

BUDGET SUPPORT – AN EFFECTIVE FORM OF AID

The Expert Group for Aid Studies (EBA) report *Budget support, poverty and corruption: a review of the evidence* shows that budget support has been an effective way of reducing poverty.

Budget support is aid that the recipient country's government can freely make use of. It is usually accompanied by a policy dialogue. Recent years have seen a sharp reduction in the volume of budget support from Sweden and other donor countries.

Professor Dijkstra summarises available research and evaluations, and concludes that the reduced volume of budget support cannot be justified on the basis of the ineffectiveness of the instrument.

THE REPORT FINDS THAT BUDGET SUPPORT PRODUCES THE FOLLOWING POSITIVE EFFECTS:

- Reduced poverty, particularly that which is non-income based.
- Stronger institutions that monitor corruption, which has led to the detection of corruption. There is no research evidence showing that budget support has contributed to increased corruption.
- Improved public financial management and supervision of social institutions on the part of recipients.
- More children attend school and complete their education.
- Better access to health care, water and sanitation.
- Reduced transaction costs linked to the support.

THE REPORT FINDS THAT BUDGET SUPPORT HAS NOT BEEN EFFECTIVE IN:

- Changing the political governance of recipient countries.
- Encouraging the recipient countries to respect human rights.

THE REPORT INCLUDES THE FOLLOWING RECOMMENDATIONS:

- Considering that budget support is effective in reducing poverty, the question is how donors can build upon the positive results while taking account of the political setback for budget support in their own countries.
- Should budget support be resumed, donors should follow the original policy theory, which involves selectivity in allocation decisions, a policy dialogue focused on poverty reduction or other sustainable development goals, respect for ownership and predictable financing.
- Budget support should not be used to influence political governance. Donors can raise governance issues with recipient governments. However, the dialogue on democracy and human rights should be conducted separately from discussions on budget support.



The entire report with more recommendations is available at www.eba.se



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