibility</b> of BS on the basis of the four minimum eligibility criteria;</li> <li>• The proposal of the embassy for the provision of a specific BS operations needs to be formulated in a "<b>basic note</b>" where the opportunity for financing is presented. The note consists of 2 parts: (1) analysis of the 4 minimum eligibility criteria and (2) motivation of BS operation and how it fits within Belgium's country assistance programme;</li> <li>• After the <b>approval of the basic note by the Minister</b>, the embassy receives the mandate to negotiate with the partner government and other donors about the specific programmatic details of the BS operation;</li> <li>• <b>Signing of the MoU;</b></li> <li>• DGDC requests BTC to prepare a '<b>technical note</b>' in order to finalize the programme, which undertakes a detailed risk assessment based upon the 4 minimum and 6 specific risk criteria and develops recommendations on how Belgium aims to conduct the policy dialogue. The technical note together with the programme document by the partner country are sent to the Working Group on BS for advice;</li> <li>• Depending on the BS operation, relevant sector/thematic experts and programme experts are consulted;</li> <li>• The <b>Minister, upon prior approval by the Inspectorate of Finances, approves the BS operation</b> based on the technical note, the programme, the note on how to conduct the policy dialogue, the special agreement and the implementation agreement as well as the advice of the Working Group on BS.</li> </ul> <p>A shorter approval procedure can be followed in cases where Belgium joins an ongoing BS programme or if Belgium has previously been active in the sector. In this case, step 1-4 are skipped, and the process starts with step 5 preparing the technical note. BS operations cannot exceed 50% of the total Belgian the assistance programme in a partner country. There are no specific targets on BS as share of total ODA.</p>
C5 How are measures	There are no specific guidelines, criteria or procedures on how supplementary

REVIEW QUESTIONS: A) INPUTS	BELGIUM
<b>supplementary to BS</b> (e.g. strengthening PFM systems etc, promoting civil society involvement in the budget planning, execution and monitoring process) <b>planned and decided on?</b>	measures to BS are decided upon.
C6 What are the <b>accompanying and monitoring measures applied</b> along with BS operations (tracking of and reporting on compliance with PAFs, involvement in policy dialogue, reporting to Headquarters, participation in monitoring measures such as joint missions etc)?	<p>We have described the <b>review and evaluation</b> procedures above with two levels of M&amp;E for BS (see question A17). The wider level of M&amp;E is usually based on a PAF which should be owned by the government and jointly reviewed by development partners. Belgium aims to actively participate in these review missions. Belgium never imposes separate benchmarks or indicators in a PAF but aims to act in cooperation with other donors guided by the principles of harmonisation &amp; alignment and by responding flexibly to local circumstances. In this context, the embassy and BTC need to prepare a note on how they see Belgium adds most value in the policy dialogue and how they intend to participate.</p> <p>In addition, performance of a BS programme also needs to be qualified by an audit report. Belgium relies on the Supreme Audit Institution (SAI) in the partner country if it has sufficient independence and capacity. A relevant assessment needs to be available during the preparation phase of the BS operation. Hereby one can often rely on a PEFA assessment. If a PEFA or similar assessment is not available, a separate assessment of the SAI independence and capacity needs to be undertaken as part of the preparatory programming phase. In case the independence and capacity of the SAI cannot be guaranteed, Belgium in cooperation with other donors will review to what extent independent external audit firms can be contracted. In countries where CPIA score on PFM is low, Belgium can only participate in a BS operation if an external audit firm is contracted for undertaking the auditing of the BS operation or through a World Bank Trust Fund model. For BS operations under implementation, Belgium can only approve annual disbursements, after an audit report has become available. This requires developing feasible options and clear communication between partners.</p> <p>Reporting to the headquarter is led by the BTC expert and takes the form of:</p> <ul style="list-style-type: none"> <li>• <b>Quarterly reports</b> to the attaché and the Working Group on BS as regards the eligibility criteria and risk areas;</li> <li>• <b>Disbursements report</b> to the attaché &amp; the Working Group on BS informing about the annual disbursements and the performance of the BS operation;</li> <li>• <b>Final report</b> presenting the activities and financial reports of the sector, the reports to the attaché and end-of-field mission reports by DGDC/BTC experts from headquarters. The latter are as much as possible coordinated with the annual joint review missions;</li> <li>• Any <b>ad-hoc reporting</b> whenever the BTC experts consider this necessary.</li> </ul>
C7 Are <b>instalments</b>	A BS programme with the partner country is usually committed for 4 years. BS

REVIEW QUESTIONS: A) INPUTS	BELGIUM
<p><b>disbursed in a timely manner?</b> How are prerequisites verified? How is the disbursement of instalments induced?</p>	<p>disbursements take place annually.</p> <p>As explained above, any budget spending higher than approximately EUR 31.000 of any Belgian government department needs to be approved by the Inspectorate of Finances. While for projects, the Inspectorate approves commitments &amp; disbursements multi-annually, BS commitments &amp; disbursements are only approved annually by the Inspectorate. The argumentation is that while projects funds are managed by BTC (hence the Belgian state), the management of BS funds is delegated to the partner government and Belgium aims to maintain proper financial control of resources.</p> <p>Programming and approval procedures tend to be long, heavily centralised and focus on ex-ante controls (e.g. significant role of the Inspectorate of Finance in approval process). This limits the predictability and results-orientation of Belgian BS. This practice has been criticized by the OECD/DAC Peer Review and other internal and external evaluations, as it often delays a timely disbursement of BS resources to the partner country.</p> <p>Agreements on disbursement and attached conditions are regulated in the MoU and the bilateral agreements with the partner country. The aim is to promote coherence and coordination with other donors as much as possible.</p>
<p>C8 How are <b>financial controls</b> in the area of BS operations applied?</p>	<p>Financial controls take place through:</p> <ul style="list-style-type: none"> <li>• Ex-ante financial controls performed by the Inspectorate of Finance during programme and implementation, through its mandate to approve programme documents and annual disbursements;</li> <li>• Various internal financial controls undertaken by BTC during implementation of a BS operation;</li> <li>• Internal and external control and audit of the Belgian development cooperation led by Belgian Inspectorate of Finance and the Belgian SAI;</li> <li>• Ex-post annual audit reports of the BS operation in the partner country, either undertaken by the national SAI or an external audit firm.</li> </ul> <p>In practice, there is often the criticism that many approval moments during identification and formulation and implementation has led to delays in the predictability of Belgian BS to partner countries.</p> <p>Generally, Belgium has become much stricter in ensuring accountability for BS by:</p> <ul style="list-style-type: none"> <li>• Introducing the need for the partner government to repay funds in case of fraud;</li> <li>• More strongly promoting good governance &amp; PFM at sector level; and</li> <li>• Enforcing more strictly the underlying partnership principles.</li> </ul>
<p>C9 What is the <b>division of labour</b> among the different actors involved in BS operations within the donor agencies?</p>	<p>The attaché in the partner country leads the policy dialogue. Together with staff at DGDC in Brussels, this attaché is also responsible for policy identification, formulation and evaluation. The representation of BTC and the relevant sector experts in the field together with the BTC office in Brussels are responsible for implementation, monitoring and reporting on BS operations. They support the policy dialogue and the planning processes led by the attaché and DGDC.</p>
<p>C10 How are these</p>	<p>Capacities at headquarters and in the field have gradually been strengthened at</p>

REVIEW QUESTIONS: A) INPUTS	BELGIUM
<b>capacities divided</b> between headquarters and field offices of the respective donor agencies?	sector level and in the area of PFM, governance and macroeconomics. Each SBS operation is supported by a sector expert and in the case of GBS by a PFM/Macro economic expert (see also <b>staff involved, question A20</b> ).

## Annex II Benchmark: The Netherlands

REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS
Policies	
A1 General information	<p>The MDGs occupy a central position within Dutch development policy and, together with the so-called “Nordic+” group of ‘like-minded’ donors (Denmark, Germany, Norway, Sweden and the United Kingdom) with which it closely co-operates, the country has been a front runner in the Harmonisation and Alignment (H&amp;A) agenda emanating from the Paris Declaration (2005). Amongst others, this resulted in the “Harmonisation in Action” plan comprising both a harmonisation agenda at international level among the like-minded countries and a national pilot (Zambia) where far-reaching harmonisation and delegated co-operation activities were implemented.</p> <p>The overall direction for Dutch development co-operation over the period 2007-2011 is articulated in the report “Everybody’s Business – Investing in Development Co-operation in a Changing World”.<sup>16</sup> Whilst reaffirming Dutch commitment to the MDGs, this report identified four thematic areas for intensified focus: (a). security and development; (b). economic growth and distribution; (c). more rights and opportunities for women, particularly with regard to sexual and reproductive health and rights; and (d). climate, sustainability and energy. It further went on to stress the need for a more bespoke approach to meeting the development needs of individual countries, including the elaboration of three different “profiles” of partner country (see below).</p> <p>The Netherlands currently gives ODA to 40 Partner Countries allocated across three different profiles:<sup>17</sup></p> <ul style="list-style-type: none"> <li>• Profile 1 - “Accelerated achievement of the MDGs” (17 Partner Countries<sup>18</sup>) – poor and often donor dependent but stable countries with improving governance where performance towards the MDGs is lagging behind (often considerably) but where there is scope to get closer to them through extra efforts in close collaboration with other donors and the government;</li> <li>• Profile 2 – “Security and development” (12 Partner Countries<sup>19</sup>) - countries characterised by significant security problems and sharp social cleavages with a risk of conflict. The Netherlands sees the MDGs in these countries as not easily obtainable and instead is seeking to achieve the basic preconditions to bring them closer – notably achieving basic security for citizens and increasing the legitimacy and capacity of the government and its institutions;</li> <li>• Profile 3 – “Broader relations” (11 Partner Countries<sup>20</sup>) – countries which have reached or will soon reach middle-income status and where achievement of the MDGs is in general on track. Dutch policy is to focus on remaining MDGs and to broaden the</li> </ul>

<sup>16</sup> “Een zaak van Iedereen - Investeren in ontwikkeling in een veranderende wereld” a Policy Note issued by the Minister of Development Co-operation in October 2007.

<sup>17</sup> Source: Netherlands Ministry of Foreign Affairs.

<sup>18</sup> The 17 countries are Bangladesh, Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Yemen, Kenya, Mali, Mongolia, Mozambique, Nicaragua, Rwanda, Senegal, Tanzania, Uganda and Zambia.

<sup>19</sup> The 12 countries are Afghanistan, Burundi, Colombia, DRC, Guatemala, Kosovo, Pakistan, Palestine and Sudan as well as three additional countries (Bosnia-Herzegovina, Eritrea and Sri Lanka) from where the Netherlands is planning to exit in the coming four years.

<sup>20</sup> The 11 countries are Egypt, Georgia, Indonesia, Moldova, South Africa, Surinam and Vietnam as well as four additional countries (Albania, Armenia, Cape Verde and Macedonia) from where the Netherlands is planning to exit in the coming four years.

REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS
	<p>country's development with a development and equity (inclusion) agenda. Other forms of co-operation, particularly economic, are considered more important than ODA, which is to be phased out over the longer term.</p> <p>In general, the management of the MFA expects in the near future an internal discussion on a more focussed approach with regard to development cooperation with fewer countries and fewer sectors.</p> <p>Dutch bilateral aid is programmed within three-year Multi-Annual Strategic Plans (MASPs) that define (and justify) the modality-mix and precise composition of programmes within a specific country. The current generation of MASPs cover the period 2008-2011. MASPs are drafted in partnership between the Dutch embassy in the country concerned together with input/oversight from HQ (particularly the Department for Effectiveness and Coherence, DEC).</p>
<p>A2 Do respective policies of smaller donors like ADC define their role with <b>regard to the division of labour in BS</b>? Do these policies suggest that smaller donors should focus on areas of comparative advantage and specific expertise ("niche strategy")? Are there other specific strategies defined by comparable donors?</p>	<p>The volume of aid disbursed by the Netherlands means that it cannot be called a small donor. With GBS, the Netherlands support the overall policies (or Poverty Reduction Strategy or National Development Plan) which implies that no specific niche is being focused on.</p> <p>Nevertheless, there are some guiding principles, such as a sound PFM system and the cross-cutting themes of gender, good governance and the environment. Another topic of particular importance to the Netherlands is that of decentralisation. Although it does not give BS to decentralised bodies, it is mindful of the risk that BS can help to reinforce overly centralised systems of government. It therefore sees the decentralisation as a key element of its policy dialogue with partner countries and is also supporting a number of actions alongside BS operations to support decentralisation processes (see question 8 below).</p> <p>Another –more recent- topic considered to be of increasing importance to the Netherlands in its policy dialogue is that of taxation – particularly in terms of domestic accountability (and the need to strive for development with equity and inclusion of all population groups).</p> <p>Finally, it is worth mentioning that there is an increasing tendency within Dutch development co-operation to adopt a more political (as opposed to technocratic) approach to interaction within Partner Countries. This partly reflects a wider international trend of recognising the (often explicit) political dimension of development as well as the personal interest of the current Minister for Development Co-operation.</p>
<p>A3 Do respective donor policies define "<b>delegated cooperation</b>" as a desired/accepted option? If so, under which circumstances / conditions?</p>	<p>Delegated co-operation is seen as a possible option – and is actually being implemented in a number of countries, but mainly with respect to sector BS. Far reaching agreements exists with the Nordic countries (in particular Norway) so that each others procedures are fully recognised and that one donor can act on behalf of the other.</p> <p>The Netherlands also provide BS (or pooled funding) to a number of countries (Burundi, Georgia, Macedonia, Moldova and Vietnam) via co-financing arrangements with the World Bank.</p> <p>The Dutch Minister of Development Co-operation has also launched a debate within the European Council over the strengthening of</p>

REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS
	the dialogue on BS – with an aim of achieving closer co-operation both among EU donors themselves as well as the European Commission (EuropeAid). <sup>21</sup>
A4 Do respective donor policies on BS address the role of the respective donor in <b>the policy dialogue</b> ? Do they deal with the possible tension between the interests of each donor to influence the dialogue vs. the need for harmonisation among donors?	<p>The Netherlands seeks wherever possible to have a policy dialogue within the framework of the overall donor co-ordination structures that exist within each country. It aims for two types of policy dialogues with its partner countries. One type is a more technocratic dialogue on service delivery and value for money, discussing the monitoring indicators contained within the PAF. This dialogue is with government officials of the partner country, mainly from Ministry of Finance and line ministries.</p> <p>The other type of dialogue is political with high level politicians (ministers or in some countries even the president) to discuss the <b>underlying partnership principles</b> that underpin the Memorandum of Understanding (MoU) of BS agreed with the partner country. These underlying principles cover issues such as democracy, respect for human rights and rule of law, commitment for poverty reduction and good public finance management.</p> <p>In earlier years of BS, the focus of the dialogue was mainly on technocratic issues, but in recent years, the political dialogue has grown in importance. That said, the Netherlands often has a relatively strong influence on the local donor co-ordination structures within the countries in which it works – either through it chairing key committees and working groups or through it taking the initiative with respect to interaction with the partner country government. Within the policy dialogue with the Partner government, the Netherlands put relatively strong attention to governance issues. (such as in the recent Tanzanian case – see question A12).</p> <p>The Dutch are also aiming for a deeper and wider political dialogue within the Cotonou Agreement for ACP-EU cooperation and are pushing the EC to become more active in the political dialogue with regard to BS.<sup>22</sup></p>
A5 Compared to ADC, how do other donors define the relationship between BS and other <b>aid modalities</b> (which categorisation/terminology is used, which significance does BS have vis-à-vis other aid modalities)?	<p>In line with the Netherlands' overall strong promotion of the H&amp;A agenda, there is strong support for BS as an aid modality in those cases where the situation allows it to be used. Nevertheless, in recent years the Dutch follow a more pragmatic and less dogmatic approach with regard to BS. BS is seen as one element of the overall modality mix. Decisions on aid modalities are taken on a country-by-country basis.</p> <p>Moreover, there is an added expectation that different aid modalities will compliment one another and generate the possibility of synergies. A good example here is the role of Dutch development organisations such as VNG International and SNV in complimenting strengthened governance and policy execution at the national level (through BS and the associated policy dialogue) by supporting decentralised governance at the sub-national level in many Partner Countries (see also question A9.).</p>

<sup>21</sup> EuropeAid allocates an increasing proportion of its own resources to BS and is striving to channel 50% of all its resources through Programme Based Approaches by 2015.

<sup>22</sup> The EC seems to be reluctant to get too much involved in political dialogue and stresses the need for predictability of its BS disbursements.



REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS
A6 Do respective donor policies define a minimum or maximum <b>share of BS</b> of total ODA provided by the respective donor?	<p>No – the Netherlands is mindful of its Paris and Accra commitments but ultimately the decision on what proportion of ODA to disburse as BS depends on the situation within the Partner Countries themselves. This situation is being assessed on a case by case basis through a standardised procedure. Increasingly use is being made of Joint Country Assessments and the elaboration of Joint Country Strategies. Attitudes within the Netherlands itself are also important – with much of the initial euphoria that accompanied the introduction of BS now giving way to a more realistic, pragmatic attitude.</p> <p>BS has also received increased attention within Dutch political arena over the last years, with questions raised in Parliament over its effectiveness and the associated fiduciary risk. More specifically, parliament recently demanded more information about the agreements that are made with partner countries on BS, the nature of the political dialogue held, and on performance monitoring.<sup>23</sup></p> <p>The MFA organised a special session with Parliamentarians on BS, while on 3<sup>rd</sup> July 2009 the Minister of Development Co-operation issued an open letter to the Second Chamber of the Dutch Parliament which detailed policy towards BS.</p>
A7 Do respective donor policies foresee a <b>preference</b> for either SBS or GBS?	<p>No – this depends on the appropriate modality mix which is defined on a country-by-country basis following the usage of the Track Record methodology (see question A9 below). Initially (2001 and subsequent years) there was a certain tendency to consider the different financing modalities as a sequential chain. Currently (2009) financing modalities are more seen as they are: different modalities with different functions. But for both SBS and GBS, the fact that local public finance systems are used is still seen as a source of added value.</p>
A8 Do respective donor policies define whether BS is, in addition to the national level, also provided at <b>municipal or district level</b> ? Which strengths and weaknesses of such an approach are recognized?	<p>The Netherlands does not give sub-national BS. If support is given at a regional or municipal level, then this would be classed as programme aid. It does however recognise the risk that BS can contribute to overly centralised systems of government and, alongside the policy dialogue on decentralisation, sees the activities at a decentralised level of Dutch organisations such as SNV and VNG International as being particularly complimentary in this regard. However, through existing budget review instruments, like the Public Expenditure Reviews and Public Expenditure Tracking Surveys, the MFA want to ensure a fair budget allocation system (fairness in terms of allocations to sub-national levels and fairness from the perspective of social inclusion).</p>
A9 Which <b>criteria</b> are defined in donor policies to decide whether to provide BS to a country?	<p>The Track Record (TR) is the principal instrument used to assess the suitability of different aid modalities – including GBS and SBS - at a country-level. It is designed to provide an assessment framework which:</p> <ul style="list-style-type: none"> <li>• determines what level of alignment is feasible in a partner country and whether the aid modalities to be deployed satisfy the criteria corresponding to this form of alignment;</li> <li>• supplies annual monitoring information on country and programme progress; and</li> </ul>

<sup>23</sup> Sources: Tweede Kamer, vergaderjaar 2008–2009, 29 237, nr. 93; Tweede Kamer, vergaderjaar 2008–2009, 29 237, nr. 114.

REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS
	<ul style="list-style-type: none"> <li>offers a mechanism for bringing together all underlying analyses that are relevant to decisions on modality mix and programme profile.</li> </ul> <p>The TR has been introduced more than a decade ago and has been subjected to periodic fine-tuning. In 1998, it was divided into clusters (see below). In 2001, the TR was integrated into the annual planning cycle and the CPIA scores were used. Initially, CPIA scores were the only benchmark for judging the TR outcomes, but after 2005 other external databases have become available that has enabled them to judge the results of the TR.</p> <p>In 2005, at the request of the Minister for Development Cooperation, the TR was extended to all aid modalities, so that the focus now lies on assessing the level of alignment. In 2006 minor changes were made to reflect the recommendations of the 2006 TR review and the Anti-Corruption Task Force. From 2007 onwards, Sector TRs (STRs) were introduced alongside the country-level ones (see below).</p> <p><b>Sector TRs:</b></p> <p>The general TR assesses the entire policy and governance performance in macro terms. From 2007 onwards, this assessment has been complemented by more detailed sectoral assessments of performance in those sectors in which the Netherlands is substantially involved. Sectoral performance as assessed and documented in the STRs is to feed into the overall TR analysis. As part of the MFA's planning cycle, the TR forms the basis for the obligatory context analysis within the MASP, particularly as regards the analysis of trends and developments in a country, the choice of a strategic objective and the mission's own results. After the MASP has been drawn up, updates of the TR are drawn up annually to monitor progress and to assess whether the chosen strategy is still adequate.</p>
	<p><b>Structure of the TR:</b></p> <p>The TR should be no longer than 10 pages of A4 and comprises:</p> <ul style="list-style-type: none"> <li>Introduction;</li> <li>four main clusters: <ul style="list-style-type: none"> <li>Cluster A: Poverty reduction (divided into A1 'Poverty reduction strategy (PRS)' and A2 'Political commitment to and implementation of poverty policy');</li> <li>Cluster B: Economic management is divided into B1 'Macroeconomic policy' and B2 'Business climate';</li> <li>Cluster C: Good governance is divided into C1 'Public Finance Management (PFM)' and C2 'Basic conditions for good governance';</li> <li>Cluster D: Dialogue: 'Quality of policy dialogue'.</li> </ul> </li> </ul>

REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS								
	<ul style="list-style-type: none"> <li>Conclusions.</li> </ul> <p>The embassy's analyses and ratings (on the components) are compared with the relevant CPIA scores and (since 2005) with various governance references (WBI Kaufmann indicators, Economist Intelligence Unit Democracy Index, Global Integrity Indicators) and the concluding section provides an integral assessment of the cluster findings, elaborates on risks (including corruption) and measures to address them, and presents measurable indicators that the mission will focus on specifically the following year. The aim is to harmonise where possible with multi-donor assessments (of the different policy clusters) like PEFA. In principle, the entire embassy staff should be involved in preparing the eight different assessments (the cluster components) and drawing conclusions. This means that individual members of staff are expected to look beyond their own theme, topic or viewpoint (if this is not already the case) when preparing the TR. In addition, the main sector TR findings should be incorporated, to ensure optimum alignment of the two instruments.</p> <p><b>Establishing the alignment level:</b></p> <p>The main concrete conclusion from the TR analysis concerns the alignment ceiling, which is based on the scores of the cluster components. First, the cluster average and average for the four clusters are calculated. Then the level of alignment is determined with the help of the table below.</p> <table border="1"> <thead> <tr> <th>Scoring system</th><th></th></tr> </thead> <tbody> <tr> <td>Fully aligned: GBS (including via IFIs) SBS</td><td>Dialogue at least satisfactory All cluster columns satisfactory No more than two sub-clusters unsatisfactory No 'd' (i.e. bad) scores</td></tr> <tr> <td>Partially aligned: All other forms of programme aid (except BS)</td><td>No more than two clusters unsatisfactory and no 'd' scores No more than four sub-clusters unsatisfactory No more than one 'd' score for the sub-clusters</td></tr> <tr> <td>Not aligned: All forms of non-programme aid</td><td>More than two clusters unsatisfactory, or More than two sub clusters awarded a 'd' score</td></tr> </tbody> </table> <p>In the concluding section of the TR, the mission has to combine all the relevant elements of the TR clusters and present its findings in the form of a comprehensive strategic analysis. The focus is on:</p>	Scoring system		Fully aligned: GBS (including via IFIs) SBS	Dialogue at least satisfactory All cluster columns satisfactory No more than two sub-clusters unsatisfactory No 'd' (i.e. bad) scores	Partially aligned: All other forms of programme aid (except BS)	No more than two clusters unsatisfactory and no 'd' scores No more than four sub-clusters unsatisfactory No more than one 'd' score for the sub-clusters	Not aligned: All forms of non-programme aid	More than two clusters unsatisfactory, or More than two sub clusters awarded a 'd' score
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REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS
	<ul style="list-style-type: none"> <li>• The risks arising from the weaknesses observed in the separate clusters, divided into the two broad categories of policy risks and accountability risks (paying specific attention to corruption risks and domestic accountability for service delivery);</li> <li>• The design of the mission's development cooperation programme as a response to the TR findings, including the permitted and proposed alignment ceiling, the envisaged modality mix and the main thrust, including important risk-mitigating or complementary projects;</li> <li>• Those elements of the country's performance that the mission singles out as critical both to the country's and the mission's programmes and which it will monitor actively and report on in the following year's TR.</li> </ul> <p>The Effectiveness and Coherence Department (DEC) of the MFA coordinates the assessment and approval of the TRs submitted by country missions. It focuses on the quality of the analysis and the grounds for making certain choices, not on the allocation of funds. However, the TR – especially the concluding section – may be used to complement documentation from the MFA's Financial and Economic Affairs Department (FEZ) used to arrive at budget allocation decisions.<sup>24</sup> In MASP years the TR is approved by the Secretary-General and in "light" years by the Deputy Director-General for International Cooperation.</p> <p>However, despite the extremely rigorous methodology and process used, the Track Record tool has been subjected to significant criticism from within the Ministry itself. For example, the high-profile evaluation of Dutch bilateral co-operation policy towards Africa (1998-2006)<sup>25</sup> conducted by the Development Co-operation and Policy Evaluation Department (IOB) within the Ministry found that decision-makers frequently differed in their opinions on the provision of GBS – particularly in the cases of Burkina Faso, Uganda and Tanzania – and Ministry staff faced with the same criteria for the same country often took different positions, thus showing the possibility of subjective interpretation. In the eyes of the evaluation authors, this revealed that the Track Record does not provide the basis for arriving at an unequivocal conclusion.</p>
A10 Do respective donors provide BS only to good performers or also to <b>fragile states</b> ?	<p>The Netherlands mainly provides BS to 'good performers' although Burundi (classed as a 'Profile 2' country, i.e. a Fragile State) has also received GBS. The GBS to Burundi is primarily used to influence the political dialogue in the country at a high political level and is provided indirectly – through the World Bank-administered Economic Reform Support Grant programme. In fact, this GBS to Burundi should not be seen as 'structural' BS but rather as emergency relief.</p> <p>In general, the question whether BS mechanisms can be applied depends on the fragility of both the political and security situation,</p>

<sup>24</sup> With respect to the amounts of GBS allocated, it was noted in the review document "The Netherlands' Africa Policy 1998-2006. Evaluation of bilateral cooperation" that no clear relationship was found between the volume of general budget support allocated and the findings of the Track Records.

<sup>25</sup> Pp.192-93, Het Nederlandse Afrikabeleid 1998-2006. Evaluatie van de bilaterale samenwerking, IOB evaluation nr. 308, 2009.

REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS
	but even countries with security problems such as Georgia and Colombia receive BS from the Netherlands.
A11 Do respective donor policies address the <b>risks of BS</b> and how to deal with them? What are these risks and how are they to be dealt with?	The TR system (see question A8. above) provides a basis for systematic analysis of the situation in each partner country and the implications for different aid modalities (including BS). Where risks are identified (whether fiduciary or related to the policy dialogue) then there are a set of steps that can be taken (see question A12. below) but the ultimate decision is taken on a country-by-country basis, with a heavy political involvement in the deliberations.
A12 Do respective donor policies define specific situations or criteria for an immediate <b>discontinuation of BS</b> disbursements to partner countries (e.g. human rights violations, corruption scandals etc.)?	<p>Decisions are taken on a case-by-case basis with, since 2008, and greater involvement of the Minister for Development Cooperation in BS decision making (the ultimate decision rests with the Minister). In cases where the partner country makes political choices that are not in line with Dutch official stands and policies, then an re-assessment is made of the policy-, political-, and financial aspects that may lead to consequences for the provision of BS. If the Netherlands begins to have doubts about the partner country's commitments to the Underlying Principles in the MoU (see question A4.) then it seeks an initial dialogue with the government. The Dutch seek to limit the cases where this happens, but it has still occurred in the last year in six countries (Tanzania, Uganda, Senegal, Nicaragua, Rwanda and Zambia). A good example is the case of Tanzania in 2008 where the Netherlands took the initiative on behalf of BS donors in Tanzania by sending a critical letter to the Government over a large corruption case at the Central Bank. Whilst other donors were willing to continue with BS disbursements, the Dutch felt that the way in which the case was handled was not satisfactory and suspended it GBS. This resulted in large media attention and also questions in Parliament. Eventually, the Tanzanian President assured the Parliament that the people involved would not be granted an amnesty. Irrespective of the response from the partner country, several options can be used – all within the framework of a policy dialogue whereby the Dutch seek to give clear signals of their dissatisfaction and expected remedial actions:</p> <ul style="list-style-type: none"> <li>• (Temporary) suspension of BS;</li> <li>• Shifting from GBS to SBS; and</li> <li>• Implementation of extra controls (independent audits).</li> </ul> <p>The steps that should be taken are laid down in a formal Dutch Sanctions Policy for BS.</p>

REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS
A13 Do respective donor policies state whether to use “fixed” <b>tranches</b> only or a model of “fixed and variable” tranches? Concerning variable tranches, are minimum contribution volumes specified in order to make this instrument feasible?	In the past, the Netherlands only provided annual tranches or just a single transfer. In recent years, however, the Netherlands have adopted a system with ‘incentive tranches’ but only in partnership with other donors. The size of the incentive tranche is a relatively small compared to the fixed tranche and its disbursement is linked to achieving the targets agreed in the PAF. The Dutch presents this tranche as a reward for additional efforts as opposed to a way of punishing poorly performing countries (a “carrot” as opposed to a “stick”). It is disbursed in full if a partner country has achieved at least 70 percent of its agreed targets. <sup>26</sup> At management level in the MFA, some doubts have been expressed regarding the success of this system. Some see it as very paternalistic donor behaviour and doubt the effectiveness of small incentive tranches on behaviour of the partner country.
A14 How are <b>cross-cutting issues</b> (particularly gender and environment) embedded in the respective donor policies on BS?	The indicators within the PAF are the starting point for the policy dialogue – and this includes an indicator on environmental performance. More widely, the PRSP forms the basis for a wider dialogue and these generally contain coverage of environmental and gender-based themes. In general, the Netherlands representatives strive for inclusion in the PAF of indicators that refer to the cross-cutting themes.
A15 Which <b>supplementary measures</b> are defined as part of BS operations in respective donor policies (e.g. strengthening PFM and planning systems, support to line ministries, promoting accountability vis-à-vis parliaments and civil society)? Do such policies foresee financial resources to be provided for these objectives and modalities to coordinate such support with other donors involved?	The Dutch see national policy formulation in partner countries as not just being the business of the government but rather a much wider political process which should involve different groups in society. They therefore consider it as being particularly important to support political participation and strengthened accountability alongside BS operations. In many partner countries, the Netherlands finance specific activities that contribute to the strengthening of PFM, for example by specific activities in support of the national Supreme Audit Institutes and –increasingly- in support of national statistical offices (see also question A16 below).
A16 Do respective donor policies include measures to support the future independence of partner countries from BS (“ <b>exit strategies</b> ”) (e.g. strengthening of the domestic tax system)?	Yes – the Dutch are increasingly emphasising the importance of tax collection as a means of ensuring domestic accountability. Furthermore, support is provided in selected countries to develop capacity for sound PFM. In addition, the Dutch operate a PFM Support Programme in all of the countries where it gives BS. The training events offered through this programme are mainly aimed at building the PFM capacity of Dutch embassy staff, but are also attended by partner country officials (mainly representatives of the Ministry of Finance or Economy) in about one-third of countries.

<sup>26</sup> In fact the Dutch have adopted the system from the United Kingdom. This system deviates from the EC system in which tranches are disbursed proportionally linked to share of the target that has been achieved.

REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS
A17 Do respective donor policies describe (joint) <b>review and evaluation</b> procedures for BS operations?	Dutch policy does describe these procedures in general terms and is usually very supportive of them. However, in most cases they differ from country to country on the basis of the level of harmonisation and relations/agreements with the partner country.
<b>Financial Resources</b>	
A18 General information	<p>The Netherlands has traditionally strived for allocating a share of between 0.8% and 1.0% of GDP to ODA eligible activities. Total ODA in 2007 was \$6.224 million (0.81% of GDP) which constituted a considerable rise in both absolute and proportional terms from 2004 (\$4,204 million or 0.73% of GDP) but was still similar to ODA levels in the mid 1990s (e.g. the 0.81% of GDP donated in 1996/97). In 2007, \$4,644 million<sup>27</sup> was provided as bilateral ODA and \$1,580 million<sup>28</sup> was disbursed through multilateral institutions.<sup>29</sup></p> <p>Of planned direct ODA to Partner Countries for 2009 (€1280.63 million), 58% is allocated to Profile 1 countries, 18% to Profile 2 and 24% to Profile 3. Geographically, 56% is allocated to Sub-Saharan Africa, 22% to Asia, 13% to Latin America, 6% to North Africa and the Middle East and 4% to Europe and the Caucasus.<sup>30</sup> In terms of the sectors covered, 22% of committed direct ODA to partner countries for 2007 was allocated to education, 4% to health, 17% to government and civil society (60% in total for social infrastructure and services), 20% to economic infrastructure and services, 6% to production sectors, and 14% for cross-cutting issues like environment, gender projects and urban &amp; rural development.<sup>31</sup></p> <p>In the year 2009, the Netherlands disbursed 3.5% of its ODA in the form of GBS (i.e. €155.7m) and 2.4 % in the form of SBS (i.e. €106,915m), which accounts for 20% of total bilateral ODA. The total amount of GBS disbursed in 2009 is about EUR 30 million less than in 2008.<sup>32</sup> For the year 2010 a total amount of €133,150m is committed in the form of GBS and €92,165m in the form of SBS, which is both in absolute and relative terms less than the GBS and SBS disbursed in 2009.</p> <p>Table 1 provides an overview of the total amount of GBS and SBS disbursed/committed per (partner) country for 2009/2010.</p>

<sup>27</sup> This figure of \$4,644 million consisted of a net outflow of \$4,813 million in grant and grant-like contributions (including \$864 disbursed through NGOs, \$476m of technical co-operation, \$339m of humanitarian aid, \$1m of food aid as well as \$265m of administrative costs) and a net inflow of \$169 million from development lending.

<sup>28</sup> This included \$569 million allocated to the EC, \$123 million to the IDA and \$ 106 million to regional development banks.

<sup>29</sup> This data is taken from the Statistical Annex of the 2009 OECD DAC Development Co-operation Report (see: <http://www.oecd.org/dataoecd/52/9/41808765.xls>).

<sup>30</sup> Source: Letter from the Netherlands Ministry of Foreign Affairs to the Parliament.

<sup>31</sup> Based on data extracted from the dataset: DAC5 Official bilateral commitments by sector (<http://stats.oecd.org/Index.aspx>).

<sup>32</sup> Sources: Tweede Kamer, vergaderjaar 2009–2010, 29 237, nr. 114, p. 15; Tweede Kamer, vergaderjaar 2008–2009, 29 237, nr. 98, p.11; Tweede Kamer, vergaderjaar 2008–2009, 31 924 V, nr. 3, p.44.

REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS																																																																																															
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A19 General information	In 2005, the Netherlands Ministry of Foreign Affairs (MFA) maintained a staff of 3115 foreign service staff (53% men, 47% women) plus 2067 local staff. While the Directorate General for International Co-operation (DGIS – see question E.1.) has a staff of 319 persons, it directly oversees 157 staff and shares management responsibility for an additional 162 staff with other director generals.																																																																																															

<sup>33</sup> Source: Tweede Kamer, vergaderjaar 2009–2010, 32 123 V, nr. 8, p. 44-45.

<sup>34</sup> Non-partner country.



REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS
	<p>However, the MFA estimates that approximately 1 000 of the foreign service staff work specifically on development co-operation, with about 50% of these based in The Hague and about 50% overseas. Since the 2001 DAC Peer Review, a number of steps have been taken to bring staffing levels and personnel policy more in line with the management needs of the development assistance programme. In 2001, parliament agreed to allow an extra EUR 14 million from the development co-operation budget to be used for personnel purposes from 2002 onwards. Eighty additional posts have been created, with the aim of relieving pressure on understaffed divisions and embassies and bringing new skills, knowledge and specialisation into the organisation. For the short-term future, and in the context of government-wide headcount pressures, further increases in staff numbers are considered to be unlikely. The MFA recruits the majority of its staff through concourses for generalist civil servants. Over the last few years, 20-30 new staff have joined each year as entry-level generalist policy officers while only 5-10 staff have been recruited each year as sector or thematic specialists (often identified by embassies). Generalist recruits undertake a three-month course on diplomacy, development and international affairs. While the Netherlands recruitment policy retains much of its traditional MFA character it appears to be succeeding in recruiting very high quality staff.</p>
A20 What number of <b>staff is involved</b> by respective donors in deciding, planning and implementing BS in relation to the number of operations as well as the volume of funds dispersed?	<p>At HQ, specific thematic back-stopping capacity is provided both by the Directorate for Effectiveness and Coherence (DEC) and Thematic Directorates (e.g. Environment and Water or Sustainable Economic Development). Most of the involved staff are at embassy level. A very rough estimation is that approximately 150 staff members are involved in the programme based approaches at embassy level and at HQ level.</p>
A21 What is the <b>professional background</b> of the respective staff (experience with BS as a modality vs. sector knowledge vs. country knowledge vs. macro-economic knowledge)? Is there a specific thematic back-stopping capacity at headquarters and/or in the field Coordination Offices?	<p>Although the MFA tends to hire generalist civil servants through open competitions, the competition for positions tends to lead to high quality staff who have a genuine interest in development co-operation and international relations. Staff enter with varied academic backgrounds, although there are a high number of economists, political scientists, lawyers and public administration specialists. Through both dedicated training and on-the-job experience, staff quickly build significant experience in both PFM and wider aid modalities – particularly after postings in countries receiving BS. The policy of rotating staff between HQ and field postings every 3-4 years may count against staff building significant country knowledge. However, in practice many staff develop a strong affinity for a particular region (e.g. East Africa, South-East Asia, Latin America) and build an extensive track record in that region – often rotating between countries in the region and postings at HQ related to that region over a period of many years.</p> <p>The MFA is also aware that the capacities demanded of its staff will continue to evolve on a long-term basis. A strong focus is therefore on ensuring high-quality and innovative training for existing staff with a particular focus on building capacity for higher-level policy dialogue around GBS and political governance. A number of specialised and innovative courses on aspects of development co-operation such as PRSPs and SWAp have been developed with other bilateral donors and are now being organised jointly. For example, the “learning and developing” project allows the development co-operation sections at the embassies to work on the</p>

REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS
	<p>difficulties they encounter in implementing SWAp.</p> <p>There has however been recognition in recent years that the shift in Dutch policy towards SBS and GBS requires an expansion of capacity within embassies. In particular, there is a need for more revenue experts, financial specialists and macroeconomists. Alongside the existing PFM Support Programme (operating in all Dutch embassies – see question A16) the Dutch have also launched a Support Programme for Institutional and Capacity Development (SPICAD) to assist with the move towards new aid modalities and the complexity of current programmes. This demand-driven programme is flexible in its application and provides support across a wide-range of different topics, including working with drivers of change; capacity challenges in sectors; public sector and civil service reform; accountability and transparency; decentralisation; inclusion and democratisation; and poverty analyses.</p>
REVIEW QUESTIONS: B) OUTPUTS	THE NETHERLANDS
B1 Are BS operations currently funded by the Netherlands in line with the <b>policies</b> and <b>strategies</b> ?	Yes – BS operations are closely aligned to both Dutch policies towards the modality mix (as defined in the Track Record system, see question A9) and the policies towards specific countries (as defined in the respective MASPs).
B2 What role does the Netherlands play regarding both <b>financial contributions and supplementary measures</b> to BS operations in recipient countries?	See questions A15 and A16
B3 What is the role of the Netherlands in the <b>policy dialogue</b> with the partner governments and the donor community?	See question A4
B4 What is the role of the Netherlands in <b>budget preparation and reviews</b> (MTEF, PER, PFM)?	As PFM is a focal area of Dutch development co-operation and an area where it has built significant expertise, the Netherlands generally plays an active role in budget preparation and review activities.
B5 Are there <b>synergies</b> between BS and other interventions of the Netherlands?	See question A5
REVIEW QUESTIONS: C) INSTITUTIONAL SET-UP and OPERATIONAL PROCEDURES	
C1 General information	As the 2006 OECD DAC Peer Review points out, the Netherlands Ministry of Foreign Affairs (MFA) has a “two-headed” structure

REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS																																
	<p>with Cabinet Ministers for both Foreign Affairs and Development Cooperation overseeing an integrated administrative structure. The approach is based on a 1994 review of the Netherlands foreign policy, which aimed to improve the ability of the government to “speak with one voice”. This required major organisational changes within the MFA. Up until that point, the ministry had been divided into departments working specifically for the Minister of Foreign Affairs and specifically for the Minister for Development Co-operation. The review process resulted in the so-called “de-compartmentalisation” of the ministry; the departments were restructured along integrated lines, creating regional and thematic departments working for both ministers. The MFA’s personnel rotation system, in which all personnel change positions within the ministry (also between headquarters and embassy level) every three to four years, is meant to reinforce such integration as it implies that staff will be confronted with both the developmental and the political side of foreign policy. The Directorate General for International Co-operation (Dutch: <b>Directoraat-Generaal Internationale Samenwerking</b> - also commonly known by its acronym, DGIS) of the Ministry of Foreign Affairs is responsible for the co-ordination, implementation and financing of Dutch development co-operation. As a result of the reforms described above, the Ministry has a matrix like structure consisting of different thematic, forum, regional and support departments (see below).</p> <table><tr><th>Thematic Departments</th><th>Forum Departments</th><th>Regional Departments</th><th>Support Departments</th></tr><tr><td>Economic and Ecological Co-operation (DES)</td><td>European Integration (DIE)</td><td>West and Central Europe (DWM)</td><td>Financial and Economic Affairs (FEZ)</td></tr><tr><td>Security Policy (DVB)</td><td>United Nations and International Financial Institutions (DVF)</td><td>South-East and East Europe (DZO)</td><td><b>Various</b></td></tr><tr><td>Political Affairs (DPZ)</td><td></td><td>Asia and Oceania (DAO)</td><td></td></tr><tr><td>Human Rights, Good Governance and Humanitarian Assistance (DMH)</td><td></td><td>Western Hemisphere (DWH)</td><td></td></tr><tr><td>Sustainable Economic Development (DDE)</td><td></td><td>Sub-Saharan Africa (DAF)</td><td></td></tr><tr><td>Environment and Water (DMW)</td><td></td><td>North Africa and Middle East (DAM)</td><td></td></tr><tr><td>Social Development (DSO)</td><td></td><td></td><td></td></tr></table>	Thematic Departments	Forum Departments	Regional Departments	Support Departments	Economic and Ecological Co-operation (DES)	European Integration (DIE)	West and Central Europe (DWM)	Financial and Economic Affairs (FEZ)	Security Policy (DVB)	United Nations and International Financial Institutions (DVF)	South-East and East Europe (DZO)	<b>Various</b>	Political Affairs (DPZ)		Asia and Oceania (DAO)		Human Rights, Good Governance and Humanitarian Assistance (DMH)		Western Hemisphere (DWH)		Sustainable Economic Development (DDE)		Sub-Saharan Africa (DAF)		Environment and Water (DMW)		North Africa and Middle East (DAM)		Social Development (DSO)			
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REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS				
	Consular Affairs and Migration Policy (DCM)				
	Effectiveness and Coherence (DEC)				
	Fragility and Peace building (EFV)				
	<p>Many different departments have some involvement in development policy but the key ones for BS decision-making are the departments for Effectiveness and Coherence (overall co-ordination of the Track Record exercise), Human Rights, Good Governance and Humanitarian Help (inputs into Track Record sections on governance) and the Regional Departments (significant liaison with Dutch embassies – including over sector programmes).</p> <p>A number of the DGIS thematic departments have undergone internal reorganisations since 2001. The main substantive change to the overall organisational structure, however, was the creation of the new Effectiveness and Quality Department (DEK) in 2005 (now Effectiveness and Coherence, DEC). DEC has a broad mandate to oversee effectiveness and quality within the MFA and collects and records data, makes policy recommendations, and develops and maintains instruments for implementing policy on cross-theme and cross-country issues. Its objectives are:</p> <ul style="list-style-type: none"> <li>• To strengthen the learning capacity of DGIS by linking data management and information to policy analysis and implementation;</li> <li>• To conduct policy analyses on cross-cutting themes;</li> <li>• To support and advise the embassies on cross cutting themes.</li> </ul> <p>Some challenges appear to remain in clarifying the relationships and delineations of responsibilities between DEC and the Financial and Economic Affairs Department (FEZ). FEZ is primarily responsible for financial management and budgeting but is also involved in coordinating the planning and control cycle, including co-ordinating the annual plan for decentralised evaluations which is attached to the annual budget.</p> <p>Country Teams, consisting of representatives from the thematic departments involved in programmes in the country concerned and chaired by a member of the appropriate regional department, convene periodically in The Hague.</p>				
C2 Is there a clear <b>operational guideline</b> or outline for all or most procedures regarding	Yes – the Track Record provides a clear operational framework for deciding on the modality mix (including GBS or SBS) – although it too has been subject to criticism (see question A9).				

REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS
BS available?	Once a decision in principle has been taken for a particular aid modality in a given country, an “Appraisal Memorandum” needs to be completed. This provides a detailed step by step elaboration – including all relevant information and risks.
C3 Who is responsible for making the <b>decision to provide BS</b> to a partner country? Which criteria and processes are applied to arrive at this decision?	The Dutch embassy in the partner country is responsible for drafting the Track Record which in the first instance is approved by the Department for Effectiveness and Coherence (DEC) at HQ and ultimately by the Secretary General for International Co-operation. <sup>35</sup> In the past, Appraisal Memoranda for GBS used to be produced at HQ and those for SBS within the embassies themselves. Now both are drafted at the embassy level. <sup>36</sup> The first Appraisal Memorandum for BS has to be approved by DEC but then subsequently they are simply sent to them for their eventual comments. The ultimate decision on providing BS is a political one and is taken by the Minister of Development Co-operation.
C4 How are the BS contributions being prepared (defining the amount, negotiation authority etc.)?	By the relevant Dutch embassy in co-operation with HQ and with the tentative resource envelopes identified by both theme and – to a lesser extent - country in the multi-annual planning exercise.
C5 How are measures <b>supplementary to BS</b> (e.g. strengthening PFM systems etc, promoting civil society involvement in the budget planning, execution and monitoring process) <b>planned and decided on?</b>	Within the framework of the programming of individual MASPs, through ongoing policy dialogue in specific countries as well as through horizontal initiatives such as the PFM Support Programme (see also question A15).
C6 What are the <b>accompanying and monitoring measures applied</b> along with BS operations (tracking of and reporting on compliance with PAFs, involvement in policy dialogue, reporting to Headquarters, participation in monitoring measures such as joint missions etc)?	All of these monitoring mechanisms are used – usually within a joint donor setting. A country level there are the Joint donor reviews and joint donor evaluations. At international level, the Netherlands play an active role in the Multi-donor evaluations of BS, like the 2006/2007 study (A Joint Evaluation of General Budget Support, 1994-2004 - see OECD DAC website) and a joint evaluation started in 2009 by the Evaluation departments of a number of like minded countries.
C7 Are instalments <b>disbursed in a timely manner?</b> How are prerequisites verified? How is the disbursement of instalments	In the multi-annual planning a disbursement schedule is being elaborated. Overall, and apart from anomalies- the Netherlands adhere to the disbursement schedule and make effort to align the disbursement schedule with the budget cycle of the partner country.

<sup>35</sup> In Multi-annual Strategic Plan (MASP) programming years – otherwise the Track Record can be approved by the Deputy Director General.

<sup>36</sup> The only exception here is Burundi – which because of its special status as a Fragile State means that decisions on budget support are taken at HQ.

REVIEW QUESTIONS: A) INPUTS	THE NETHERLANDS
induced?	
C8 How are <b>financial controls</b> in the area of BS operations applied?	The Financial Control over BS is – in theory – equal to project financing. However, increasingly, with BS, the reliance is on the audit report of the national Supreme Audit Institute in the partner country.
C9 What is the <b>division of labour</b> among the different actors involved in BS operations within the donor agencies?	See questions C1 to C3 above and E.3. – there is a definite tendency for the division of labour to shift away from HQ more towards embassy staff.
C10 How are these <b>capacities divided</b> between headquarters and field offices of the respective donor agencies?	<p>Reforms introduced since 1996 led to major increases in delegation of management responsibility to the field. Embassies are now responsible for local policy, implementation and financial management, within the limits of the “delegated funds”. This includes responsibility for policy dialogue with partner country governments and other donors, formulation of Dutch country and sector policy, and assessment, approval and monitoring of implementation activities. Following internal discussions based on the consultation with the 2006 DAC Peer Review team, the MFA has decided to move further in increasing the resources for which financial authority is decentralised to embassies. This is consistent with the international context of increased emphasis on partner country-led approaches.</p> <p>Overall leadership at the embassy level is provided by the Ambassador, supported by a Head of Development Cooperation. In terms of staffing, the Bangladesh embassy, for example, maintains 15 Dutch staff and 31 locally hired staff (five of these are policy advisers). The embassy in Uganda has a similar level of staff capacity. The Netherlands makes a relatively extensive use of locally hired staff who perform various policy and programme management functions. They often represent the Netherlands in local consultative groups and may act as co-ordinators when the Netherlands holds such a responsibility. Although they are not hired with long-term career perspectives and tend to move after a few years of service, both embassies seem to be making good use of their specific comparative advantage (e.g. local experience and ability to understand local complex situations).</p>

## Annex III Comparison of BS Eligibility Across Various Donor Agencies

Criteria	Belgium	Netherlands	EC	DFID
<b>Eligibility criteria</b>				
Political governance				X
Stable macroeconomic environment	X		X	
National or sector policy			X	X
Sound PFM	X		X	X
Other	IRAI for PFM and institutions needs to be > 2.5; Presence of other donors providing BS: there needs to be at least one multilateral donor			Provision of PRBS will produce significant benefits relative to other forms of aid delivery.
<b>Other risks assessments</b>				
National / sector policy	Quality of the sector (or national) reform programme; Extent of political willingness in the country to implement reforms			
Budgetary framework			A sector budget & its medium-term perspective reflecting sector policies and strategies	

Criteria	Belgium	Netherlands	EC	DFID
Donor coordination	Availability of capacity in the donor group to follow up the policy dialogue and the progress of reforms; Availability of capacity in the country to implement reforms		A sector coordination framework under the leadership of the government, including national stakeholders, civil society and donors	
Institutional capacity			Adequate institutional setting & existing capacities	
Performance monitoring			A performance monitoring system with a focus on results	



## Annex IV List of Interviews Conducted

### *Interviews in Vienna and in the benchmark countries*

Name	Position/ Department/Unit	Organisation
<b>Austria</b>		
Bernd Berghuber	Division for International Financial Institutions (III/3)	Federal Ministry of Finance (MoF)
Franz Breitwieser	Environment & Sustainability, VII.3a	MFA
Robert Burtscher	Water	ADA
Michael Butschek	Finance Audit, Finance & Audit Division	ADA
Ingrid Ehrenböck-Bär	Member of the ADA Supervisory Board	MoF
Michaela Ellmeier	Head of Unit EU Coordination of the Austrian Development Cooperation, VII.1.a	MFA
Günter Engelits	East Africa	ADA
Hannes Hauser	Head of Planning and Programme Matters concerning Development Cooperation and Cooperation with Eastern Europe, VII.5	MFA
Rudolf Holzer	Head of General Administration	ADA
Brigitte Holzner	Gender & Development	ADA
Nadja Kohlbach-Horesovsky	East Africa	ADA
Karin Kübelböck		Austrian Research Foundation for International Development
Erwin Künzi	Environment & Natural Resources	ADA
Gertrude Leibrecht	Southern Africa	ADA
Laura Leyser	Public Finance Management	ADA
Heidi Liedler-Frank	Head of Information & Communication	ADA
Anton Mair	Deputy Director and Head of Evaluation, Development Policy and Strategy	MFA
Johanna Mang	Head of NGO Cooperation & Humanitarian Aid	ADA
Agnes Neid	Legal Affairs	ADA
Birgit Niessner	former ADA desk East Africa	
Irene Novotny		Licht für die Welt (NGO)
Ruth Picker		Globale Verantwortung (NGO)
Karin Rathkolb	Legal Affairs	ADA
Hedwig Riegler	Head of Statistics	ADA
Lydia Saadat	Head of Unit Asia, Middle-East, Mediterranean Region, Central America, VII.5b	MFA
Margit Scherb	Head of the Quality Assurance and Knowledge Management	ADA

Name	Position/ Department/Unit	Organisation
Manfred Schnitzer	Africa,VII.5a	MFA
Klaus Steiner	Evaluation, Development Policy and Strategy	MFA
Ursula Steller	Head of Countries and Regions	ADA
Monika Tortschanoff	West & North Africa	ADA
Gottfried Traxler	Central & Latin America	ADA
Johannes Trimmel		Licht für die Welt (NGO)
Thomas Vogel		Horizont 3000 (NGO)
Franziska Walter	Governance, Human Rights	ADA
Hildegard Wipfel		Koordinierungsstelle der Österreichischen Bischofskonferenz für internationale Entwicklung. (NGO)
Robert Zeiner	Head of Department, Programmes and Projects International	ADA
<b>Belgium</b>		
Annelies van Bouwel	Budget Support Adviser	BTC, Belgium
Johan DeBar	Cabinet to the Minister on Development Cooperation, DGDC	MFA, Belgium
Marc Denys	Director of Direct Bilateral Development Cooperation, DGDC	MFA, Belgium
Geert Jennes	PFM adviser	Previously BTC
Robrecht Renard	Director	Institute of Development Policy and Management
<b>The Netherlands</b>		
Maarten Brouwer	Ambassador for Development Cooperation	MFA, the Netherlands
Claudia Pieterse	Policy Advisor, Directorate for Quality and Coherence	MFA, the Netherlands

### *Interviews in Cape Verde*

Name	Position/ Department/Unit	Organisation
<b>Cooperation Office</b>		
Mr. Alexander Bohr	Head of Office	Austrian Development Cooperation, Coordination Office
<b>Government of Cape Verde</b>		
Dr. Moises Borges	Director General, Environment Directorate (DGA)	Ministry of Environment, Agriculture and Marine Resources
Dr. Sandro Brito	Director General, Planning Directorate (DGP)	Ministry of Finance
Mr. Enrico Colombo	Advisor to the National Authorising Officer (NAO/ EDF)	Office of the NAO
Mr. Valter Ferreira de Sá	General Secretary	National Association of Municipalities Cape Verde
<b>Donor representatives</b>		
Dr. Jaime Puyoles	Head of Cooperation, former Lead of the Budget Support Group	AECID, Spain
Eng. Antonio Machado	Head of Cooperation – Current Lead of the Budget Support Group	IPAD, Portugal
Ms. Severine Arnal	Chargée de programmes, responsible for Budget Support	EC Delegation
Mr. Thierry Lippert	Chargé d’Affaire, Acting head	Embassy of Luxembourg
Mr. Antonio Querido	Head of Environmental Unit, Responsible for GEF Programs	UNJO
<b>Civil Society/NGOs</b>		
Mr. Mario Moniz	Executive Secretary	Platform of NGOs
Mr. Januario Nascimento	President	ADAD (local NGO) (and former member of Parliament)

### *Interviews in Mozambique*

Name	Function	Institution
<b>Coordination Office</b>		
Eva Kohl	Head of Cooperation	Austrian embassy and Coordination Office
Roswitha Kremser	Programme Officer Budget Support	Austrian embassy and Coordination Office
<b>Government of Mozambique</b>		
Dr. Vitorino Xavier	Director of Planning (DE)	Ministry of Agriculture
Fernando Songane	Coordinator Proagri	Ministry of Agriculture
Celia Cumbe	Director of Finance	Ministry of Agriculture
Eneas Comiche	President	Parliamentary Commission for Planning and Budgeting
Ester Jose	Director Investment & Cooperation	Ministry of Planning and Development
Alberto Manhusse	Director Monitoring & Evaluation	Ministry of Planning and Development
Domingo Lambo	Director Budgeting	Ministry of Finance
<b>Donors</b>		
Paul Litjens	Head of Cooperation	Dutch Embassy
Marc Deneer	Head of Cooperation	Belgian Embassy
Sylvie Tabesse	Head of Cooperation	European Commission
Thomas Litscher	Ambassador	Swiss Embassy
Lotta Karlsson	Head of Cooperation	Finnish Embassy
Patrick Empey	Head of Cooperation	Irish Embassy
Bridget Walker	Economist	Irish Embassy
<b>Civil Society</b>		
Paulo Cuinica	Secretary General	G 20
Marilia Mutemba	Head of Office	AWEPA
Lidewij Helmich	Project Officer	AWEPA

### *Interviews in Nicaragua*

Name	Position/Department/Unit	Organisation
Acevedo, Adolfo	PFM expert	Member of Directory Coordinadora civil. Managua
Baldizón Ibarra, Yader	Technical advisor Small and Medium Enterprise Development and Energy	Coordination Office for Development Cooperation Austria. Managua
Boedeker, Marielas	Budget Planner	Planning Department. MINSA, Managua
Echegoyen, Magaly	Acting head	Planning Department, MINSA, Managua
Ellmeier, Michaela	Head of Unit VII.1.a	EU Coordination of ADC, Vienna
Getino Canseco, Elena	Advisor in Co-operation	Delegation of the European Commission in Nicaragua
González Calderón, Humberto	National coordination sector approach and OECD, International Co-operation	Ministry of Foreign Affairs. Managua
Hörncke, Christina	Technical advisor Social Sectors	Coordination Office for Development Cooperation Austria. Managua
Küblböck, Karin	Researcher	International Economic Policies. ÖFSE. Austrian Research Foundation for International Development. Vienna (telephone interview)
Largaespada F., Maria Jesús	Health Expert	Embassy of the Kingdom of the Netherlands. Managua
Littlejohn, Coleen R.	Principal Operational Official	World Bank, Managua
López Ortegáray, Nelson	Technical advisor Rural Development Sector	Coordination Office for Development Cooperation Austria. Managua
Marquiño Quezada, Wilmer	Advisor Prevention and Control	Regional Office World Health Organisation (OPS), Managua
Neuwirth, Hubert	Counsellor	Head of Office. Coordination Office for Development Cooperation Austrian Embassy Mexico. Managua
Orozco V., Miguel A	Director Centro de Investigaciones y Estudio de la Salud	Public Health School. UNAN University. Managua
Pettinato, Carlo	Head of section budget support and Institutions	Delegation of the European Commission in Nicaragua
Prosperi, Jorge Luis	Resident Representative Regional Office	World Health Organisation (OPS), Managua
Quiros, Ana	Director	Information and Service Centre for Health CISAS (NGO) and member of directorate of "Coordinadora Civil". Managua
Raatikainen, Riikka	Advisor Health Sector and Social Affairs	Embassy of Finland. Managua
Ramirez, Martha	Official for co-operation relations with European countries	Ministry of Foreign Affairs. Managua
Saadat, Lydia	Head of Unit VII 5b.	Programming and Planning Development Cooperation in Asia, Middle-East, Mediterranean Region and

Name	Position/Department/Unit	Organisation
		Central America, MFA VII 5b, Vienna
Talavera, Johanna	Coordinator	External Co-operation MINSA, Managua
Traxler, Gottfried		Central and Latin America, ADA, Vienna
Vogel, Thomas		Horizont 3000, Vienna
Wessels, Hans	Head of Cooperation	Embassy of the Kingdom of the Netherlands. Managua

### *Interviews in Uganda*

Name	Function	Institution
<b>Coordination Office</b>		
Walter Ehmeir	Head of Cooperation	Coordination Office
Christine Jantscher	Programme Officer Governance & Deputy Head of Cooperation	Coordination Office
<b>Government of Uganda</b>		
Sam Wairagala	M&E	JLOS Secretariat
Maxwell Akora	Financial Management	JLOS Secretariat
His Worship Mr. Henry Adonyo	Chair	JLOS Technical Committee
Mr. Patrick Mutabwire	Commissioner for Local Councils	Ministry of Local Government
Mr. John Muhangizi	Permanent Secretary	Ministry of Local Government
Mr. Obed Obella	Commissioner Aid Liaison	Ministry of Finance
Timothy Lubanga	Assistant Commissioner for Coordination and Monitoring	Office of the Prime Minister
Samuel A. Amule	Commissioner District Inspection	Ministry of Local Government
Muhumuza Ntacyo Juvenal	Senior Economist/Finance Officer Aid Liaison Department	Ministry of Finance
<b>Donors</b>		
Kevin Carroll	Head of Development	Irish Embassy
Sarah Callaghan	Governance Programme Officer	Irish Embassy
Daniel Iga	Public Sector Programme Officer	Irish Embassy
Peter Michael Oumo	Economist	Irish Embassy
Joyce Ngaiza	Governance Programme Officer	Netherlands Embassy
Charles Drazu	Governance Programme Officer	Netherlands Embassy
Ludo Rochette	Head of Development	Belgian Embassy
Jennifer Bukhoke	Programme Officer	UNCDF
Christine Johansson	Head of Development	Swedish Embassy
Kate Wedgwood	Deputy Head of Development	DFID
Matthew Greenslade	Economic Adviser	DFID
Donald Rukare	Coordinator	Human Rights and Good Governance Programme ( EU Funded)
<b>Civil Society</b>		
Michael Otim	Programme Manager	International Centre for Transitional Justice
Ashanut Okille	Managing Director	Akijul

## Annex V Review questions of the ToR<sup>37</sup>

The review questions of the ToR **on inputs** related to the **policies** are:

No. in ToR	Review questions in ToR on policies	No. in Inception Report
4a General information	<b>How does ADC policy/strategy compare with international best practice and practices of donors comparable to Austria? What should be the future direction of ADC policy on BS in the light of its comparative strengths and weaknesses?</b>	A1
4a Division of labour	Do ADC policies/respective policies of smaller donors define their role with regard to the division of labour in BS? Do these policies suggest that smaller donors should focus on areas of comparative advantage and specific expertise ("niche strategy")? Are there other specific strategies defined by ADC/comparable donors?	A2
4a Delegated cooperation	Do respective ADC/comparable donor policies define "delegated cooperation" as a desired/accepted option? If so, under which circumstances / conditions.	A3
4a Role of donor in policy dialogue	Do ADC/comparable donor policies on BS address the role of ADC/the comparable donors in the policy dialogue? Do they deal with the possible tension between ADC's/comparable donors' interest to influence the dialogue vs. the need for harmonisation among donors?	A4
4a Relationships between aid modalities	How do ADC policies define the relationship between BS and other aid modalities (which categorisation/terminology is used, which significance does BS have vis-à-vis other aid modalities)? And, compared to ADC, how do other comparable donors define the relationship between BS and other aid modalities?	A5
4a Share of BS	Do ADC/respective donor policies define a minimum or maximum share of BS of total ODA provided by ADC/the respective donor?	A6
4a Preferences for type of BS	Do ADC/respective donor policies foresee a preference for either Sectoral Budget support (SBS) or General Budget Support (GBS)?	A7
4a BS at sub-national level	Do ADC/respective donor policies define whether BS is, in addition to the national level, also provided at municipal or district level? Which strengths and weaknesses of such an approach are recognized?	A8
4a Eligibility criteria for BS	Which (selection and eligibility) criteria are defined in ADC/comparable donor policies to decide whether to provide BS to a country?	A9

<sup>37</sup> Adapted version.



No. in ToR	Review questions in ToR on policies	No. in Inception Report
4a Fragile states	Do ADC/respective donor policies on BS allow BS to be provided not only to good performers but also to fragile states?	A10
4a BS risk mitigation strategies	Do ADC/respective donor policies address the risks of BS and how to deal with them? What are these risks and how are they to be dealt with?	A11
4a Criteria for discontinuation of BS	Do ADC/respective donor policies define specific situations or criteria for an immediate discontinuation of BS disbursements to partner countries (e.g. human rights violations, corruption scandals etc.)?	A12
4a Fixed and variable tranches	Do ADC/respective donor policies state whether to use “fixed” tranches only or a model of “fixed and variable” tranches? Concerning variable tranches, are minimum contribution volumes specified in order to make this instrument feasible?	A13
4a Cross-cutting issues	How are cross-cutting issues (particularly gender and environment) embedded in the respective ADC/donor policies on BS?	A14
4a Definition of supplementary measures	Which supplementary measures are defined as part of BS operations in ADC/ respective donor policies (e.g. strengthening PFM and planning systems, support to line ministries, promoting accountability vis-à-vis parliaments and civil society)? Do such policies foresee financial resources to be provided for these objectives and modalities to coordinate such support with other donors involved?	A15
4a Exit strategy	Do ADC/respective donor policies include measures to support the future independence of partner countries from BS (“exit strategies”) (e.g. strengthening of the domestic tax system)?	A16
4a M&E of BS	Do ADC/respective donor policies describe (joint) review and evaluation procedures for BS operations?	A17

The review question **on inputs** related to **financial resources** is:

Review question in ToR on financial Resources	
What is the level of financial resources ADC commits to BS?	A18

The review questions of the ToR **on inputs** related to **human resources** are:

No. in ToR	Review questions in ToR on human resources	No. in Inception Report
4c	<b>How do ADC' staff capacities compare with the staff capacities of comparable donors? Are additional staff at headquarters or in the field offices required to ensure efficient and effective implementation of BS? Would additional staff help ADC to position itself as a small, yet active member of the donor community?</b>	A19
4c Number of staff	What number of ADC/comparable donors' staff, at headquarters and field level, is involved in deciding, planning and implementing BS in relation to the number of operations as well as the volume of funds disbursed?	A20
4c Professional background of staff	What is the professional background of respective ADC's/comparable donors' staff at headquarters and field level (experience with BS as a modality vs. sector knowledge vs. country knowledge vs. macro-economic knowledge)? Is there a specific thematic back-stopping capacity at headquarters and/or in the field Coordination Offices?	A21

The review questions of the ToR **on outputs** are:

No. in ToR	Review questions in ToR on outputs	No. in Inception Report
4d	<b>How is ADC's participation in BS operations perceived by local partners, other donors? How are ADC's staff involved? What has the "added value" of ADC's involvement been to date in the BS operations?</b>	<b>B</b>
4d Implementation of BS policies	Are BS operations currently funded by ADC in line with the policy provided by the a) tri-annual programme of Austrian Development Policy ("Dreijahreprogramm"), b) the policy document on BS and c) the conditions defined in the respective country programme documents ("Landesprogramm") (see e.g. General Budget Support Mozambique)?	B1
4d Financial role and role in supplementary measures	What role does ADC play regarding both financial contributions and supplementary measures to BS operations in recipient countries compared to those of comparable donors?	B2
4d Role in policy dialogue	Concerning the political dialogue among the donor community and with the partner countries, which role does Austria play compared to other donors? How successful is Austria in contributing to the most visible and relevant level of policy dialogue with the government, specifically the Heads of Missions meetings? Which role does Austria play within the EU group in partner countries, and to what extent can it incorporate its positions into the policy dialogue (again particularly at the level of Heads of Mission)?	B3
4d Role in budget preparation	Does Austria participate, in a qualified manner, in processes related to formulating the budget (these are country specific, e.g. working groups on certain sectors of the budget, workshops on the budget as a whole, public expenditure reviews, discussions on the framework of the budget, discussions on the Medium-Term Expenditure Framework (MTEF), discussions on the relationship between budget and Poverty Reduction Strategy Papers (PRSP) and other budget-relevant processes (including macro-economic, decentralization, Public Finance Management (PFM) and PRSP processes)?	B4
4d Synergies between BS and other ADC interventions	Are there synergies between BS and other interventions of ADC, and how can these be supported/created?	B5

The review questions of the ToR regarding **the institutional set-up and operational procedures** are:

No. in ToR	Review questions in ToR regarding institutional set-up and operational procedures	No. in IR
4b	<b>How do ADC implementation procedures for BS compare with those of comparable donors and/or international best practice? Which shape should a standardised ADC process take in order to prepare, approve, implement and monitor BS operations?</b>	<b>C1</b>
4b Operational guideline on BS	Do ADC and the comparable donors have a clear operational guideline or outline for all or most procedures regarding BS available?	C2
4b Responsibility for decision on BS	Who within ADC/the comparable donors is responsible for making the decision to provide BS to a partner country? Which criteria and processes are applied to arrive at this decision?	C3
4b Preparation of BS operations	How are the BS contributions being prepared by ADC/the comparable donors (defining the amount, negotiation authority etc.)?	C4
4b Planning of supplementary measures	How are measures supplementary to BS (e.g. strengthening Public Finance Management systems etc, promoting civil society involvement in the budget planning, execution and monitoring process) planned and decided on by ADC/the comparable donors?	C5
4b M&E	What are the accompanying and monitoring measures ADC/the comparable donors applies/apply along with BS operations (tracking of and reporting on compliance with Performance Assessment Frameworks, involvement in policy dialogue, reporting to Headquarters, participation in monitoring measures such as joint missions etc)?	C6
4b Predictable disbursement	Are instalments by ADC/the comparable donors disbursed in a timely manner? How are prerequisites verified by ADC/the comparable donors? How do they induce the disbursement of instalments?	C7
4b Financial controls	How are financial controls in the area of BS operations applied by ADC/the comparable donors?	C8
4c Division of labour	What is the division of labour among the different actors involved in BS operations within ADC/the comparable donor agencies?	C9
4c Division of labour	How are ADC's/comparable donors' staffs' capacities divided between headquarters and field offices?	C10

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