

Does General Budget Support Work?

Evidence from Tanzania

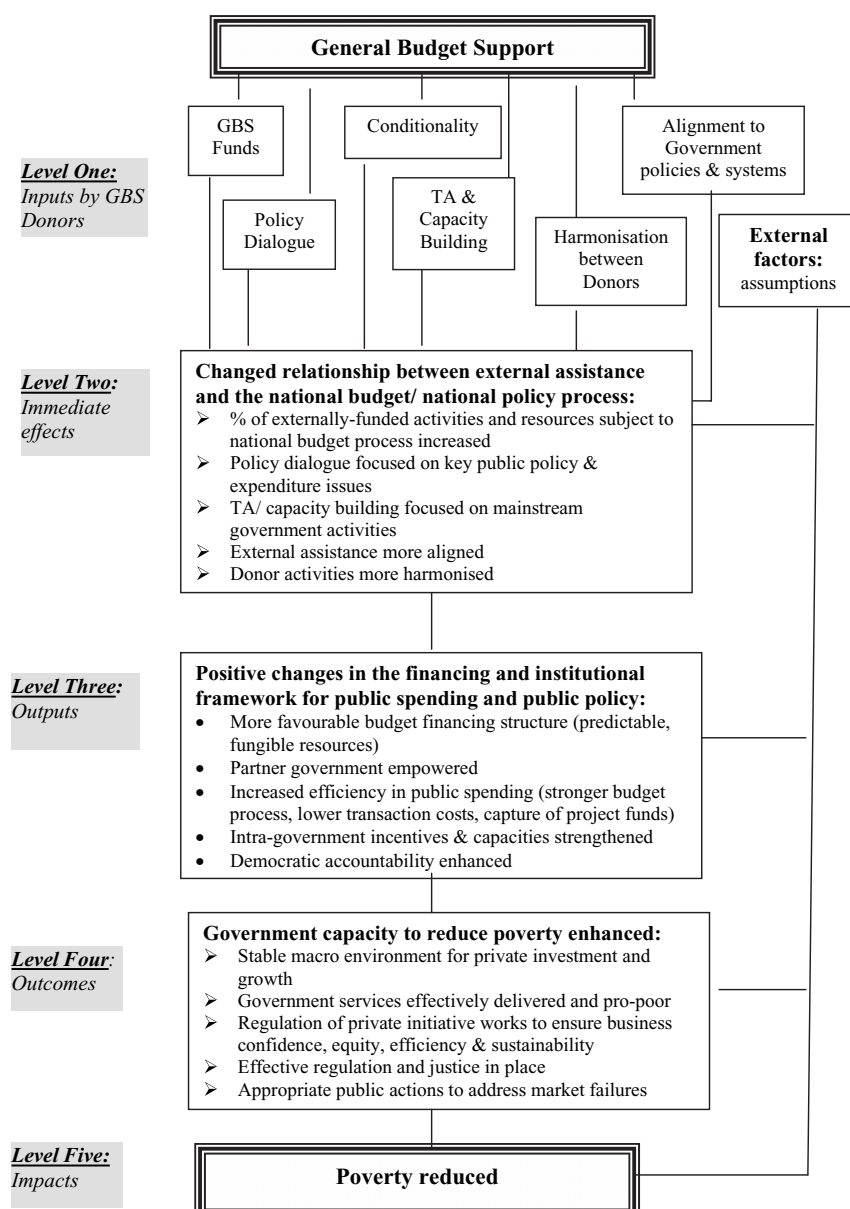
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The findings in brief

- In Tanzania, General Budget Support is provided by 14 donors and together with HIPC relief contributes 20% of public expenditure. Despite this, however, GBS is not yet a dominant aid modality.
- The immediate effects of the GBS programme have been strongly positive, but its role has been to facilitate a nationally-driven reform process; domestic revenues have grown even faster than aid.
- GBS has been associated with a large growth in government discretionary spending and a major expansion in health and education services. However:
 - i. There are few signs of improved efficiency of public spending or of long-term obstacles to service quality being addressed.
 - ii. The ‘challenge function’ in the budget process remains weak, mainly for political but also for more technical reasons.
 - iii. The expected improvements in intra-government incentives and democratic accountability are not yet apparent.
- The scope for change in these respects has been limited by the fact that 80% of development spending is still funded by donor projects.
- Outcomes have improved remarkably in respect of macroeconomic stability, investment and growth, while the negative macroeconomic effects of increased aid flows appear manageable.
- Outcome improvements are otherwise rather mixed, with large questions about service quality, and significant legal changes that are too recent to have yielded results.
- Poverty impacts are uncertain for the last half decade, the most relevant period, because there has been no household survey since 2001.
- The unevenness of growth and service-delivery improvements give reasons for caution about future poverty trends.
- In summary, GBS in Tanzania has not had all the positive effects expected of it, some of which are necessarily long-term. But the gains that have been made are important and would not have been so effectively facilitated by any other aid modality.

Figure 1: Simplified logical framework



I. Setting the scene

Direct financial support to a country's budget is a long-established form of aid – as old as development assistance itself. But the last five years have witnessed an important development – the rapid growth of budget-support operations informed by a new and distinctive aid philosophy emphasising flexible funding for country-led poverty-reduction efforts.

How important is ‘new’ budget support, or GBS? Category problems