

Sector Budget Support in Practice

Good Practice Note

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List of Study Outputs

- **Methodology for Assessing Sector Budget Support in Practice**
- **Sector Case Studies of Sector Budget Support in Practice:**

<p><i>Full Sector Case Studies:</i></p> <ul style="list-style-type: none"> ○ Zambia – Roads Sector ○ Zambia – Health Sector ○ Mozambique – Health Sector ○ Rwanda – Education Sector ○ Uganda – Education Sector ○ Mali – Education Sector 	<p><i>Desk-based Sector Case Studies:</i></p> <ul style="list-style-type: none"> ○ Tanzania – Health Sector ○ Uganda – Local Government ○ Tanzania – Local Government ○ Mozambique – Agriculture Sector
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- **Report on Donor Headquarters Accountability Requirements**
- **Literature Review**
- **Synthesis Report**
- **Good Practice Note – Making Sector Budget Support Work for Service Delivery**

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List of Acronyms

CSR	Civil Service Reform
DAC	Development Assistance Committee (OECD)
DFID	Department for International Development (UK)
EC	European Commission
FTI	Fast Track Initiative
FY	Financial Year
GBS	General Budget Support
GPN	Good Practice Note
HR	Human Resources
M&E	Monitoring and Evaluation
ODI	Overseas Development Institute
OECD	Organisation of Economic Cooperation and Development
PAF	Performance Assessment Framework
PFM	Public Financial Management
SBS	Sector Budget Support
SBSIP	Sector Budget Support In Practice
SPA	Strategic Partnership with Africa
SWAp	Sector Wide Approach
TA	Technical Assistance
UK	United Kingdom
UN	United Nations
USAID	United States Agency for International Development

1. Overview of Good Practices in the Design and Implementation of Sector Budget Support

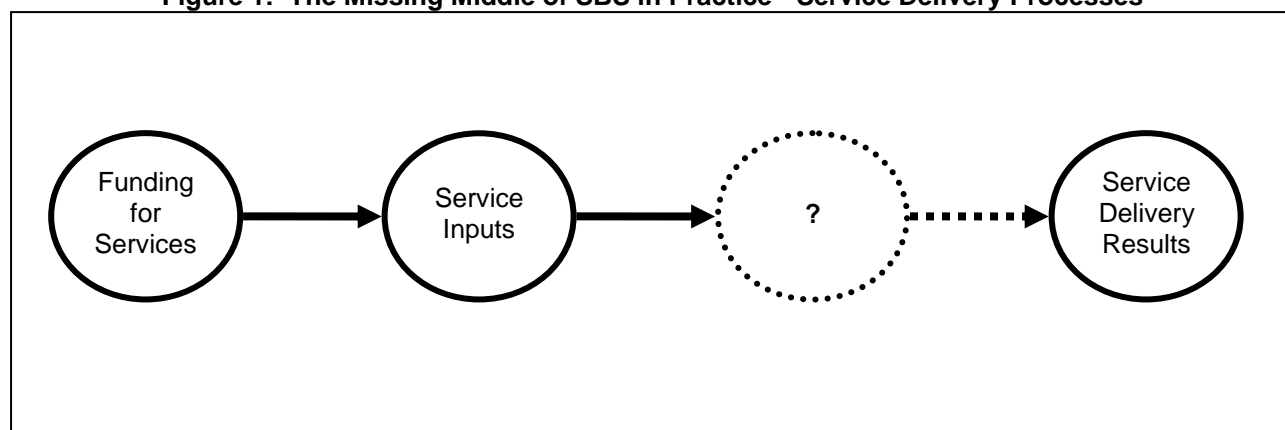
1.1 Introduction and Objectives

1. This is the Good Practice Note (GPN) for the second phase of a study on Sector Budget Support (SBS) in Practice (SBSIP) for the Strategic Partnership with Africa (SPA)¹. Sector Budget Support is a modality for providing official development assistance which donor agencies are increasingly using to support African countries to achieve their development policy objectives. The overall purpose of the Study is to draw on the experience of SBS in different countries and sectors to guide future improvements in policy and practice by partner countries and donors.

2. The Study involved a series of case studies and background papers which have investigated the record of SBS in practice in Africa and beyond. Overall, these studies have demonstrated that SBS is an important and potentially effective modality for supporting improved service delivery in developing countries, although its record has been mixed in implementation. SBS has generally helped support the expansion of service delivery through financing a major share of service delivery inputs. SBS has supported greater efficiency in the use of public resources through facilitating improvements in planning, the budgeting cycle, financial management and accountability, though progress has been uneven.

3. However, SBS has not effectively addressed the quality of service delivery. Although it was not always an explicit objective of SBS programmes, this represents the major failing of SBS in practice. A key reason behind this is that recipient governments and donors supporting them have not paid attention the processes which enable or constrain the transformation of inputs² into quality service delivery, such as school level management³. There has also been limited attention to the capacities and systems that should manage, support and supervise frontline service providers. The study has termed these processes the “*Missing Middle*” in the service delivery chain (Figure 1).

Figure 1: The Missing Middle of SBS in Practice - Service Delivery Processes



¹ See van der Linde (2008). The first phase study involved sector case studies in four francophone African countries – Benin Education, Burkina Faso Education, Cameroon Environment and Forestry, and Senegal Education.

² E.g. financial resources have increased and become more predictable as noted earlier.

³ Examples in this section often focus on the education sector. Similar examples have been or can be found in the other sectors.

4. The main principle behind this Good Practice Note is “*Making SBS work for service delivery*”. It aims to help donors to provide SBS, and partner governments to use it, in ways which enhances the equitable delivery of quality public services. It does so by elaborating on the role and principles of effective SBS identified in the synthesis report, using illustrative examples of good practice from the case studies and beyond. It further sets out how donors’ accountability requirements and concerns about risk can be best addressed in the design and delivery of SBS programmes, minimising derogations from country systems and their adverse effects.
5. This note is primarily aimed at both recipient governments and donor agencies:
- Within *recipient governments*, staff working within sector ministry policy and planning departments, and within ministries of finance and planning on aid management and the budget process.
 - Within *donor agencies*, sector specialists as well as economists and PFM and public sector reform specialists working at the country level. It is also aimed at those developing guidance within the headquarters of donor agencies.
6. Whilst the focus of this note is on Sector Budget Support, it does have broader implications – for example on the overall focus of Sector Wide Approaches, mix of aid modalities and coordination and complementarity with General Budget Support. The principles outlined here should therefore be useful in informing current guidance in these areas.
7. This section provides an overall summary of the key elements of good practice in the delivery of Sector Budget Support. Later sections set out the key dimensions of the design and implementation of effective sector budget support programmes in detail.

1.2 What is Sector Budget Support?

8. SBS instruments need to be thought of as far more than just a modality for transferring financial aid in support of a government budget (which many consider it to be). SBS is a package of inputs which includes funding and a set of “non-financial inputs” which typically include technical assistance and capacity building inputs as well as dialogue and conditionality. For the purposes of this note (and the overall SBSIP study), Sector Budget Support is defined as those aid programmes where⁴:
- Aid is channelled through the systems used for government's own-funded expenditures. Aid is disbursed to the government's finance ministry (or "treasury"), from where it goes, via regular government procedures, to the ministries, departments or agencies responsible for budget execution.
 - The dialogue and conditions and other inputs associated with the aid should be predominately focused on a single sector.
9. This makes SBS distinct from General Budget Support where dialogue and conditions cut across sectors and from conventional project support which funds discrete sets of activities and tends not to use government budget execution systems.
10. Within these two broad parameters, the funding channel, and the focus of associated dialogue and conditions, there lies a spectrum of aid instruments, with different characteristics. The first set

⁴ The SPA, when commissioning the SBSIP study, acknowledged the diversity of instruments labelled as SBS in different sectors and countries. The established OECD-DAC definition of SBS does not. It defines SBS as un-earmarked funding to the national treasury where dialogue focuses on sector rather than overall budgetary issues (OECD-DAC 2006).

of distinguishing factors relates to the *funding arrangements* for SBS in support of the partner government's budget and policy priorities and consists of two variables that are often confused but – according to the SBSiP study – must be clearly distinguished:

- *Earmarking*. In the proposed usage, this variable concerns the way provision of the SBS is justified against certain public expenditures in the country's budget. All SBS instruments typically use some degree of earmarking; that is, justification of the support by reference to the country's budget. However, earmarking can be broad or narrow. Broad earmarking involves justification of the SBS against overall sector expenditures, or the development budget for the sector. Specific earmarking involves justification against specific budget lines, such as textbook procurement or grants for classroom construction.
- *Traceability*. According to the SBSiP approach, SBS funds are traceable when they are separately identifiable in the expenditure classification of the country's budget. Traceable SBS instruments tend to be associated with specific earmarking. Traceable SBS is also more commonly associated with further derogations – or approved departures – from standard recipient-government financial management procedures, such as the use of parallel cash-management, reporting and audit arrangements. An SBS instrument which is earmarked need not be traceable.

11. The second set of features of SBS instruments relate to the *non-financial inputs* associated with SBS. There are three main elements to these:

- Dialogue is typically carried out in the context of the structures created for Sector Wide Approaches (SWAs), which typically involve a cycle of sector planning, budgeting and reviews of performance. SBS either uses the associated SWA dialogue structures in full, or sometimes involves additional meetings.
- SBS conditions are usually related to satisfactory performance as assessed at sector reviews, although some SBS instruments have separate conditionality frameworks. There is a trend towards more structured performance assessment frameworks at the sector level.
- SBS supports Technical Assistance (TA) and Capacity Building either through funding such activities directly, or through the provision of parallel TA and Capacity Building activities using project modalities. Not all SBS instruments have significant TA or Capacity Building components.

12. SBS typically involves dialogue and conditions which are oriented towards government policies and systems rather than traditional projects. However, traceable SBS instruments usually involve substantial dialogue on programme specific operational issues. The more specific the earmarking employed, the more likely the dialogue is to be biased towards the area of funding to which SBS is earmarked, and away from overall sector policies and systems.

1.3 The Role of SBS and an Appropriate Set of Aid Instruments

13. The study points to a clear role for SBS – to support recipient governments in their delivery of public services in accordance with their own policy priorities. SBS does so by providing flexible resources to recipient governments to enable them to finance the implementation of their policies to expand access to public services, and crucially, to improve the equity and quality of those services.

14. Furthermore, due to its use of government systems and institutions, SBS has the potential to be more effective than project funding in support of service delivery, including common basket funds. GBS has similar benefits. **SBS and GBS should therefore be the preferred modalities for aid in support of public service delivery.** It is also evident that without a clear public service delivery mandate, large scale SBS transfers are not appropriate.

15. SBS should be seen as an important tool in donors' support to government at the sector level. Nevertheless, different aid modalities can, and should, complement each other in support of a partner government's efforts to implement its service delivery objectives as follows:

- Non financial inputs attached to GBS have a comparative advantage in supporting public financial management, decentralisation and civil service reform, although in practice it has been less effective at the latter two. SBS can complement GBS by making these cross-cutting reforms more responsive to the needs of sector service delivery, and also promoting deeper improvements to service delivery in individual sectors.
- Project support, including common basket funding, can complement SBS. Where project support is geared towards systems and capacity building objectives, it can help to strengthen the systems and institutions used by SBS and domestic expenditures, thereby increasing the effectiveness of SBS. This includes “non financial” SBS inputs, some of which may best be delivered through project support modalities. Meanwhile, by increasing the volume of resources using government systems, SBS funding increases the impact of such project support.
- The use of project aid to fund certain sectoral inputs should not be confused with a wholesale reversion to project aid. The health case studies, most notably, suggest that (in stable countries) project funding should not be used to finance service delivery.

16. What is required both within, and outside, the sector is an appropriate set of aid instruments, whose design and implementation respond to the key constraints in public service delivery at the sectoral level. In this context, Sector Budget Support has the potential for being a catalyst for reorienting sector resource allocation towards service delivery, and for strengthening the systems and process for service delivery. It can do so, provided the attention of recipient governments, donors and other stakeholders is focused on the processes service delivery.

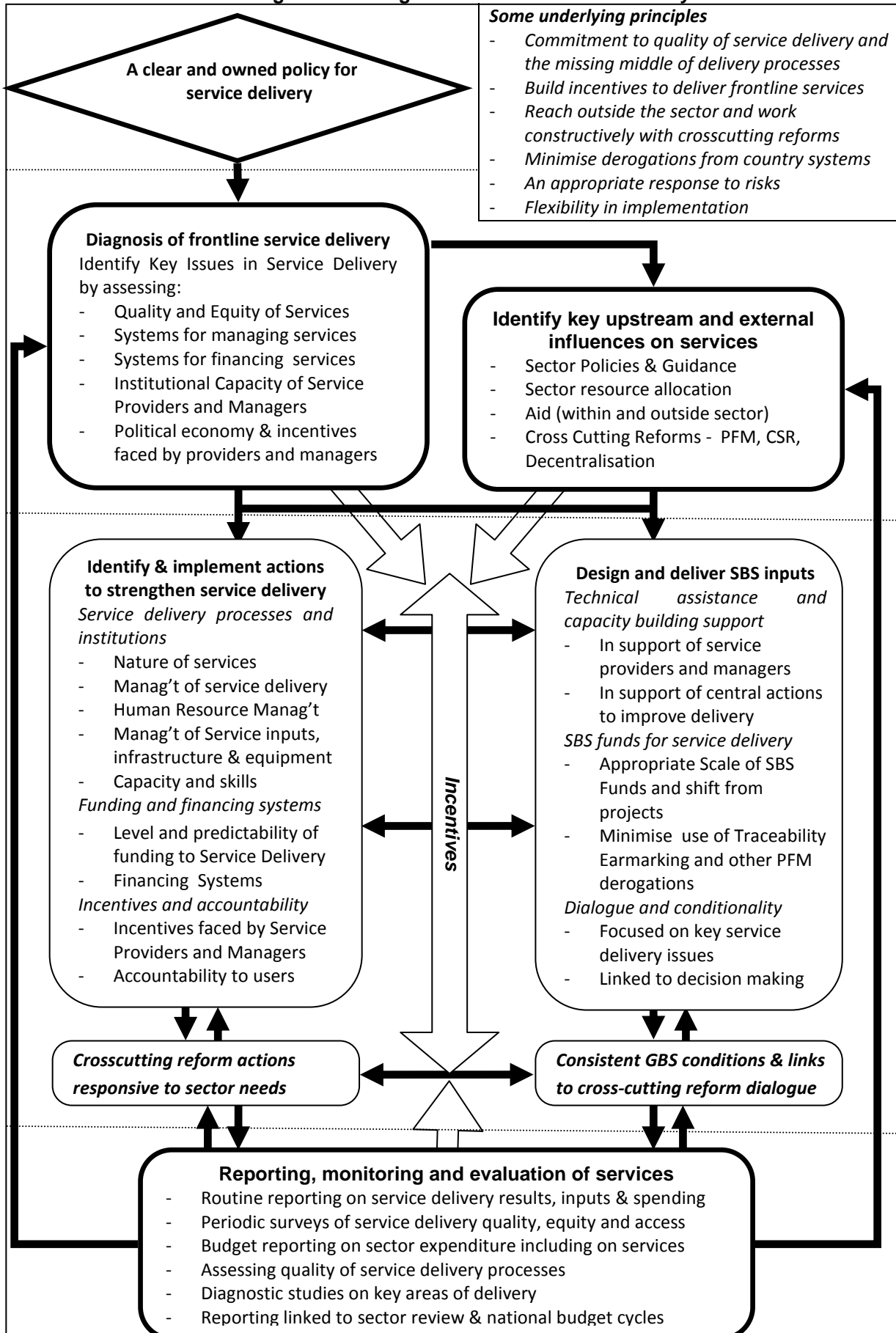
1.4 The Overall Approach to Design and Management of SBS

17. Whilst the role of SBS is clear and the need to focus on service delivery is essential, the case studies show that its effectiveness is by no means automatic. Service delivery needs to be placed at the heart of the design and implementation of SBS. Hence the title of the Good Practice Note is “*Making SBS work for service delivery*”. SBS needs to address the “*Missing Middle*” of service delivery directly. It is not enough for SBS to be flexible. SBS must respond to problems in service delivery in an appropriate, yet dynamic manner. Crucially SBS programmes must address the incentives faced by those with influence over and directly involved in the delivery of frontline services.

18. The main elements of the approach for “*Making SBS work for service Delivery*” are highlighted in Figure 2. The only prerequisite for effective SBS is a clear and owned policy for publicly funded service delivery as mentioned above. If this is met, the cycle of design and implementation of SBS has three main elements:

- The first element of the approach involves the development of an inventory of the key issues and challenges in service delivery, and the degree of influence that central government has over those issues. The processes of service delivery are inherently complex. They involve multiple institutions and actors. Therefore a deeper understanding, on both the recipient and donor side, is required if SBS is to respond to them.
- The second element involves taking steps to improve service delivery. This has three main dimensions. Firstly, it involves the identification and implementation of actions to improve service delivery based on the diagnosis of service delivery challenges. Secondly, it involves designing and delivering SBS inputs with the aim of supporting the implementation of those actions. Thirdly, sector actors need to work actively towards complementarity between sectoral and cross cutting reforms, and between SBS and other aid inputs, in particular GBS.
- The third element is the monitoring and evaluation of service delivery. This involves monitoring service delivery expenditures, inputs, processes and results. It needs to be linked to decision making, including both the sectoral review processes and the national budget process.

Figure 2: Making SBS work for service delivery



19. It is important that this process is not seen as a blueprint. It is meant to be a flexible cycle which should allow innovation and learning with a sustained focus on improving service delivery. This approach does not advocate for more plans and studies, but mechanisms for focusing attention on what really matters in the sector, and how SBS can be oriented towards these issues in existing plans and studies.

20. These core elements of the approach are covered in depth in the later sections of this note.

1.5 Principles for Effective SBS

The SBSiP study suggests ten core principles for the design and delivery of effective SBS:

1. **Place the strengthening of institutions and systems for service delivery at the heart of the design and implementation of SBS.** This involves giving adequate attention to *both* a) upstream issues affecting the strength of service delivery and the ability of government to take action to address them; *and* b) downstream and front-line issues: establishing systemic and incentive-based solutions to the human-resource and other challenges involved in the quality and equity of service delivery.
2. **Provide SBS funds on a large enough scale to ensure an expansion in sector resources commensurate with the needs of sustainable service delivery.** The scale of SBS matters not just in absolute terms, but also relative to overall sector resources and relative to other funding. Shifting incentives towards strengthening of domestic systems calls for a decisive shift away from paying for service delivery with project aid and/or Common Basket funding. On the other hand, it is important that SBS supports affordable levels of service delivery which can be sustained over the medium and long term.
3. **Ensure that provision of SBS funds is accompanied by dialogue with the ministry of finance on sector resource allocation.** This dialogue should be part of the recipient's budget process and any agreement to change budget allocations can be supported by the conditionality framework associated with SBS. When the budget process is unlikely to yield the required reorientation of resource allocations on its own, earmarking of SBS funds towards service delivery can prove useful. Earmarking must be negotiated with and not imposed on the recipient government. It should be confined to areas which are of key policy importance, be based on an agreed assessment of funding gaps in the sector, and be temporary. Earmarking and related additionality requirements are most effective when used in the context of 'non-traceable' SBS, as the ownership of resulting budget allocations tends to be stronger.
4. **Do not require that SBS funds are separately identifiable in the budget.** In other words, use non-traceable SBS. This ensures domestic systems are used. As a result it helps reinforce domestic accountability, incentives and ownership in the context of the budget cycle, and minimises distortions. In the context of unreliable budget execution, commitments to protect budget disbursements for key sector budget lines can be agreed with the ministry of finance and do not require traceability. Only when recipient government budgets are so unreliable that a moderate degree of predictability cannot be assured, should donors consider the use of traceable SBS.
5. **Insist that SBS packages include elements to address the underlying causes of risk, and do not involve unnecessary derogations.** The design phase of an SBS instrument should include a systematic assessment of risks (such as unreliable budget execution), and consideration of how their root causes can be addressed. Priority should be given to implementing actions to address weaknesses in country systems, as opposed to imposing derogations – agreed exceptions to the use of systems -- which have the effect of

bypassing them (including traceability). Whenever a derogation is imposed, a timetable for phasing it out should be identified and enforced.

6. **Ensure that SBS funding will support financing systems which are aligned with institutional mandates for service delivery.** Prior to the provision of SBS, thought should be given to how domestic financing systems can be strengthened and aligned with the institutional responsibilities for service delivery. Such systems may be misaligned, or non-existent. For example, funds for operational inputs may need to be allocated to local governments responsible for service delivery, instead of to central ministries.
7. **Focus SBS inputs on alleviating the critical constraints to service delivery.** This means identifying how funding, dialogue, conditionality and technical assistance/capacity building can support the strengthening of downstream processes, including the direct management of front-line service staff and delivery processes; human resources for service delivery, and incentives and accountability for service delivery.
8. **Gear dialogue and conditionality to strengthening incentives for domestic actors to improve service delivery.** This can be done at the centre (i.e. sector ministry headquarters and the ministry of finance), but must also be done at the level of service delivery. At the centre, the influence of conditionality and dialogue is indirect. This influence can be maximised by identifying a limited number of critical service-delivery issues which the centre can influence and then focusing dialogue and conditionality on those issues. At the delivery level, specific conditionality frameworks need to be developed which provide incentives for the strengthening of institutional capacity and systems. Conditionality frameworks, whether upstream or downstream, should focus on issues and actions over which the institutions involved have control. Service delivery targets are typically not appropriate as conditions because service delivery processes are complex and individual institutions typically do not have full control over such results.
9. **Make sure SBS delivers reliable funding for service delivery.** This means that funding levels should remain predictable throughout budget formulation and execution cycle. Conditionality must be applied and SBS commitments made before the start of the budget formulation process, on the basis of last financial year's performance. Donors should never cut disbursements within a financial year. Providing medium- and long-term commitments to SBS flows helps cement predictability. Donors should be held to account, within a mutual accountability framework, for both the timing and level of SBS commitments and disbursement, relative to what was planned.
10. **Insist that sector donors and government actors work together to make links to civil-service, decentralisation and public financial management reforms.** Greater mutual reinforcement between cross-cutting and sector reforms can be achieved through more joint working; ensuring consistent rather than conflicting donor dialogue; and establishing consistent and mutually supportive conditionality frameworks for GBS and SBS.

1.6 Improving Donor and Country Guidance on SBS

21. The donor headquarters study made two important observations: that there was a lack of guidance from donor headquarters on the design and implementation of SBS instruments; and the variability of SBS instruments employed by SBS donors in different countries implied flexibility at the country level in the design of SBS instruments.

22. There is a definite need for improved guidance from within donor agencies on the design and implementation of SBS at a country level. It is important that this is not at the expense of recipient countries being able to define the nature of SBS within country. Headquarter requirements should

not become inflexible blueprints which prevent the harmonisation of approaches across donors at the country level.⁵

23. The most important opportunity in improving the practice of the delivery of SBS is at the country level. The establishment of clear principles for the provision of SBS at the country level – with the role of recipient institutions, the Ministry of Finance, other ministries leading important crosscutting reforms and donors all clearly laid out and agreed – would help in improving practice in the delivery of SBS. There is latitude to do this in a way which responds to the specific context of the recipient country alongside other aid modalities in support to the sector, crosscutting reforms and the budget overall.

1.7 Addressing key underlying constraints to effective SBS

24. Designing and implementing SBS in the way advocated in this note is not straightforward. The synthesis report points out a key challenge in ensuring the effectiveness of SBS and the effectiveness of aid at the sector level more generally - the need to re-engineer the internal incentives within aid agencies and recipient organisations.

- **For donors**, this means a change of organisational culture and systems so as to align staff incentives at headquarters and country level with a genuine result orientation – which moves beyond performance targets to a focus on strengthening of systems and processes for service delivery and encouraging collaborative working across disciplines. This also demands a more sophisticated approach to managing risk, addressing its causes rather than attempting to bypass it with unnecessary or counter-productive derogations from country systems.
- **For recipient governments**, it means demonstrating a commitment to address the quality and equity of service delivery as well as access. It also requires efforts to increase the legitimacy of national systems and improve dialogue within government across sectoral and cross-sectoral reform processes.

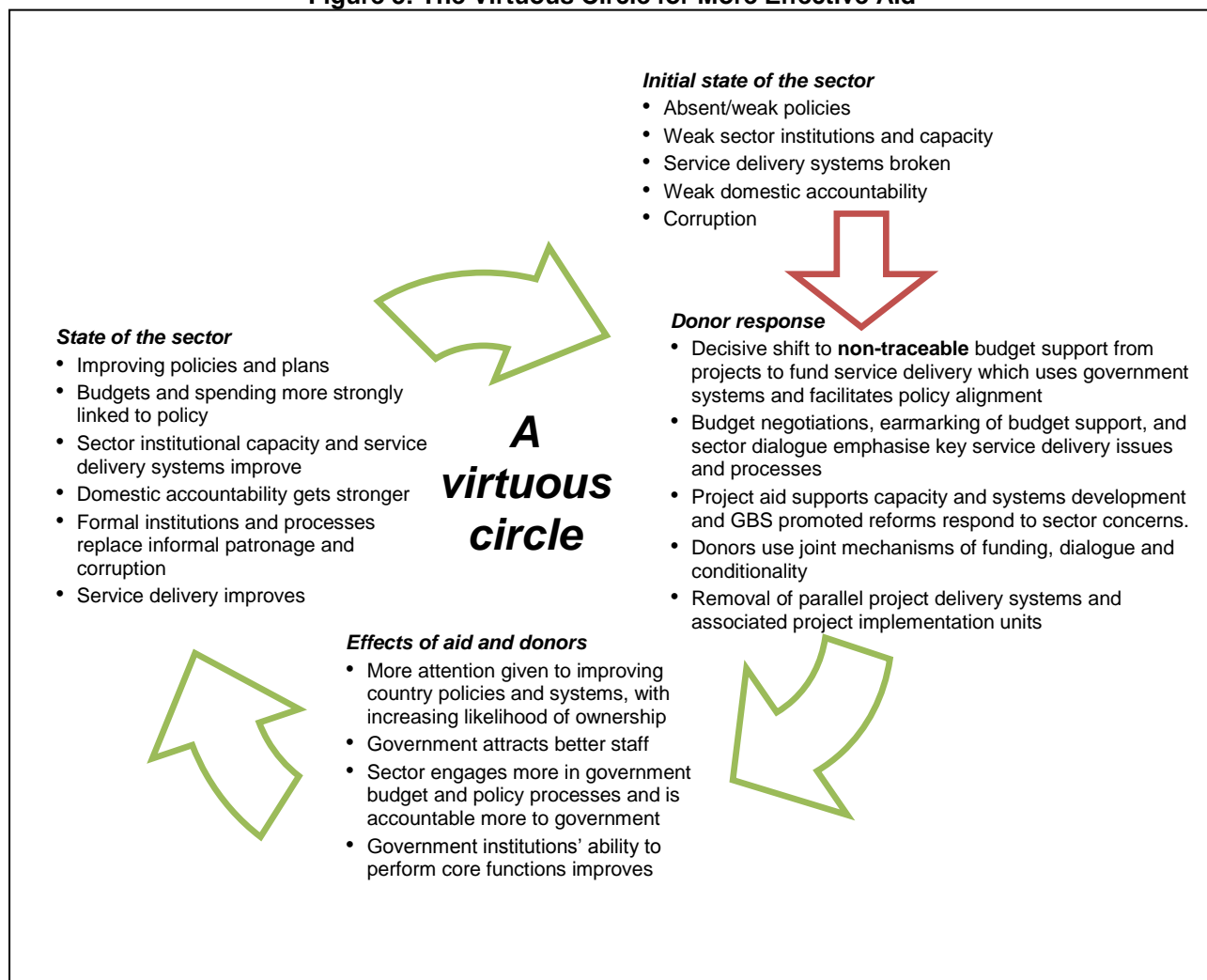
1.8 Conclusion

25. This section has set out the broad principles for good practice in the design and Implementation of SBS programmes. The approach put service delivery at the centre of its design and implementation. Well designed and implemented SBS, when provided alongside complementary aid modalities, is a potentially important instrument for creating a more 'virtuous' circle of improving aid effectiveness in the sector, as illustrated by Figure 3.

26. The following sections move beyond broad principles and set out the different elements of SBS design and implementation in more detail.

⁵ There is a danger that this happens. This is most visible in the case of the European Commission, where a standard framework for conditionality and disbursement is implemented, regardless of the prevailing SWAp arrangements and the practice of other donors.

Figure 3: The Virtuous Circle for More Effective Aid



Updated from Williamson and Kizilbash (2008) on the basis of study findings

2. The Pre-Requisite for Effective SBS

2.1 A clear and locally owned policy for publicly funded service delivery

27. The simple prerequisite for effective SBS, and indeed any large-scale, on-budget aid flow, is a clear and locally owned policy for publicly-funded service delivery. There are other factors which may be helpful to effective SBS – such as sound public financial management systems, a clear institutional framework for service delivery, a costed strategic plan for the sector and other established elements of SWAp arrangements. These may need to be addressed in the design of SBS, but they are not, in themselves, pre-requisites for considering the provision of SBS.

28. Publicly funded service delivery includes both social development and productive sectors. In sectors such as health, education and roads, the role of the state is typically fairly un-controversial. Publicly funded service delivery is the norm, although there may well be private sector involvement in the provision of those services. However in sectors such as agriculture and water the role of the state may not be so clear-cut. For example, there was no consensus on the role of government in

the Mozambique Agriculture sector, leaving the role of SBS in supporting the government extremely unclear. This resulted in a very inefficient use of aid resources.

29. Ownership is a slightly more difficult concept to assess and establish. It is not enough for a policy to be written up in a strategic plan endorsed by partners in the context of SWAp arrangements. The locus of initiative for policy formulation; the level of conviction amongst policy makers when discussing the policy; the existence of actions and other supportive signals by top leaders; and efforts towards consensus building among constituents are all important indicators of ownership⁶. . **Partners in the dialogue need to recognise and acknowledge the degree to which domestic policies for service delivery are domestically owned.** Ownership does not need to be broad and universal, however there needs to be enough indication that the partner government will take actions in future to implement the policy for service delivery.

2.2 Rather than influencing high level policy decisions, support their implementation

One observation from the study is that donors have limited influence over high level policy decisions. This influence declines over time precisely because domestic ownership of policy is getting stronger. As partner governments become more assertive in policy making and domestic ownership of the policy agenda increases, high level policy decisions will more often be made outside the context of SWAp arrangements by politicians, as they should be. **Where donors support the broad policy for service delivery⁷, they should focus on supporting policy implementation and accountability.** In Uganda, a country in which the “big policy narrative” in the education sector has always been defined and led by the country’s leadership, this has been the strategy successfully adopted by SBS stakeholders, as outlined in Box 1 below.

Box 1: SBS support to domestic ownership in Uganda

The decisions to introduce Universal Primary Education followed by Universal Secondary Education, were taken by the President before the SWAp/SBS framework existed for the former but when it was well-established, yet outside of it, for the latter. SBS had no influence on ownership at that level – i.e., the locus of initiative for the policy was, and remained with the country’s leadership.

However, SBS successfully focused on other aspects of domestic ownership, facilitating greater intellectual conviction among all key players, supporting the development of concrete actions and facilitating a broad-based consensus-building around the policies, i.e. making the policies as workable as possible.

In particular, SBS supported the “translation” of the “big picture policy” into workable operational policies and plans and the implementation of policy through funding, policy dialogue and conditionality. Technical Assistance in Uganda has been limited for most of the SWAp/SBS period. Donor influence (on operational policies) was through “technical notes” submitted by the donor group to the government. This has been an effective and disciplined way of informing the policy dialogue, respectful of domestic policy ownership.

Source: SBSIP Case Study

30. In the vast majority of cases there will be consensus and support for the partner government’s policies for service delivery. In rare circumstances donors do not support the broad policy direction. Emerging divergences should be identified and discussed early, in a spirit of respect for domestic ownership. In the event of irreconcilable policy divergences between government and donors on the high level policies for service delivery, a decision has to be made by donors as to

⁶ See definition of ownership in Johnson, J. and Wasty, J 1993, Borrower Ownership of Adjustment Programs and the Political Economy of Reform" World Bank Discussion Paper199 (May).

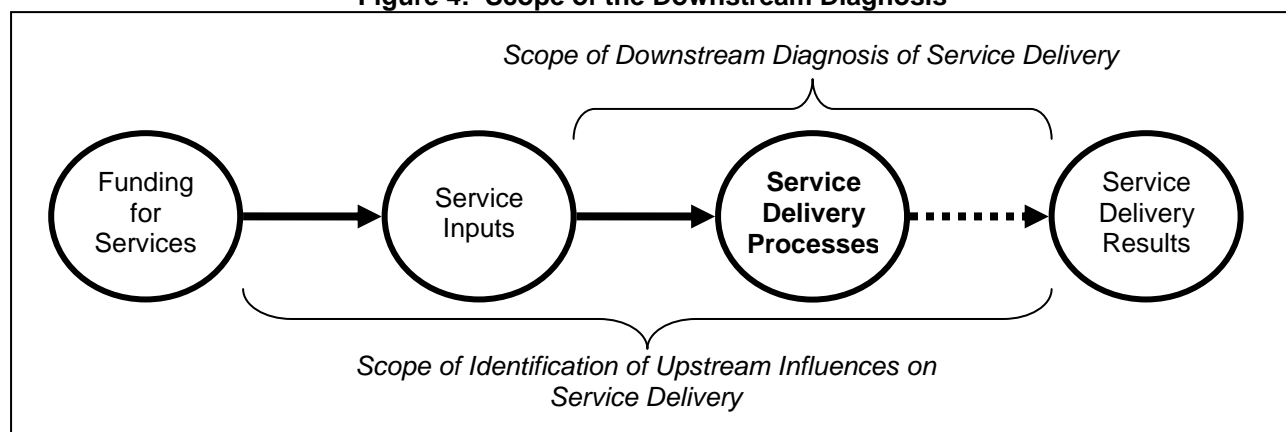
⁷ Typically there is broad consensus over policies for service delivery. There will inevitably be differences in opinion between different actors involved in the policy discourse, however this should not be allowed to detract from broad consensus

whether and how they want to continue to support the sector. However, falling back on projects does not help to resolve the divergences. It is also not compatible with donors' commitment to support policy ownership with all aid instruments, if projects are seen as ways of implementing donor-financed activities contrary to government policy.

3. Diagnosing the Key Challenges in Service Delivery

31. The level of understanding of the challenges facing service delivery and consensus amongst stakeholders as to how to address them is at best varied, and typically weak. SBS in support of service delivery will only be effective if it responds to these challenges. This, in turn, requires a degree of common understanding and consensus amongst stakeholders over what the challenges are and how to address them. "Stakeholders" doesn't just mean the sector ministry and donors – it includes Ministry of Finance, other cross cutting ministries, institutions responsible for managing and delivering services and civil society.

Figure 4: Scope of the Downstream Diagnosis



32. Challenges to service delivery can occur at any stage of the service delivery chain shown in Figure 4. Service delivery processes are least well understood. This section sets out two stages of diagnosis. Firstly, there is a need to diagnose the key challenges in service delivery and the management of services at and close to the point of delivery – a downstream diagnosis. Secondly, the factors which influence downstream service delivery at the centre need to be identified – an upstream diagnosis.

33. This diagnosis should be led by the partner government, supported by donors. It should be seen as part of a process of service delivery improvement. It should not be seen as another study or report commissioned by donors on the sector. Diagnostics will need to be carried out as part of the design process of SBS to fill in gaps in understanding. However, it is more important to develop routine government led systems for monitoring performance which can pick up on these issues (see Section 5 below), than it is to carry out one off studies.

3.1 A Downstream Diagnosis of Frontline Service Delivery

34. There are three key dimensions to the downstream diagnosis of frontline service delivery. Understanding the nature of service delivery; understanding how the systems for service delivery work and the capacity of the associated individuals and institutions responsible; and finally understanding the incentives faced by frontline service providers to deliver those services.

35. Firstly there is need to understand the **nature of services being provided** along three dimensions.

- **Access:** The overall levels of access the population has to services
- **Quality:** The nature and standard of services being provided and the responsiveness of service delivery to the needs of the beneficiaries;
- **Equity:** The access and quality of services delivered in different geographical areas/demographic groups (e.g. gender, age, income level, urban/rural).

36. Having developed an understanding of the nature of service delivery, it is secondly important to understand **the capacity of institutions and strength of processes for the provision and management of those services**. This includes the management of human resources, operational inputs, infrastructure and equipment as shown in the Table 1 below. Furthermore the availability of funding for these inputs and their management is a crucial dimension to understand at the service delivery level.

Table 1: Service Delivery Capacity and Processes

	Capacity of Institutions	Strength of Processes
Human Resources	The availability of service delivery human resources; the appropriateness, approach and attitude of service delivery staff.	The process for appointment, management, supervision and training of frontline staff.
Operational Inputs	The availability, quality and use of appropriate operational inputs to perform mandated functions effectively.	The processes for acquisition, distribution and management of operational inputs (e.g. medicines, textbooks in the case of clinics and schools).
Infrastructure and Equipment	The availability, quality and use of equipment and infrastructure to perform mandated functions effectively.	Systems for acquisition of infrastructure and equipment and the operation and maintenance of equipment. Includes procurement contract management

37. **Human resource** issues are often an area neglected in sector dialogue. The diagnosis is therefore important for the development of robust, evidence-based arguments on the negative impact of civil service constraints on service delivery, and the identification of what needs to change.

38. Finally, the **incentives faced by frontline service providers and their managers** to deliver high quality and equitable services is a crucial link between the systems of service delivery and the nature of services actually delivered. Core to the downstream diagnosis is understanding what constrains and motivates front line service delivery staff. For example what are the main causes of teacher absenteeism in rural areas, and how can teachers be motivated to turn up for work consistently?

3.2 Identifying key upstream issues which impact on service delivery

39. Once the downstream diagnosis has been carried out the next stage is to understand how central policies, institutions and systems influence downstream service delivery. These represent the key opportunities for SBS inputs to exert influence.

40. Typical areas in which the centre can/should influence service delivery include:

- **Central funding of service delivery:** There are two important dimensions to funding service delivery; firstly, the allocation of funds to service delivery – ensuring that the level of funding is commensurate with the inputs required to deliver and manage quality services. An understanding of the current levels of sector expenditure overall, and specifically on service delivery is important, but not always straightforward to establish. Secondly, the way the financing systems work has an impact on service delivery. Important issues in this respect are: the degree of alignment of funding allocations to institutional mandates for

delivery; the existence of and degree of fragmentation of channels for disbursing both operational and investment funds to service providers; the predictability of funding for service delivery; conditions for accessing funds for service delivery; and procedures for accounting and reporting on funds.

- **Central regulation, management and monitoring of service delivery:** The nature of sector standards regulations and guidance for service provision issued by the centre will have an impact on service delivery. The policies for human resources management in the sector, such as pay-scales, allowances, minimum qualifications, degree of centralisation of appointment authority will all have an impact on the motivation and availability of staff. Furthermore the actual interaction between the central institutions and service providers and their managers – through regulation, direct management, monitoring and/or supervision activities, for example - may also be a major source of influence.
- **Central ownership, accountability and incentives:** The relationships underpinning domestic ownership, accountability and incentives in the sector are intrinsically complex, but important. The strength of the commitment of the sector's political and technical leadership both to improve service delivery and to be held to account is important. This will impact on the incentives of central sector actors to take actions to improve service delivery. National political and civil service accountability structures may promote or impede incentives to improve services. Sector review processes, established in the context of SWAs may also influence incentives, depending on their focus.

41. Furthermore, two other areas may have significant influence:

- **Crosscutting reforms:** Decentralisation, civil service and public financial management policies and their implementation may have a significant impact on the nature of service delivery. These reforms may or may not be responsive to the needs of service delivery, and may limit the scope sector actors have to address service delivery issues.
- **The nature of aid to the sector:** The allocation, mix of modalities, nature of earmarking and the predictability of aid funding to the sector may all impact on service delivery.

42. Finally it is important to **identify the gaps in reporting** on and monitoring of service delivery, service delivery processes and expenditures at the centre. This can be done by mapping out the information available at the centre from routine reporting, surveys and other regular sources of information.

43. None of these areas are new to partners involved in sector dialogue. However the lens through which they are viewed should be their impact on service delivery. In that way, **the key issues which need to be addressed to improve service delivery can be identified, and become the focus of the dialogue between partners in the sector.**

4. Identifying and Implementing Actions to Improve Service Delivery (with SBS in mind)

44. Once the key upstream issues for service delivery are identified, the next step is to identify and then implement activities to address these issues, with a view to improving quality, equity in as well as access to service delivery. It is important that this is done with SBS in mind, as SBS may involve increases in sector resources which have the potential to shift incentives; and also has the potential to support actions to improve service delivery though both financial and non-financial inputs such as technical assistance, capacity building support and conditionality. Furthermore the identification of actions to improve service delivery has the potential to (re-)focus SBS programmes on service delivery.

45. In this section we examine typical areas where actions may be necessary and types of issue that could be areas of focus, illustrated using examples from the SBSIP case studies and broader literature.

46. Just as this approach is not advocating for more studies, it is also not advocating for long service delivery improvement plans on top of sector strategic plans that already exist. The intention is to identify and implement a core set of actions which address key constraints in service delivery, will trigger change, and can be supported by SBS and sector partners more broadly.

4.1 Improving Service Delivery Processes and Capacity

47. The first broad area of action relates to service delivery processes and the associated capacity of the institutions for managing and delivering services.

- **Improving the frontline processes of delivery at the service provider level:** This may involve developing standards and guidance for the provision of services by different providers. Examples include school curricula, guidelines for care in different types of health facilities; standards of road construction for contractors; mechanisms for farmer involvement in provision of extension services. SBS focus on school level processes in Rwanda provides an illustration of this point in Box 2.
- **Improving the management of service providers:** This involves both systems and structures for management of service providers. This may include improving schools inspectorates and management by local government education departments or comparable deconcentrated structures. In the case of roads, this may involve improving the systems and capacity for managing roads contracts. A promising approach is the development and implementation of *benchmarking frameworks* to systematically assess the performance of local governments in managing services, and identify where they need support to strengthen their performance. Such approaches reduce the pressure to achieve outcome targets “at all costs” and instead, focus on building the necessary management capacity for sustainable achievements while ensuring at the same time that local governments are held accountable. This approach could also be applied to service providers.
- **Improving human resources management:** The systems for recruitment, deployment, supervision and appraisal of staff; the staffing structures and their required qualifications, terms and conditions; the systems for professional and in service training - these are all components of human resources management which is often neglected in sector dialogue, yet the improvement of these systems may be crucial to improving service delivery. Whenever possible SBS should support the implementation of agreed solutions, as is being done in the health sector in Zambia.
- **Improving the distribution of service Inputs** The reliable and equitable distribution of operational inputs to and their management by service providers, including medicines, instructional materials or other inputs are important in enabling frontline staff to deliver quality services. The establishment of systems for the equitable selection, efficient procurement, operation and maintenance of service delivery infrastructure and equipment is similarly important.

48. Whilst this list may appear technical, it must be emphasised that addressing many of the challenges in these areas may be intensely political and/or involve the confrontation of vested interests. The prevailing incentives may well be to maintain the status quo. An understanding of these incentives is important when identifying actions to address the challenges in service delivery.

49. Examples from the SBSIP case studies of improvements in service delivery processes which SBS has supported are set out in Box 2 below:

Box 2: Improvements in Service Delivery Processes Linked to the Provision of SBS

Focus on school processes in Rwanda: In Rwanda, schools are expected to have functional and effective school boards and parent teacher associations. They are expected to report their financial resources and expenditures to the school board members, local community and districts. Headmasters have a performance contract with district authorities, and are expected to sign performance contracts with each teacher, and assess their performance regularly. Each school is asked to develop a School Improvement Plan to outline its priority needs and planned activities over the coming years. SBS also facilitated the development of guidelines, and of capacity at school and district levels through training programmes financed by the associated capacity building pooled fund.

The implementation of these provisions is monitored by sector stakeholders (including SBS donors) through the process of annual setting and review of priority actions at the annual joint sector reviews.

Strengthening district management of rural water and sanitation services in Uganda: In Uganda the provision of water and sanitation services was drastically decentralised in the early 2000s following a combination of reforms internal and external to the sector. At the same time, large aid flows switched from fragmented and off-budget donor projects to SBS flowing to districts through a newly developed water and sanitation conditional grant element of the government fiscal transfer system.

At the outset, the conditional grant supported the establishment of district water offices and the recruitment of qualified staff, thus building the necessary local capacity. Funds were flowing for service delivery while building capacity, offering strong incentives to attract and recruit qualified staff. The central Ministry turned to supporting local governments rather than donor projects. The establishment of regional technical support units by the Ministry helped in building district water offices' capacity through specialised skills relevant and specific to the offices. With resources channelled through local government systems and the capacity to deliver, districts became the main game in town for rural water service delivery. In turn, being seen as such prompted strong ownership of rural water sector policies at local level.

SBS support to the Human Resource Plan in the health sector in Zambia: The health sector in Zambia is plagued by an "HR crisis" which critically hinders all other measures taken to improve sector outcomes. As a response to the crisis and with the support of all sector stakeholders, the Ministry of Health developed a human resource plan. The plan directly supports the main Health Sector Strategic Plan 2006-10, and it is clearly aligned with detailed strategies outlined in the Public Sector Reform Programme (e.g. selective salary enhancement for staff in remote areas as part of the PSRP pay reform component; strengthening of health staff performance management systems aligned with the PSRP Public Service Management component).

The plan provides a comprehensive analysis of the causes of the sector human resource crisis, and a balanced approach with regard to possible remedies, encompassing issues of staff recruitment and deployment, pay, working conditions, performance management, professional development, brain drain etc. The plan uses evidence that the current wage bill ceilings in the sector MTEF are incompatible with the government service delivery objectives (e.g. showing that the ratio health wage bill/GDP is decreasing from year to year), to constructively challenge this and propose alternative costed scenarios. The plan also stresses the necessity of a harmonised, government-led framework for HR retention schemes to replace the existing, uncoordinated project-financed human resource retention initiatives.

The plan is supported by non-traceable earmarked SBS provided by the EC. While there are plenty of challenges (including because of the weakness of the PSRP), this is a potentially promising approach, notably because: (i) the use of non-traceable earmarked SBS implies that the implementation of the plan must be inscribed in the sector MTEF and budget sanctioned by the Ministry of Finance; (ii) the possibility of financing retention schemes from within the government budget should make project-financed schemes redundant, thus enabling a more coordinated and fairer approach to staff retention.

Sources: SBSIP Case studies and Williamson, T. & Kizilbash Z. (2008)

4.2 Enhancing the Funding of and Financing Systems for Service Delivery

50. There are two dimensions to funding and financial management which are key to effective service delivery. Firstly, ensuring that there are appropriate levels of funding aligned to institutional mandates for service delivery and its management. Secondly, that there are reliable funding systems for service delivery and its management. In this area of intervention, it is important that the Ministries of Finance and Planning are involved in the identification and implementation of actions to improve funding and financing systems. The focus should be placed on the **annual budget process** as the main instrument for influencing resource allocation towards improving

service delivery (i.e. not just policies and plans which are a typical focus of SWAps). In this context, the following areas are likely to impact on service delivery the most:

- **Costing Service Delivery:** The costing of service delivery and its management is a potentially useful exercise in understanding the scale of financing gap for service delivery. It is important that exercises are not based on aspirations for what service delivery might be, but on the minimum levels of inputs required to deliver and manage basic quality services. Costing of service delivery is narrower than costing of a complete strategic plan, and may help bring focus to needed changes in resource allocation to enhance delivery.
- **A complete framework for resource allocation to the sector and to service delivery:** Often there is no comprehensive picture of resource allocation in the sector. This may be constrained by the presentation of the annual budget, and fragmentation of donor funding. However, even in this context, it is important to compile a picture of existing resource allocation in the sector and associated budget outturns. This need not (and should not) be a full-scale public expenditure review. Nonetheless, it is important that a framework setting out funds allocation to institutions in the sector, and within that, to service delivery inputs is compiled and regularly updated by the sector. Efforts can then be made to improve the structure of the budget itself, alongside improving the financing systems for service delivery, in partnership with the Ministry of Finance.
- **Developing financing systems for service delivery:** The channels for funding service delivery are often similarly fragmented and opaque, especially in sectors with high levels of external funding. In this context, domestic systems for funding infrastructure and operational inputs are either weak and starved of funding or non-existent. In other circumstances, funding for service delivery may be centrally managed, whilst the responsibility for service delivery may be with local government. Prior to provision of SBS, thought should be placed on how domestic systems for financing delivery can be strengthened and aligned with institutional responsibilities for delivery. In the absence of such domestic systems, domestic systems may need to be designed from scratch (this is particularly common for the provision of infrastructure). This may involve the elaboration of disbursement procedures, reporting requirements, and guidelines for the use and management of funds at various levels. In this regard, the interface between the sector and decentralisation reforms will be important where sub-national governments are responsible for service delivery. It is important therefore, that sector financing systems are consistent with the legal framework and regulations for fiscal transfers to local government, and do not contradict them.
- **Improving resource allocation for service delivery through the annual budget process:** With an understanding of the costs of delivery, resource allocation to delivery and financing systems, sector stakeholders will have a strong basis for identifying the changes needed to resource allocation for quality service delivery. This is likely to be at three levels – an appropriate level of funding overall for different levels of service delivery and its management; an efficient mix of resources for service deliver between salary, operational, and investment spending; and an equitable distribution of resources geographically and in relation to funding needs⁸. These changes will then need to be initiated through the annual budget processes, in consultation with the Ministries of Finance and Planning, as well as ministries responsible for local government where appropriate. This will be made easier if the Ministries of Finance and Planning have been involved in the costing and assessment of resource allocation. The availability of additional sector resources, through the provision of SBS may be an important opportunity to effect those changes.

⁸ This may involve the development of objective allocation formulae for the distribution of service delivery funds to service providers.

- **Improving the predictability of funding for service delivery:** Crucially, changes in sector resource allocation need to result in predictable resources being disbursed and then spent effectively. The predictability of budgetary resources reaching frontline service providers is central. Actions to strengthen this need to be identified. This may involve the Ministry of Finance guaranteeing budget disbursements to priority budget lines for service delivery; the removal of bottlenecks in effecting transfers through the banking system; and/or the publication of budget disbursements.

51. Beyond working towards adequate, appropriate and increasingly reliable funding for service delivery in the sector, sector partners should not focus on general issues relating to expenditure control, procurement, audit and audit follow up (although they often do), as they are best dealt with in cross cutting reform processes (see Section 6.5). Only in cases where audits or procurement assessments reveal crucial issues which impact on sector service delivery should partners focus on them. However, there may be **other sector specific aspects of financial management that are important for delivery** which require attention. For example the procurement of medicines, textbooks and road works; or bookkeeping and financial reporting in health centres and schools may need specific interventions or actions at the sector level.

52. Box 3 below provides some examples of actions supported by SBS and/or donors in the context of SWAp arrangements to improve the funding and financing systems of service delivery:

Box 3: Improvements in Funding Service Delivery Systems linked to the Provision of SBS

Both the volume and predictability of funding for service delivery in the Rwanda and Uganda Education sectors have improved. SBS in Uganda and Rwanda Education sectors supported significant increases in resource allocation to key budget lines for primary education service delivery. In addition the Ministry of Finance made commitments to protect budget disbursements to these budget lines during budget execution, thereby ensuring improved predictability of funding for service delivery. Furthermore these cases involved the introduction of capitation grants to fund the operational costs of schools. These systems were strengthened through the development of manuals and guidelines for the use of funds.

Government systems for funding local service delivery investments in Uganda and Tanzania were introduced as a result of SBS. Prior to the provision of SBS in support of the local government sector in Uganda there was no government system for providing local service delivery infrastructure. In both countries the design of SBS involved the design of a government grant system for funding service delivery investments in line with the overall decentralisation policy framework for local governments. The programmes were also instrumental in strengthening incentives for local governments to improve capacity for service provision as Box 4 and Box 7 describe.

Finally, in Uganda, the presentation of the MTEF allows a relatively clear picture of on-budget sector resource allocation. The MTEF table presents different sector institutions' budgets and sector local government grants alongside each other. This simple innovation makes the link to sector policy objectives easier. The further introduction of a form of programme budgeting in 2008 has improved the link further by breaking these budget allocations down by expenditure programmes – such as primary, secondary and tertiary education.

Sources: SBSIP Case studies

4.3 Strengthening Downstream Incentives and Accountability for Service Provision

53. Finally, the third area of action relates to the need to strengthen the incentives and accountability for service provision at the local level. This is particularly challenging, and is likely to be effected through a combination of improvements to the processes and financing of service delivery alongside explicit attention to the creation of stronger incentives and accountability. Action may be required in the following areas:

- **Non financial incentives for improved service delivery:** The availability of service inputs; regular supervision and interaction with managers; regular in service training, and/or

the availability of accommodation may all provide important incentives for frontline staff. For example, a nurse without access to medicines or a teacher without teaching materials is likely to be less motivated to work than one who does. Discussing and disseminating the results of benchmarking of service delivery and service delivery processes can also provide incentives to improving performance.

- **Using funding to leverage performance improvements:** The prospect of receiving additional funding, or not receiving funds can be an important incentive for those due to receive funds to act. This can be as simple as withholding disbursement of funds if local governments or service providers do not report on performance or account for funds. It can be more sophisticated for example, by making access to grants contingent on specific performance criteria measured through benchmarking exercises. Such downstream conditionality of funding is an important potential tool for incentivising improved performance, particularly with respect to implementing process improvements that in turn should result in better services. These are further discussed in Section 6.4. It is important that approaches are introduced across sectors that are consistent with each other, especially in the context of decentralisation reforms. Whilst there are working examples of the types of financial incentives mentioned here in the case studies, it is important to note that there are no examples of performance related pay being effective in improving performance.
- **Promoting local accountability for service delivery:** Strengthening involvement of local people in the management of services through parent teacher associations or health management committees is one way of promoting local accountability for service delivery. Similarly, involvement of communities and local politicians in the planning for investments in infrastructure can promote stronger predictability. Publishing budget releases and spending reports, league tables of performance and use of scorecards may also help in the promotion of local accountability for service provision.

54. Box 4 briefly highlights examples of potential entry points for SBS to build on.

Box 4: Ways of promoting incentives and accountability for service delivery

In **Rwanda** the Ministry of Education is in the process of defining and rolling out Minimum Quality Standards for education, with the intention that this would also be a means to increase accountability at the school level. SBS was instrumental in supporting this, through focusing on the MQS in the dialogue and sector priority actions, and through TA to help develop the concept.

Accountability to parents and communities at the school level is one dimension in which the education sector has further progress to make. This is planned to happen in the near future. Arguably, it was important to first strengthen the “supply side” (i.e. to equip school and district management with the capacity of providing accountability). However, the fact that it took time for the “demand side” to be put on the agenda also reflects a general trend in the country, one in which the leadership is cautious in the way local participation and accountability are shaped. Again this is something SBS donors should be aware of (and probably are), and that they should be careful about how to handle in their desire to strengthen domestic accountability systems.

In **Ethiopia**, under the framework of the Protecting Basic Services programme (akin to multi-sector decentralised budget support) the government and donors agreed to prioritise strengthening of both supply- and demand-side accountability for service delivery at local level. Thus one component of the programme helps regional and district governments to develop: systems for the provision of more and simpler budget and performance information (e.g. lay person budget template); systems for the engagement of citizens and citizen representative groups on the public budget; and public service delivery monitoring processes. Another component supports capacity-building for, and piloting of, selected initiatives aimed at strengthening demand for accountability from public sector service providers by citizens (e.g. use of Citizens Report Cards etc.).

In both, **Uganda and Tanzania**, the Local Government SBS programmes (described in Box 4) had positive effects on incentives and accountability, including downwards from local governments to their constituency. Under the programmes, district local governments are assessed against their performance in areas such as involvement of citizens in planning, investment prioritisation, budgeting and project implementation and monitoring. Access to, and levels of, development grants (funded by SBS) are linked to performance in this assessment. The use of incentives in this way, aligned with the decentralisation policy was an important

factor of SBS effectiveness. The availability of reasonably predictable and discretionary resources (for investment) made it meaningful to demand accountability. Moreover greater participation of councillors, lower level local governments and citizens and better information on local government plans and budgets were part of the performance benchmarks conditioning access to investment funding. This created incentives for local governments to better adhere to these domestic accountability provisions, and to strengthen their capacity of doing so (CD). The focus was on “getting the (local government accountability) processes right”, and the programmes were effective in doing this. In Uganda, where the programme is sufficiently old to assess this, it was also efficient in supporting local governments to provide a better coverage of the citizens needs for local service delivery, which vindicates the approach of enabling local governments to “learn by doing” (see Box 6 below).

Furthermore, for all relevant sectors in Uganda, local governments are required to report on performance and expenditure in order to access budget disbursements. This provides a simple incentive to report, and means that routine performance data is more readily accessible than in many other countries. However, it is also important to note that in Uganda the conditions for grants supported by local government SBS programmes and education sector SBS programmes do not promote consistent incentives. For example capitation grants are highly prescriptive on what the money can be spent on, whilst local government investment grants are discretionary and promote local participation in how they should be spent.

Sources: SBSIP Case Studies, SBSIP Literature Review

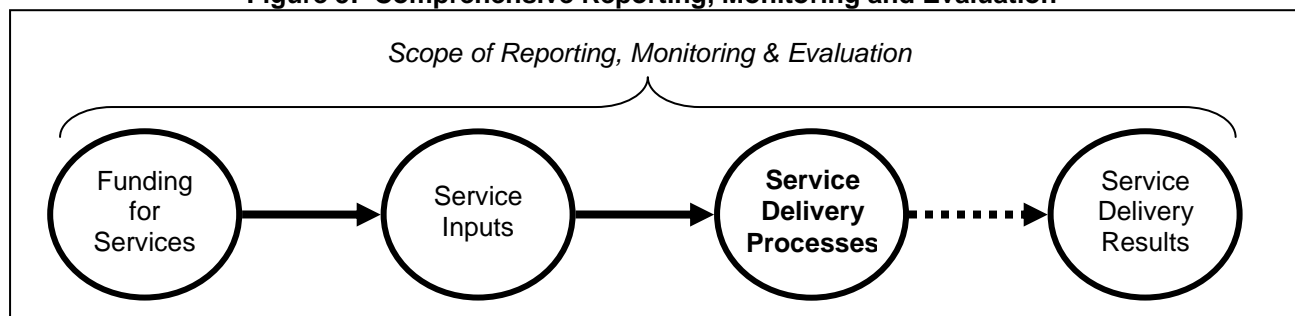
5. Strengthening Reporting on and Monitoring and Evaluation of Service Delivery

55. The study found that in many cases, despite some improvements in sector monitoring and reporting, information on service delivery results and the processes that deliver services is poor. However, for the success of actions to improve service delivery (supported by SBS) to be assessed, regular information is required in both these areas. SWAp structures – especially sector review processes – provide an important entry point to link reporting to decision making. An effective SBS programme demands that both the gaps in reporting for service delivery be filled, and that the information on service delivery informs decision making processes. These two dimensions of improving reporting, monitoring and evaluation of service delivery are now discussed in turn.

5.1 Filling the Gaps in Reporting for Service Delivery and Service Expenditure

56. Notwithstanding the importance of building upon and using established domestic reporting mechanisms, there are often gaps in the sector reporting. SBS/sector stakeholders should ensure that these are identified and filled. A simple and powerful way of identifying the gaps is to **chart the coverage of all existing reporting systems**. Reporting should cover the whole chain of results from funding, through to inputs, service delivery processes and results, as shown in Figure 5 below.

Figure 5: Comprehensive Reporting, Monitoring and Evaluation



57. There are several areas where reporting on service delivery may need improvement

- **Regular administrative reporting on service delivery expenditure, inputs and results.** Routine administrative reporting on service delivery from service providers is an important source of information on service delivery, however routine reporting systems may not function as those reporting have little incentive to provide comprehensive information. This is a major problem with management information systems. Such systems need to be designed in ways which are useful both to managers of service providers and service providers themselves - not just for central government. Similarly, operational planning and reporting systems need to be designed primarily to assist local decision making and accountability for service delivery. Initiatives such as linking reporting to release of budgetary funds mentioned above can help incentivise operational planning reporting and the use of information systems further, but they need to be appropriately designed in the first place.
- **Use of complementary surveys to monitor quality, access and equity of service delivery.** Surveys can play a role in the triangulation of routine administrative data and also help monitor aspects of quality, access and equity, which is not possible through administrative reporting. This might include customer satisfaction, for example. Also, if it is not possible to address information gaps in administrative reporting in the short term, regular surveys of service delivery can also help plug information gaps at the centre, but this is no substitute for strong local administrative systems.
- **Regularly Assessing the quality of service delivery processes:** There is typically a major gap in information in this regard. Regular benchmarking of service delivery processes, as mentioned in previous sections may be a viable mechanism for routinely collecting information on the missing middle in service delivery. This will help track the underlying reasons for improvements in quality, equity and access observed through surveys and administrative data.
- **Comprehensive reporting on sector expenditure and expenditures on service delivery:** Section 4.2 highlighted that there was rarely a comprehensive picture of resource allocation to the sector and to service delivery. A similar picture of expenditures, or at least budget disbursements to the sector and service provision, is needed. Ideally this should be achievable through compiling information from government budget reporting systems for domestic expenditures and from donor funded projects.
- **Linking financial and performance reporting** The links between financial and performance accountability are typically weak or non-existent. Efforts should be made to present performance information relating to various levels/types of service delivery alongside information on expenditures on those services. This is best done by first presenting operational plans alongside budget allocations, and then reporting against both.
- **Sector performance reporting and performance assessment frameworks.** Annual sector performance reports have become useful instruments in some sectors for bringing together comprehensive information on performance in the sector, and also reporting on key reforms carried out not captured in routine reporting. These can be complemented by Performance Assessment Frameworks (PAFs), which can be useful in focusing on key service delivery performance issues (see discussion in section 6.4). Both sector performance reports and PAFs are also natural homes for reporting on the implementation of actions to address key issues in service delivery.
- **Diagnostic Studies.** Routine monitoring through surveys, process assessments and administrative data may throw up specific issues which warrant further investigation. Public expenditure tracking studies, value for money studies, public expenditure reviews, and PFM assessments are all examples of these. However these studies should always be targeted towards identifying actions to improve service delivery performance – and should not be commissioned in an ad hoc manner.

58. Box 5 gives some examples of how gaps in reporting have been filled:

Box 5: Filling Gaps in Reporting on Service Delivery

Mapping Reporting Processes. It was found that Uganda has a relatively good coverage of government activities and outputs and that sector reports are important in this respect, also enabling to draw links between outputs and outcomes. In the education sector in Uganda, this is possible because a robust Education Management Information System is in place, in addition to a strong budget execution reporting system. But in many other cases such a map would highlight critical gaps – which it should be a priority for SBS/sector stakeholders to fill through system and capacity development and greater focus on the “missing information” in the dialogue and conditionality.

In both the Uganda education sector and Tanzania health sector **releases of funding to local governments for service delivery** were linked to the preparation of annual workplans and reporting on implementation of plans during the financial year. This provides an incentive to local governments to report. However in the Tanzania health sector, reporting did not focus on routine service delivery data, which means there is a gap in reporting on service delivery.

Annual local government assessments in Tanzania and Uganda are carried by central government every year. These form part of the investment grant system supported by SBS. These provide a rich source of information of the quality of local government processes over time – such as planning, budgeting, accounting and procurement. There is typically a gap in information of such processes in other sector case studies.

Combining sector financial and performance reporting in Mali. In the education sector in Mali, donors have historically focused on development activities and expenditures. Yet, prior to 2006 reporting on the education sector was undertaken yearly in two separate reports, one for the financial status of the strategic plan implementation and one covering activities undertaken and physical achievements. In 2008, at the request of SBS donors the two reports have been combined into one for the first time, thus potentially facilitating the analysis of linkages between expenditures and results. Whilst the report was weak, there is now a basis for improvement in the future.

Sources: *Country Case studies; World Bank (2008);*

5.2 Enhancing Learning and Accountability by Linking Reporting to Central Decision Making Processes

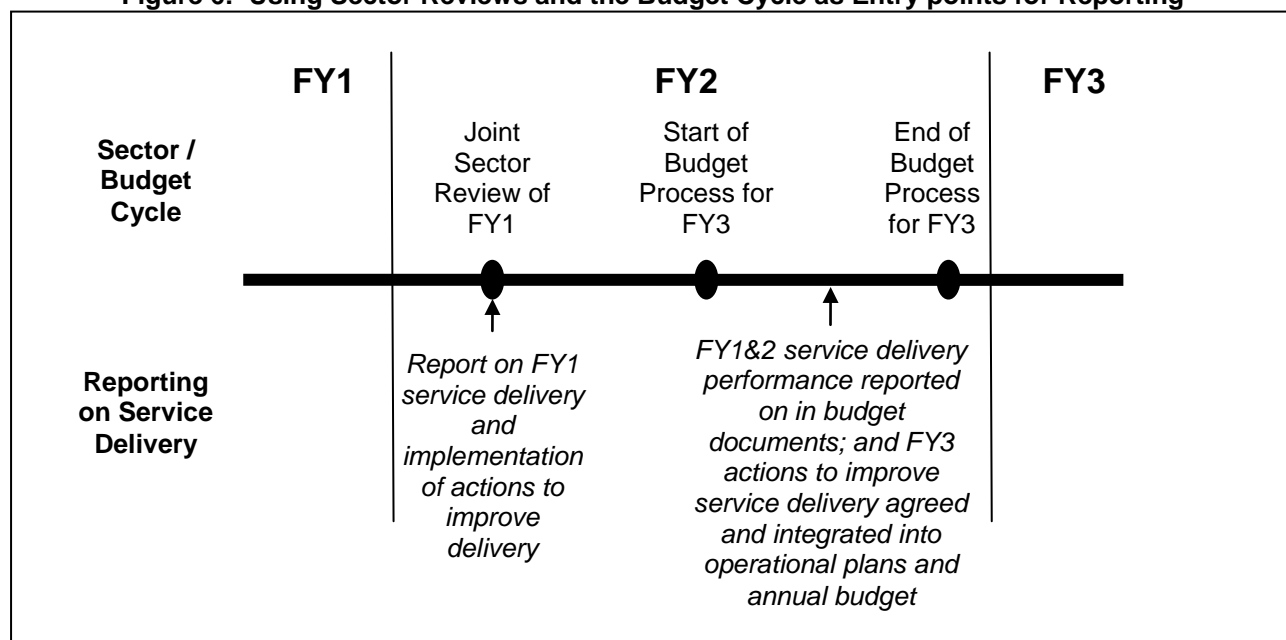
59. If decision making is not, or is weakly linked to reporting this undermines both the incentive for and value of reporting. “*The more aligned reporting mechanisms are to domestic policymaking processes, the greater the level of internal ownership, and the more meaningful the contribution to accountability*” (World Bank and GTZ 2008)⁹. Sector stakeholders should carefully consider the ways in which reporting requirements are formulated and used in decision making processes in the sector. Two key sets of decision making can potentially provide incentives for greater reporting and accountability. These are the sector review processes and the annual budget process:

- **Using joint sector reviews as an entry point for reporting:** The SWAp/SBS joint sector reviews can be a powerful forum for sector decision making and accountability if the review focuses on substance over form, is inclusive, relies on substantive and comprehensive evidence (including on service delivery performance), and is strongly linked to the budget process.
- **Using the budget process as an entry point for reporting:** The budget process is another entry point for reporting on sector performance. In several countries the budget process involves reporting on previous years performance. This helps inform future resource allocation. The strengthening of this element of the budget process can help improve sectoral decision making.

⁹ World Bank and GTZ. (2008) ‘Minding the Gaps: Integrating Poverty Reduction Strategies and Budgets for Domestic Accountability.’ Washington

60. It is important that the cycle of sector reviews are aligned with the budget process so that both processes feed into each other. Figure 6 shows how a sector review can feed into the budget formulation process, and how sector reporting can be aligned to both.

Figure 6: Using Sector Reviews and the Budget Cycle as Entry points for Reporting



61. It is important to note that these are not the only opportunities to link reporting to decision making, and there may be **other locally specific entry points**. Especially important are cabinet processes, which engage the political leadership of the executive.

62. Finally accountability for results needs to be balanced with allowing space for policy adaptation and learning. Monitoring sector performance is a critical component of domestic accountability. However, an exclusive focus on targets for sector outcomes in the dialogue may severely restrict the scope for "learning-friendly" approaches, pushing sector authorities to privilege approaches in which results are obtained regardless of the means¹⁰. Instead, SBS programmes should encourage governments to pay attention to institutional factors and incentives around accountability and learning. This is a delicate balance: too little space for learning can stifle innovation; too much space can undermine accountability. Thus far the focus has often been strong on accountability (for results) and (much) less clear on learning. There is a need to strike a better balance.

Box 6 Enhancing Learning and Accountability

Education sector review in Uganda: An entry point for stronger domestic accountability In the education sector in Uganda joint sector reviews have been held since 1998, and have over time become the "single opportunity for all development partners to comprehensively review policy, strategy, performance and capacity needs" (Partnership Principles, Government of Uganda, 2003). To do so, donors (and other sector stakeholders) rely upon government reporting systems such as Annual Sector Performance Reports, Sector Budget Framework Papers (laying out the sector medium-term budget strategy ahead of the annual budget preparation process), annual school census report and other sector review documents. Data for these reports is generated from government budgeting and financial management systems, local government

¹⁰ See Baser, H. and Morgan, P. (2008) 'Capacity, Change and Performance - Study Report (Discussion Paper, 59B)'. Maastricht: European Centre for Development Policy Management and Jones, N., Steer, L., Jones, H. and Datta, A. (2009) 'Improving Impact Evaluation Production and Use. ODI Working Paper 300,' London: ODI

reporting and from the Education Management Information System in the Ministry of Education. Links between the annual sector review and the government budget process have gradually become stronger (notably through donor and civil society participation in the Sector (budget) Working Group and at the annual Sector Planning and Budgeting Workshop).

Beyond this, the annual sector review has been an important factor sustaining improvements in government disclosure of information on flows of funds and service delivery performance. As a consequence of increased information and greater transparency, stakeholders outside the executive arm of government such as the Parliamentary Committee on Social Services, the Public Accounts Committee and the Auditor General, have begun to interrogate government policies and spending on education. There is evidence that the information made available through the review to those bodies, civil society and the media, contributes to raising pressure for results and improved value-for-money.

Identifying context-specific entry points to build domestic accountability In Rwanda all Ministries are required to produce annual action plans, presented and discussed at Cabinet level and, one year on, to report on the implementation of these plans at an annual high level Cabinet retreat chaired by the President.

In Uganda, Mozambique and Madagascar, cabinet level committees evaluate the performance of the budget (including at sector level).

In Mozambique, as highlighted above, the executive reports annually on annual action plans and budget execution to Parliament, and donors have agreed to upgrade and improve this mechanism to serve both domestic and external accountability purposes at both overall and sector level (linked to the provision of GBS and, more recently, SBS in e.g. the health sector).

SBS and domestic accountability in Rwanda In Rwanda the education SWAp/SBS was developed in a context in which the government was showing a strong commitment to enhance domestic accountability systems and processes (Parliament, Office of the Auditor General etc.). The SWAp/SBS strongly supported this, notably through funding alignment and enabling greater access to sector financing and performance information through the review reports. The joint annual review of sector performance became an intrinsic part of the government budget cycle.

In addition, in the context of the strong, Government of Rwanda-led civil service reform the government developed strong accountability mechanisms within the executive. Among others there are performance contracts cascading from the President to, in the education sector, individual teachers in schools. One challenge for SBS, it is said, is to strengthen its alignment with such mechanisms. Whilst in principle this appears desirable, it should be asked whether it might not be taken as intrusive. SBS donors should also note (and probably have done so) the potential tension between such strong and personalised accountability within the executive and the horizontal accountability between government executive and legislative branches and accountability to citizens, especially at the local level.

Sources: SBSIP case studies

6. Design and Implementation of SBS Inputs (with improving Service Delivery in mind)

6.1 Ensuring the Design of SBS Responds to the Challenges in Service Delivery

63. In the previous three sections, this note has set out a flexible framework for improving service delivery performance. This framework should be considered intrinsic to the design and implementation of SBS programmes. The actual design and delivery of SBS *inputs* should focus on supporting this framework and the implementation of actions to improve service delivery. SBS should also be monitored through sectoral monitoring processes.

64. There are four main dimensions to the design and delivery of SBS inputs: SBS funding itself; technical assistance and capacity building support linked to or provided as part of SBS programmes; dialogue and conditionality associated with SBS; and links to other aid instruments and reform initiatives. All these inputs need to be oriented towards addressing the key issues in service delivery. Mapping out how the design of the various dimensions can address these issues

is an important exercise. The matrix below illustrates how this can be done. This should be carried out at the beginning of every design phase, and be updated as the design is elaborated and SBS is actually delivered and new service delivery issues emerge.

Table 2: Matrix for Ensuring the Design of SBS responds to Service Delivery Challenges

Improving service delivery	Service Delivery Issue	<i>Inadequate availability of essential medicines and health supplies in health centres</i>
	Medium Term Actions to Address Service Issue	FY1: Require districts spend 50% of the PHC non wage conditional grant on essential medicines; finalise the Medicines Tracking Study; Carry out Quarterly Area Team supervisions to intensify the medicines inspection; Establish a system to update the procurement plan for medicines and medical supplies; FY2: etc
	Monitoring and Evaluation of Progress	<i>Monitor the Proportion of health facilities without drug stock outs for 6 tracer drugs</i>
Supportive SBS inputs	TA / Capacity Building	<ul style="list-style-type: none"> ▪ Provide funding for medicines tracking study ▪ Fund a long term TA to work on establishing improved procurement planning
	SBS Funding Arrangements	<ul style="list-style-type: none"> ▪ Negotiations on the budget process ensure ministry of health monitoring teams have enough funding ▪ Review of PHC conditional grant guidelines (supported by SBS) to ensure medicine requirements are clear on medicine expenditures.
	Dialogue and Conditionality	<ul style="list-style-type: none"> ▪ Set up a special working group to focus on establishing improved procurement and distribution of medicines
	Links to other reforms and aid outside the sector	<ul style="list-style-type: none"> ▪ Request support from the procurement authority ▪ Actions and indicators on this issue appear in the Joint Assessment Framework for General Budget Support

Source: Plans for improving service delivery taken from Uganda Joint Assessment Framework for GBS; SBS inputs authors' own and illustrative only.

65. The rest of this section sets out the various dimensions of the design and implementation of SBS instruments, before examining how best partners can respond to risk in the design and implementation of SBS.

6.2 Technical Assistance and Capacity Development

66. The provision of technical assistance and capacity building needs to be at the heart of the design and implementation of an SBS programme. The reason is that, whilst the use of government systems by SBS does certainly help in improving them, these improvements are not automatic especially when those systems and institutions are weak at the outset. Technical assistance and capacity building support can help further improve the quality of and capacity of systems and institutions which SBS funding uses.

67. However, all too often technical assistance and capacity building activities represent an ad-hoc and parallel set of activities which do not respond to the key issues in the service delivery financed by SBS. They have focused only weakly and unsystematically on capacities and systems for service delivery, and are instead focused on generic policy and financial management issues. This needs to change.

68. Capacity development systems need to be designed “up front” as they may have an impact on the design of SBS financing systems and the nature of the framework for dialogue and conditionality.

69. TA and capacity building inputs must be **coordinated**. This can be done through SWAp structures, including committees specifically tasked to coordinate TA and capacity building as in Rwanda. Basket funding can help avoid duplication and facilitate coordination, but is not a prerequisite for effectiveness. Different donors can provide different TA and capacity building inputs through individual projects. These donors need not be SBS donors. SBS funding itself can also support downstream capacity building of service providers and their managers. As mentioned earlier the use of project support for TA/Capacity Building inputs, should be designed as complementary to SBS funding.

70. Most importantly, TA and Capacity Building inputs must be **focused on service delivery**. There are two broad spheres within which their needs to be focus.

- Firstly, in supporting central government actions to address key issues in service delivery.
- Secondly in supporting a sustainable, systemic and incentive-based approach to capacity development which can support the institutions and individual directly involved in service delivery.

71. These two spheres of activity are now discussed in turn.

Supporting the implementation of actions to improve service delivery at the centre

72. The first layer of capacity development and technical assistance support that needs to be built into the provision of SBS is support to the centre to identify and implement actions to improve service delivery as outlined in section 3. Managing reforms to strengthen downstream delivery is a demanding process. Although progress has been made in many sectors in building capacity for policy formulation, typically the capacity of sector ministries to manage reforms of complex service delivery systems remains limited. Furthermore, neither donors nor government representatives involved in the dialogue may have the specialist skills to identify and address key issues. Two types of support are therefore called for:

- **Specialists Skills to inform the dialogue on service delivery:** SBS/sector stakeholders must be able to call on specialist skills in a flexible, “as needed” manner to inform the dialogue on quality, service delivery processes and service management issues and to strengthen monitoring capacities in new directions. This will involve facilities for donors and partners to have rapid access to flexible short term technical assistance. Typically government procurement systems are not well geared to the sourcing and rapid procurement of such skills, especially from the international market. Therefore this may warrant the use of project support which uses donor procedures.
- **Supporting the sector ministry design and implement reforms to service delivery:** In addition, the lead sector ministry may need support in the design and implementation of specific reforms. This may involve short term consultancies to carry out design work for elements of service delivery systems coupled with specialist training of ministry staff. Where capacity to manage reform cannot be built quickly enough over the short term, this may involve the recruitment of specialised long term technical assistance to support the management of areas of reform. This should support established structures of the sector ministry. Although they should be avoided where possible, in situations where a sector ministry has particularly severe capacity gaps, a Programme Implementation Unit may be required to support improvements in service delivery supported by SBS. This would provide technical assistance as well as support the procurement of TA and capacity building inputs. As with all derogations, the use of long term TA and PIUs also need to involve plans for their removal – and the mainstreaming of these functions into ministry structures (See Section 6.6).

A systemic, incentive based approach to strengthening processes and institutions for service delivery

73. In any country the systems and institutions for service provision and its management need continuous development and improvement. SBS programmes should also look at developing a

sustainable system for capacity development of the downstream systems and institutions for delivery. Furthermore, these systems need to be conducive to building incentives for improved service delivery (rather than increased workshop attendance – see section on capacity depleting activities below). Efforts to make sustainable, incentive-compatible approaches to capacity building have rarely been used, even though there is evidence of their effectiveness from the case studies.

74. There are at least four elements to building effective downstream capacity building systems:

- **A sustainable approach to capacity building:** A sustainable approach demands that it uses domestic institutions (whether public or private sector) to deliver capacity development and that it is affordable. This involves identifying the role of domestic institutions in capacity development and supporting them in strengthening their capacity to fulfil this role (e.g. respective roles of teacher training institutions and inspection in teacher qualification, support and supervision; the role of private service providers in building local governments' capacity). It also involves costing the running of nationwide systems of capacity development. This may require (much) greater funding volumes than have been allocated to CD in/with SBS programmes usually. Nevertheless, the approach to capacity development needs to be affordable to the government over the medium to long term, even if it is donor-funded in the short term.
- **Support the capacity for managing as well as delivering services:** It is particularly critical to strengthen the capacity of the “local levels” in charge of managing, supervising and supporting frontline service providers (often, local governments) as well as the capacity of frontline service delivery staff. Systems for capacity building therefore need to cater for both levels.
- **Building in incentives for capacity development**¹¹ Experience shows the effectiveness of demand-driven capacity building approaches linking incentives to performance in core functions as mentioned in section 4.3. Performance can be benchmarked and measured in relation to processes and systems underpinning the core functions of the institutions concerned. The benchmarking framework must ensure that basic human resource issues are addressed. Incentives can be financial e.g. linking better performance to access to development funding. This is an approach particularly well suited to strengthening local management capacity, as illustrated by the local government SBS programmes in Uganda and Tanzania. The main features of these programmes are summarised in Box 7 below. There is ample scope to adapt the incentive-based capacity building approach used in these programmes more widely, starting, again, from the bottom up i.e. focusing on what is required at school, health centre, extension agent level and at the levels immediately supporting those. This would require (i) identifying and agreeing upon sector institutions' mandates in relation to service delivery; (ii) identifying the functions that the various institutions are supposed to fulfil in relation to the sector service delivery objectives and the core processes underpinning these functions, and developing a set of associated benchmarks; (iii) identifying the basic capacities required to fulfil these functions, and ways in which SBS programmes could support strengthening these; (iv) developing a system of (financial and non-financial) incentives and expected benchmarks.

Box 7: Systemic incentive-compatible approach to Capacity Development in Uganda and Tanzania

Alongside the delivery of local investments, a core objective of the grant system SBS supports in Uganda and Tanzania mentioned in Box 4 is to develop the capacity of local government systems to deliver their mandated services. Capacity Building is therefore an objective “on its own”. Funds for local investment are channelled as budget support earmarked for investment through government grant funding channels and using existing government structures. Funds are released to local governments under a performance-based

¹¹ “Successful efforts to promote capacity development therefore require attention not only to skills and organisational procedures, but also to issues of **incentives** and governance” - OECD (2006) ‘The Challenge of Capacity Development: Working Towards Good Practice’. OECD, Paris

system that the programmes initially helped to develop, based on local governments' mandates and on the performance standards expected from local governments as per the decentralisation policy, and which has now been mainstreamed in the governments' fiscal transfer systems.

At the local government level, access to investment funding was conditional on individual local governments' performance assessed annually in relation to (organisational, system, human resource) capacities critical for sound local governance (participatory planning, budgeting, procurement, financial management, human resource management, poverty reduction focus). Assistance to address capacity gaps was provided through (i) funding demand-driven activities implemented by the local governments based on capacity needs assessments and plans via a capacity building grant; (ii) complementary supply-driven activities implemented by the central level. At the central level project support was used to support TA and capacity building inputs to help to develop and implement the system.

In Uganda the programme also supported the development of standardised training modules and of a system of certification of private sector providers recognised as capable to provide capacity building services of the required standards. Local governments finance their services with the capacity building grant funded from local government SBS. This market-led approach has stimulated both demand and supply for capacity development at local level, and contributed to the development of a sustainable capacity development system based on incentives for the private sector to develop the required capacity.

The programmes have had a significantly positive effect on the capacity of local governments' institutions to deliver investment needed to improve service delivery. SBS funding and the associated performance-based resource allocation system provided the incentive for local governments to strengthen their performance. SBS system alignment generated significant flow-of-fund systemic capacity effects, which were supported by specific, well-targeted action on local government capacities through the SBS-capacity building and other complementary inputs.

Source: SBSIP Case Studies

Identify and curtail capacity depleting activities

75. Finally, alongside the introduction of new approaches, **it is important that stakeholders identify and address capacity depleting activities** such as establishing unnecessary parallel structures, poaching qualified sector staff, an excessive number of workshops and associated allowances, duplicated training, and other distorting incentives. These activities represent significant obstacles to capacity building and should be drastically curtailed with the introduction of new approaches. The responsibility often lies "on the donor side" but not always, and SBS should also (through policy dialogue) challenge governments to address issues such as severe institutional fragmentation in the sector and/or institutional/organisational instability provoked by frequent reorganisations, as these too seriously affect the effectiveness of capacity building measures.

6.3 SBS Funding and Financial Management Arrangements

76. SBS funding is provided in order to support the recipient government implement its policies for service delivery. It typically involves large-scale resource transfers to a sector and represents a major share of sector resources, often above 40%. This element of SBS design needs careful consideration and is critical to the overall effectiveness of any SBS programme. In this section we look at how the funding and financial management arrangements of SBS can best be designed in support of service delivery. In doing so the section sets out good practice in situations where earmarking, traceability, additionality (defined in Box 8 below) and other financial management derogations are used, as well as in the ideal scenario of non-traceable un-earmarked SBS.

Box 8: Earmarking, Traceability and Additionality

Earmarking is a requirement that all or a portion of a certain source of revenue, such as a particular donor grant or tax, be devoted to a specific public expenditure. The *extent* of earmarking can vary. It involves the *ex ante* assignment of funds to a particular purpose and can range from the very broad and general to the narrow and specific.

Traceability refers to whether donor funds are separately attributable to a specific use. Funds are either traceable, or not:

- (i) **Traceable**, whereby allocation, disbursement and spending of funds is made via specified and separately identifiable budget lines. This bypasses the normal procedure by which revenue is pooled with all other revenue in a general fund and then allocated among various government spending programmes. *De facto*, a traceable aid instrument must involve a degree of earmarking, although this may be very broad - this is often referred to as *real earmarking*.
- (ii) **Non traceable**, whereby external funding is not identifiable by separate budget lines. If earmarked, the allocation of funds is justified against budget allocations to pre-agreed institutions or budget lines, and is pooled with other government revenues in the general fund. When non traceable SBS is accompanied by earmarking - this is often referred to as *notional earmarking*.

These two dimensions combine to form three main types of SBS funding:

	Earmarked	Un-earmarked
Non Traceable	Non-traceable Earmarked SBS	Un-earmarked SBS
Traceable	Traceable Earmarked SBS	

Additionality refers to requirements from the donor that the provision of external funding earmarked to a set of expenditures leads to an increase in total expenditure allocations to those expenditures. Additionality attempts to address the problem of fungibility, which arises because government resources can be substituted for aid resources. If aid finances any activity that the recipient would otherwise have financed itself, the resources that the recipient would have spent on that activity become available to finance something else.

Source: SBSIP Literature Review

Involving the Ministries Responsible for Finance and Planning

77. Despite their large scale, the design of SBS programmes and allocation of SBS funding tend not to be discussed in depth with the ministries of finance or planning. SBS programmes are often just placed in the investment budget alongside other donor projects. This lack of involvement results in two problems. Firstly there is weak ownership of sector resource allocations outside the line ministry, undermining the sustainability of budget allocations. Secondly, when it comes to budget execution, there is often confusion in the implementation of SBS using treasury systems.

78. **The ministries responsible for finance and planning need to be involved in the design and implementation of SBS programmes** as they are the responsible ministries to manage the budget formulation and execution processes. Thus, an exclusively bilateral set of discussions between donors and the sector ministry in the design and implementation of SBS must be avoided. It is important that the involvement of ministries of finance and planning is not limited to the department responsible for aid management. When the discussion is about resource allocation, it needs to be through the planning and budget departments. When it is discussion of budget execution, it may be a combination of the budget department and the treasury/accounting departments. This will help ensure a common understanding between the ministries of finance and planning, donors and the sector ministry as to how SBS will work in practice, including a consensus on critical aspects of the conditionality framework and also, how non-funding SBS inputs might be used to best effect in relation to financial issues.

79. The dialogue over the allocation of SBS funds needs to be carried out in the context of the annual planning and budget process. This typically happens automatically in the context of non-traceable SBS, but not in the context of traceable SBS. It is also in this context that earmarking of SBS needs to be discussed. A further point to make up front is that, for predictable budget formulation, the value of SBS commitments (taking into account whether conditionality has been

met) should be fixed in advance of the start of budget formulation process and communicated to the Ministry of Finance.

Box 9: The Benefits of Engaging the Ministries of Finance and Consequences for not doing so

The Ministry of Finance was the most involved in the dialogue on sector resource allocation in Rwanda and Uganda, both cases of non-traceable SBS. “*The focus of government-donor dialogue on resource allocation in Rwanda was at the Joint Budget Support Reviews, hosted by the Ministry of Finance, at which sectors present their MTEF proposals and budget execution. In Uganda the Ministry of Finance runs a consultative budget process, which involves Sector Working Groups which are chaired by line ministries, and have active Ministry of Finance and donor involvement. A further point to note is that in the non traceable SBS examples, the subject of debate is the documentation required for the national budget process.....*” A benefit of the Ministry of Finance engagement has been that there is strong ownership of resource allocations. This is illustrated in two ways. Firstly there have been significant and sustained reallocations of budget resources towards service delivery in the Rwanda and Uganda education sectors. Furthermore, in Uganda significant reductions in sector budget support have not resulted in reductions in allocations to key sector budget lines in both the local government and education case studies..

The Ministry of Finance has been less engaged in the budget process Tanzania. In Tanzania a few years ago, DFID decided to shift from traceable earmarked SBS funding through the Common Basket Fund, to GBS. However, this was not followed by a commensurate increase in Government of Tanzania budget allocations, which was taken as a sign of weak ownership by the Ministry of Finance and meant that, on the whole, the sector “lost” resources. Indeed, the Ministry of Finance has little incentive to get involved in the SWAp/SBS processes given the earmarked nature of the health SBS funding. Weak ownership of the health sector policy and plans by the Ministry of Finance¹² may explain why it did not compensate with a higher allocation of Government of Tanzania own resources (including GBS), when the sector “lost” SBS resources due to the shift in DFIDs position. This negative experience then reinforced the Ministry of Health in its preference for earmarked funding, which in turn continues to distort accountability away from mainstream Tanzanian budget process. Other donors now “play” on these factors in unhelpful ways (threatening to move to GBS if SBS accountability requirements continue to be met late etc.).

In both Zambia and Mozambique there was confusion over the implementation of SBS programmes as a result of different interpretations of donors, sector ministries and the Ministry of Finance. In Mozambique some donors requested that their funds be classified as domestic funding, and not be traceable. However SBS continued to be traceable in the budget. In Zambia there was confusion between the Ministry of Finance and Ministry of Health during budget execution as to whether SBS funds had been transferred. Such problems could have been avoided if the Ministry of Finance had been appropriately involved in the design of SBS instruments.

Source: Case Studies

Understanding the Possible Mix of Aid Modalities Donors Can Provide Up Front

80. A key lesson from the synthesis report is that non-traceable SBS should be the preferred sector aid modality for supporting service delivery. SBS is more effective if there is a decisive shift towards the provision of SBS and away from project modalities. Of particular importance is the issue of traceability, which is a derogation with significant costs. It is important not to confuse traceability with earmarking. Whilst it may be able to justify the provision of SBS against the education sector budget through earmarking without significant detrimental effects, the use of traceability, *inter alia*, creates parallel mechanisms and distorts budgets.

81. The recommendation to shift decisively towards non-traceable SBS is not made lightly. Derogations from country systems have significant negative effects. However fiduciary and other risks are real. Therefore throughout this section and explicitly in section 6.6 appropriate responses to risk are set out. Typically there are several options. Therefore, donors individually need to try and move towards the provision of non-traceable sector budget support, and shift away from

¹² Or the Ministry of Finance had reasons to challenge health plans, which are not known or recognized by health stakeholders.

project support to sector budget support when funding service delivery. In practice in most donor country offices have significant latitude in the design of aid instruments, which allows them to shift towards the provision non-traceable SBS. Box 10 below shows the donors that have provided non-traceable SBS in the SBSIP case study countries. Yet, they also (more commonly) provide traceable SBS. These donors and all others should strive to shift towards non-traceable SBS.

Box 10 Donors that provided non-traceable SBS in the SBSIP Case Study Countries

<ul style="list-style-type: none"> • African Development Bank (Rwanda Education) • Austria (Uganda Water) • Belgium (Rwanda Education) • Canada (Rwanda and Uganda Education) • Denmark Uganda Health, Water, Roads, Agriculture) • European Commission (Uganda Education and Zambia Health) • Fast Track Initiative (Rwanda Education) 	<ul style="list-style-type: none"> • France (Uganda Health) • Ireland (Uganda Education) • Italy (Uganda Health) • Netherlands (Rwanda and Uganda Education) • Norway (Uganda Health) • Sweden (Rwanda Education) • United Kingdom (Rwanda and Uganda Education, Zambia Health) • USAID (Uganda Education pre 2002) • World Bank (Uganda Education)
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Source: Case Studies

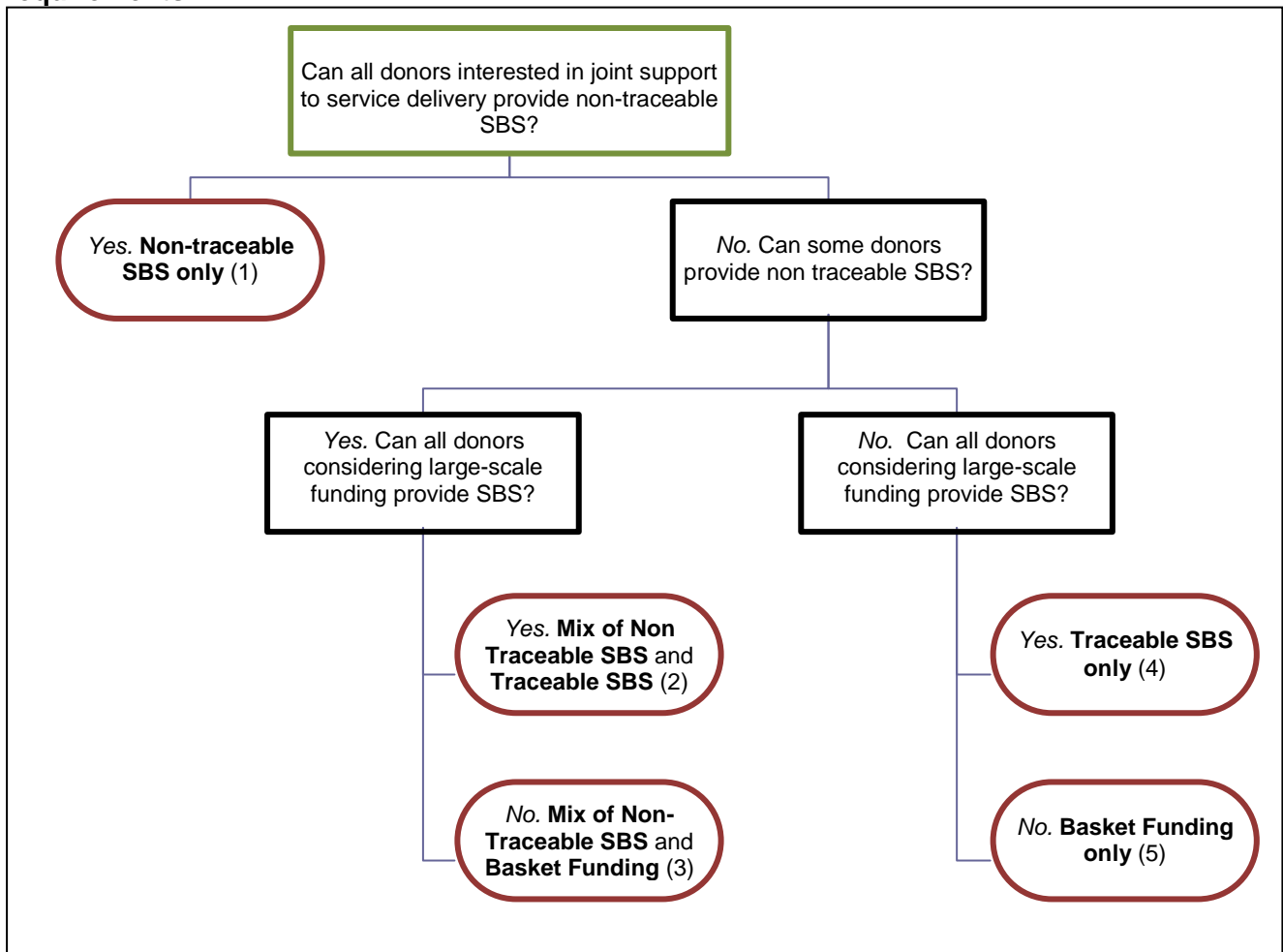
82. Nevertheless, in practice not all donors that are interested in funding service delivery may be able to provide non-traceable SBS – for example UN agencies and USAID. Often SBS donors try very hard to come up with one funding instrument which satisfies all requirements of all donors. However, this will typically end up as an SBS programme with significant derogations which have a negative impact. The synthesis report implies that a balance of aid modalities is required in support of a sector and joint funding mechanisms should not be pursued at all costs. Instead it is likely to be more practical, and effective for different donors to provide support using different modalities, provided that the rationale behind and implications of the mix of modalities are systematically analysed, as suggested below.

83. There are three main questions each donor needs to ask itself:

- Do donor headquarter accountability and accountability requirements allow the donor to channel funds via the recipient countries main treasury account and use treasury systems for disbursing funds? If the answer is yes, then a donor can provide non-traceable SBS.
- Does the donor headquarter requirements dictate that basket of funds must be separately identifiable in the government's expenditure budget and associated expenditures be traceable? If the answer is yes, it cannot provide non-traceable SBS.
- What scale of funding is the donor likely to be able to provide?

84. Donors need to work with the partner government to establish the best possible mix of aid instruments in the sector, with a division of roles across donors. It is important to identify which different modalities are best at funding what. Service delivery and its management are best supported through a combination of SBS and GBS, and where that is not possible, basket funds could be considered. Capacity development activities, technical assistance, and pilot initiatives to complement large-scale donor support to service delivery may be provided effectively by project support and/or budget support.

Figure 7: The optimum mix of SBS in support of service delivery given donor headquarters requirements



85. Figure 7 shows a decision tree, setting out the default best-case mix of modalities in support of service delivery given the group of donors' ability to provide SBS. The five different "best-case" combinations of modalities are numbered in order of potential effectiveness. Scenarios 2 and 3 involve two types of external support to service delivery being provided to the sector in parallel. Whilst non-traceable SBS should be provided whenever possible, it is typically better to have single joint funding arrangement of either basket funding or traceable SBS than both traceable SBS and basket funding being provided in parallel in support of service delivery. For example, in the Mozambique Health Sector (similar to scenario 2) two options were provided for in the joint programme documents for Sector Budget Support.

86. Beyond the broad choice of type of SBS, it is important for different donors to understand other sets of accountability requirements – whether there is a need to earmark, or there are specific reporting and audit requirements.

Budgeting for Service Delivery, the Scale of SBS and the use of Earmarking and Additionality

87. Ideally the scale of funding of SBS needs to be commensurate with the requirements for funding quality service delivery. Whilst donors should not be expected to foot the entire bill of improving the quality of service delivery, the scale of funding should at least put that goal within reach.

88. Two initiatives mentioned in Section 4.2 are very important for SBS to support effective budgeting for service delivery. First is an exercise of costing service delivery, which can help identify the scale of resources required to address the key constraints to equitable and quality services from both domestic and donor resources. Second is the establishment of a framework for sector resource allocation, which highlights past outturns and current resource allocations to service delivery, and enables future programming of expenditures. Combined these two exercises allow sector partners to identify how resource allocations need to change to address the challenges in service delivery.

89. SBS can subsequently have an important influence on annual budget allocations. It is important that this influence is guided by an agreed assessment of the funding gaps for service delivery in the sector (see section 4.2), and does not appear out of the blue. There are three main approaches to this, the first of which should always be preferred:

- **Through normal budget negotiations:** Influencing this is best done through negotiations between sector partners and the budget department in the Ministry of Finance in the context of the annual budget processes. If there is a clear idea of the funding needs in the sector, and a willingness to fill funding gaps, given the prospect of increased funding for SBS, then no earmarking or additionality requirements should be needed. Any agreement to change resource allocations reached as part of the budget process can be backed up as agreed “policy actions” in the conditionality framework. This is the ideal situation.
- **Through negotiated earmarking:** In practice, annual budgets can be incremental and sticky. If it becomes apparent that, through normal budget negotiations, allocations are unlikely to result in appropriate increase and changes to funding for service delivery, even with the prospect of significant increases in sector funding, then the possibility of negotiated earmarking may be considered. As part of the budget negotiations with the Ministry of Finance, donors could then say that they will provide SBS, provided an equivalent amount is allocated as additional funding to key sector budget lines important for service delivery. Box 12 below gives an example of how a process of negotiated earmarking might work, and a practical example of the Uganda education sector. As with all derogations, such earmarking should be temporary.
- **Through (imposed) traceable earmarking:** The final option is to use traceable SBS and earmark it to service delivery. This is the least-best solution and should be avoided wherever possible, due to the resulting creation of parallel mechanisms and its distorting effect on the budget. If the Ministry of Finance has displayed unwillingness to allocate additional budgetary resources towards service delivery, this means that the ownership and sustainability of these budget changes imposed on it from the sector are likely to be low.

Box 11: Negotiated Earmarking

The following is a fictional example of how negotiated earmarking can be used to steer resource allocation towards a clearly agreed priority:

- A joint diagnosis of the problems with service delivery by the Ministry of Health in basic healthcare is that there is a shortage of budget allocations in three key areas – staff salaries, essential medicines and district supervision of healthcare providers. The annual shortages amount to \$15 m \$10m and \$5m per annum respectively.
- Donors have offered to fill the non-wage funding gap by providing \$20m dollars per annum of SBS over the medium term to fill the gaps for medicines and district management, but would like the government to increase its funding of salaries.
- These shortages have been discussed with the Ministry of Finance by the ministry of health and donors, and the Ministry of Finance has agreed to adjust budget allocations for district grants for supervision and medicines in line with the SBS pledges from donors over the medium term, whilst making \$5m more available per year for frontline staff incrementally over a three year period.

It is important to note that this is very different from a scenario where, without prior dialogue and diagnosis, a donor offers funding earmarked to a specific area. For example, as a result of a new headquarters policy, a donor might offer \$10m of SBS to introduce a school feeding programme, take it or leave it. Whilst everyone would agree school feeding is desirable, it is probably not be a key priority of the government.

90. The case studies show that, whether or not it is traceable or earmarked, SBS tends to be allocated as additional resources to sector expenditures. Donor **additionality** requirements tend to make little difference to the overall trajectory of sector resource allocation. However, they do have two uses in the case of non-traceable SBS:

- Where **negotiated earmarking** is used, SBS can be required to result in “additional” allocations to key sector budget lines.
- More generally, additionality requirements play an important **donor accountability role** when justifying the provision of non-traceable SBS to headquarters. Additionality requirements can help illustrate “what” SBS has been allocated to. However, it is possible to justify SBS against overall sector expenditures without additionality requirements. For example the following statement is a powerful one: *“In Rwanda SBS funded 48% of sector expenditures in 2008. Approximately 40% of the education sector budget was spent on primary education and 25% on secondary education”*. This type of statement should be sufficient justification of SBS and be the default position in justifying SBS to headquarters.

Box 12: Demonstrating Additionality in the Uganda – The Poverty Action Fund

The Poverty Action Fund was formed in Uganda in 1998 as a mechanism to demonstrate to donors and the wider public that the government was allocating debt relief funds and budget support as additional funding to poverty reduction priorities in the budget. This was done through the Poverty Action Fund Table which was included in budget documents. The Table had two parts – the first set out the Poverty Action Fund resources – which were made up of debt relief, non-traceable earmarked budget support and later on other government resources. The second part of the Table showed Poverty Action Fund expenditures, which were a subset of the overall budget, and included expenditures on basic healthcare, primary education, and water and sanitation. The government committed to ensuring Poverty Action Fund Resources resulted in additional allocations to Poverty Action Fund expenditures. Through the Poverty Action Fund table, it demonstrated this by showing that Poverty Action Fund expenditures were above 1997 expenditure levels by value of Poverty Action Fund resources.

This provided reassurance to donors that sector budget support funding was having an effect on budget allocations. Other provisions of the Poverty Action Fund provided further reassurance to donors providing SBS and other types of budget support to the Poverty Action Fund. The Ministry of Finance committed to disbursing budgeted expenditures in the Poverty Action Fund in full during the financial year; and set aside funds for strengthening monitoring and accountability.

Source: SBSIP Case Study

91. Where there are two or more key areas of service delivery which are underfunded, different donors can employ negotiated earmarking to different areas without significant detrimental effects. For example, using the Zambia Health case again, in addition to the EC earmarking funds to human resource retention, DFID earmarked their funding to compensate for the abolition of user fees. This provided a useful spotlight on two under-funded and complementary areas of service delivery. Although complementarity was not by design, abolition of user fees would result in higher number of patients and it was all the more important to start addressing issues of staff incentives.

92. Furthermore, when it is not possible to mobilise levels of funding that will address the funding gap for service delivery, small levels of funding can still help initiate change through earmarking. However, in such cases non-financial SBS inputs need to be focused on a specific constraint to service delivery – this was the case with EC support to human resources in the health sector in Zambia for example.

Resource Allocation and the Use of Traceability

93. **Non traceable SBS has an absolute advantage of supporting both recurrent and development expenditure.** However, if a combination of traceable and non traceable SBS is used in support of service delivery as a result of differing donor headquarter requirements, then the following principles hold true:

- **Non traceable SBS has a comparative advantage for funding recurrent costs.** Non traceable SBS can fund recurrent costs of service delivery without creating parallel mechanisms or distorting the classification of budget. It has proved effective in supporting operational funding for schools, clinics, for example. This, *de facto*, can be achieved through emphasising the need to increase recurrent expenditures during the budget process or more explicitly via negotiated earmarking as discussed above.
- **Traceable SBS (and basket funding) has a comparative advantage for funding development expenditure.** Traceable SBS is universally allocated to the development/investment budget, and therefore is least distortionary when it supports expenditure which is developmental in nature. This includes service delivery infrastructure and equipment – such as the construction of classrooms, clinics and water points and the purchase of medical equipment. Furthermore external funding tends to dominate investment budgets in service delivery sectors, and therefore there may not be domestic systems in place for service delivery.

94. Therefore, **when two types of SBS are used, non-traceable SBS should support recurrent expenditures and traceable SBS development expenditure.**

95. In cases where traceable SBS is provided on its own, it will probably need to be used to fund both recurrent and development expenditures. In such circumstances **traceable SBS allocations for operational funding for service delivery and development funding needs to be clearly delineated in the development budget.** Development budgets are typically classified by projects. In the classification of development projects, use separate project codes for recurrent expenditures and development expenditures. For example in Mozambique SBS allocated to the Ministry of Health was divided into SBS for medicines, SBS for Infrastructure, and SBS for development expenditure. It is important to note that the partner government can and typically should still have discretion how SBS is allocated to different activities under the corresponding project codes.

Resource Allocation to Sub-national Governments for Service Delivery

96. In many cases service delivery is the responsibility of sub-national governments. In such cases **it is important that SBS funding for service delivery is allocated to sub-national governments for service delivery.** In doing so it can reinforce policies for the deconcentration or decentralisation of funding for service delivery. Non-traceable SBS can be allocated as additional funding to and help strengthen existing transfers for funding service delivery by provincial or local governments. It is also important that traceable SBS is also allocated to sub-national governments in line with their institutional responsibilities for service delivery. By definition, this results in the creation of a new, parallel, transfer for local governments. Yet, this is a better scenario than funding for service delivery being allocated to the sector ministry and thereby contributing to the recentralisation of funding.

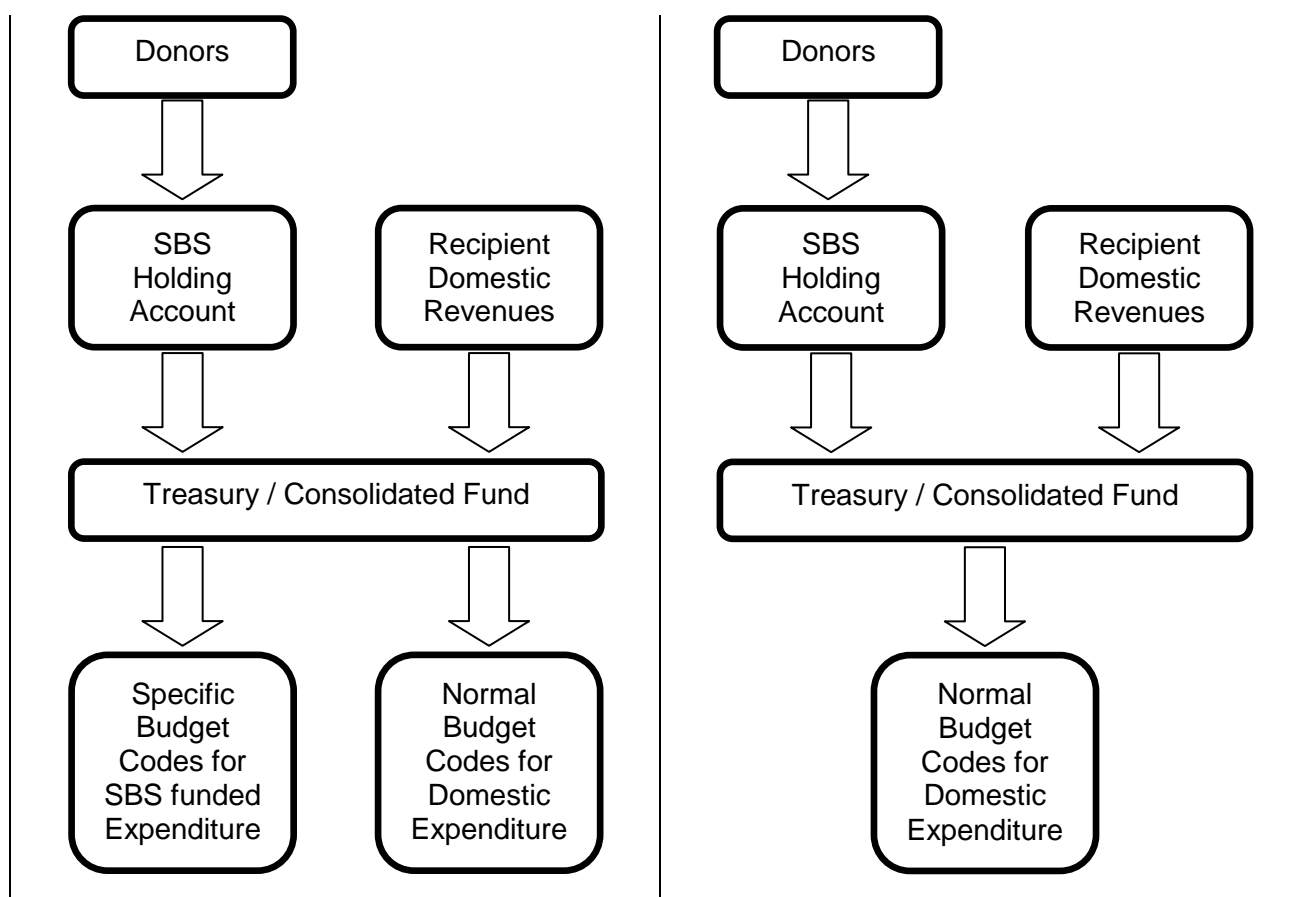
Disbursement of SBS funds and the reliability of budget execution

97. The typical channels of traceable and non-traceable SBS funding through the government budgetary systems is shown in figure x below. These are standard for all SBS programmes.

Figure 8: Flow of SBS Funds for Traceable SBS and Non-traceable earmarked SBS¹³

<i>Traceable SBS</i>	<i>Non-traceable earmarked SBS</i>

¹³ The disbursements against separate budget codes may also involve separate bank accounts either for SBS funded expenditure alone, or for both SBS and domestic funded expenditures.



SBS, funds are usually transferred by donors into some kind of foreign exchange holding account, usually held in the central bank. From there funds are converted into local currency and transferred into the main Treasury account – this may be called the Single Treasury Account, Consolidated Fund, or Exchequer Account. From the treasury account, funds are transferred to the accounts of spending agencies against budget codes. For traceable SBS these budget codes are separately identifiable.

Source: SBSIP Synthesis Report

98. Whilst the route which funds take is fairly standard, there are two distinct ways in which SBS is treated as a revenue, and this has a consequence on how funds are transferred to spending agencies:

- **SBS funding is treated as domestic revenue:** This must be the arrangement for all non-traceable SBS, and it is the preferable situation for traceable SBS. The Ministry of Finance disburses funds against the sector budget from the beginning of the financial year as it does with any other sector's budget. The value of disbursements are based on the governments overall cash position, regardless of whether SBS funding has been received or not. Once SBS funds reach the treasury account SBS is treated like any other domestic revenue.
- **SBS funding is treated as separate revenue:** This mechanism can only be applied to traceable SBS. In such circumstances, only the value of SBS funds which are received in the treasury account are actually transferred by the treasury to the specific expenditure accounts (identified as SBS in the budget) of spending units. There may also be budgeted contributions from domestic revenues which are transferred alongside this.

99. The treatment of SBS as a separate revenue from general government resources is a significant derogation. Its use is often justified as a mechanism to improve the predictability of funding for service delivery. However, often the timing and value of SBS funding is far less predictable than domestic budgetary funding as a result of exchange rate fluctuations, delays in disbursement, and in-year conditionality requirements. Therefore, **it is preferable to treat traceable as well as non-traceable SBS as domestic revenue and engage with the**

government to improve the predictability of budgetary funding to service delivery. This can be done in two ways:

- Through dialogue with the Ministry of Finance, support improvements to overall cash management processes which prioritise and protect budgets for service delivery, including in the sector being supported.
- If this approach is not possible, then a commitment can be sought from the Ministry of Finance to protect budget disbursements for key sector budget lines important for service delivery from cuts during the financial year (including those budget lines to which SBS is earmarked, if earmarking has been used).

100. The nature and number of tranches of SBS funding have an impact on the predictability of funding for service delivery. **The best situation is for SBS to be transferred as a single, fixed tranche at the beginning of the financial year.** In practice there are also often delays in disbursements, so the earlier funding is programmed to be delivered the better. Other approaches lead to complications in budget execution. Multiple tranches complicate cash management further. Variable tranches, whose amount can be reduced in year, disrupt budget execution. The impact of delays and reductions in the volume of funding are particularly disruptive to service delivery if SBS funding is treated as separate revenue, as any cuts and delays are transferred directly onto service providers. If SBS is treated as domestic revenue, then the Ministry of Finance can, at least, compensate for delays and shortfalls in donor funding using its cash management processes. Nevertheless, delays in transfers of SBS make cash management more difficult overall for the Ministry of Finance.

101. **Another, related concern is the ability of the sector institutions to spend budgetary funds in full.** In most public financial management systems un-disbursed and unspent balances at the end of the financial year lapse, and are returned to the treasury. A common concern amongst donor is that if they provide support to the health sector, they want it to be spent on the health sector and not be returned to the treasury. A typical response is for donors to require unspent SBS funds to be retained by spending agencies and spent in the following financial year. In Mali and Mozambique this has resulted in SBS funds becoming traceable. This, however, undermines the annuality of budgets and the incentives for spending agencies to spend money as planned during the financial year. It also creates accounting problems, as rolled over balances are not budgeted for in the new financial year and not captured in the annual accounts of the old financial year. This need not necessarily be the case.

102. The Uganda case study provides an illustrative way of providing non-traceable SBS whilst addressing the concern of unspent balances lapsing. The Ministry of Finance made a commitment to disburse budgets to priority budget lines in full, via a mechanism called the Poverty Action Fund. These budget lines were funded by government resources, debt relief and non-traceable sector budget support. Prior to the finalisation of the budget, the Ministry of Finance would estimate the value of undisbursed budgets to priority sector budget lines, which it would then re-budget for them as additional expenditures for PAF budget lines in the forthcoming budget. Although this was applied across a number of sectors, the same principle could be applied to a single sector. In practice it may be difficult to calculate the exact value of un-disbursed and unspent balances before the end of the current budget year, y_n , when this information is needed for preparation of the budget for the next year, y_{n+1} . Therefore a more practical approach would be to re-budget unspent and undisbursed budgets as additional resources in the budget year, y_{n+2} . As absorption of budgets improve, these types of arrangements should be withdrawn, as was the case in Uganda.

Procurement, Expenditure Control, Accounting and Audit Arrangements

103. Thus far this note has covered the key elements of financial management arrangements which are instrumental in delivering appropriate and reliable levels of funding to service providers and their managers. The processes of expenditure control, procurement and audit are also

important for ensuring that funds are spent as intended on service delivery. There are two types of problem associated with SBS in the area: All too often, SBS dialogue gets bogged down in generic Public Financial Management issues in these areas, as opposed to those which are specific to the sector and most important for ensuring effective delivery. In the case of traceable SBS, often significant derogations – such as parallel procurement procedures, additional financial reporting and private sector audit requirements – are introduced which undermine the strengthening of domestic processes, and which are themselves weakly owned by recipient organisations and so less likely to be taken seriously.

104. The dialogue and conditionality associated with GBS is best placed to deal with generic PFM issues. Therefore, **SBS is best placed to focus on the areas critical for service delivery and that are not covered specifically by generic PFM reforms.** This may include:

- Provision for control of expenditure and financial accountability at the level of service providers (e.g. schools, clinics, extension offices).
- Procurement (and distribution) of key service delivery inputs, such as medicines and textbooks, whether this is done centrally or by local government.
- Procurement and contract management of specialist works/providers (e.g. water points, roads etc).

105. As with other areas of financial management, the starting point should be to ask: how can SBS inputs support the strengthening of domestic procurement, expenditure control accounting and audit arrangements? This could involve the development of basic handbooks and training materials for service providers, and supporting their dissemination, for example. If it is not possible to strengthen those systems through dialogue and supporting conditionality, then additional safeguards to these procedures may need to be introduced (moderate derogations), or failing that, adding additional safeguards to those systems through parallel processes (significant derogations).

106. **If generic financial management conditions need to be introduced, for example to satisfy donor accountability requirements, they should relate to the statutory financial management cycle** – timely accounting and reporting by spending agencies in line with Ministry of Finance requirements, and audit by the supreme audit institution. Development partners should be careful only to enter into substantive dialogue on these requirements where they raise issues pertinent to service delivery. Furthermore, this needs to be done in the context of established sector review processes and clearly linked with cross-cutting reforms and associated actions. However, the danger of introducing these generic requirements is that they become the focus of the dialogue, and take over from substantive issues of service delivery. This should be avoided.

6.4 Dialogue and Conditionality Arrangements

107. The third dimension of the design and management of SBS are the arrangements for dialogue and conditionality. The frameworks for dialogue and collaborative working in the context of SWAps and SBS have yielded positive results and stronger ownership of, and accountability for, the domestic policy agenda. However, in practice, dialogue and conditionality frameworks have rarely given strong incentives to improve the quality and equity of service provision. There are two reasons for this.

- Dialogue and conditionality is poorly focused. They tend to cover a multiplicity of actions and performance targets which are desirable to achieve rather than necessary for improving service delivery; and
- Secondly, conditions tend not to address the missing middle of the processes for service delivery adequately, which is central to improving the quality of service delivery. Consequently, dialogue and conditionality has supported improved access more than quality.

108. Conditionality frameworks based on outcome targets pose a particular problem. They are unlikely to yield results unless appropriate actions to improve performance are also identified and agreed. Given the poor focus of dialogue and conditionality, this is typically not the case. However, even if appropriate actions are identified, due to the complexities of service delivery systems, this may not yield results as expected. Conditionality is more likely to be effective if it is based on something over which the entity to which the conditions apply has control. Whilst central government can control its actions, it usually can only influence service delivery outcomes.

109. In the case studies, the two most successful conditionality frameworks introduced as a result of SBS, were for local, not central government, and were managed by the partner central government (Uganda and Tanzania local government SBS). These conditions were focused on local government processes and levered strong improvements in performance. The main commitment the centre made to donors providing SBS was to administer this conditionality framework on local governments. Service delivery systems are inherently complex. A design using a dual layer of conditionality that better recognises this complexity, like the examples mentioned here, is more likely to help maximise the incentives to improve service delivery, and hence the influence the centre has over service delivery outcomes.

110. The implications are twofold on the design and implementation of dialogue and conditionality frameworks:

- Continue to focus on establishing effective joint dialogue and working in the context of SBS using domestic decision making processes as the entry point.
- At the centre, focus dialogue on identification and implementation of actions to improve service delivery over which it has control (which includes the management and enforcement of downstream conditionality frameworks).
- Consider the creation of downstream conditionality frameworks for service providers and managers as a means to build incentives for improved service provision

The Importance of Joint Dialogue and Collaborative working in the context of SBS

111. Firstly, in this Good Practice Note, it is important to re-state that SWAp dialogue structures and the collaborative working associated with it, are important tools for developing stronger ownership and accountability in the implementation of sector policies and service delivery. SBS donors should enable a joint working relationship to develop between them and government, and trust to evolve. This requires sensitive engagement from donors in the dialogue:

- Donors should not push headquarter agendas, but base their interaction on local diagnosis of problems in service delivery.
- Rather than impose new dialogue structures, donors interested in providing SBS should work through established structures and help support their improvement. Separate coordination bodies for SBS should be avoided.

112. It is important that donors do not see dialogue structures as a bilateral forum for just central government and donors. They should promote collaborative working at various levels. The involvement of local governments, as happens in Uganda, is a way of building ownership and understanding across layers of governments. Involvement cross-cutting ministries responsible for civil service reform and decentralisation helps build consensus (see section on complementarity). Civil society groups are also important participants in the dialogue. Donors and central government should therefore encourage broad engagement in dialogue structures in the context of domestic decision making processes. This, in itself builds ownership and incentives for stakeholders to take action to improve performance. However, collaborative working must go beyond consensus and dialogue, and firm cross-linkages between reforms need to be established.

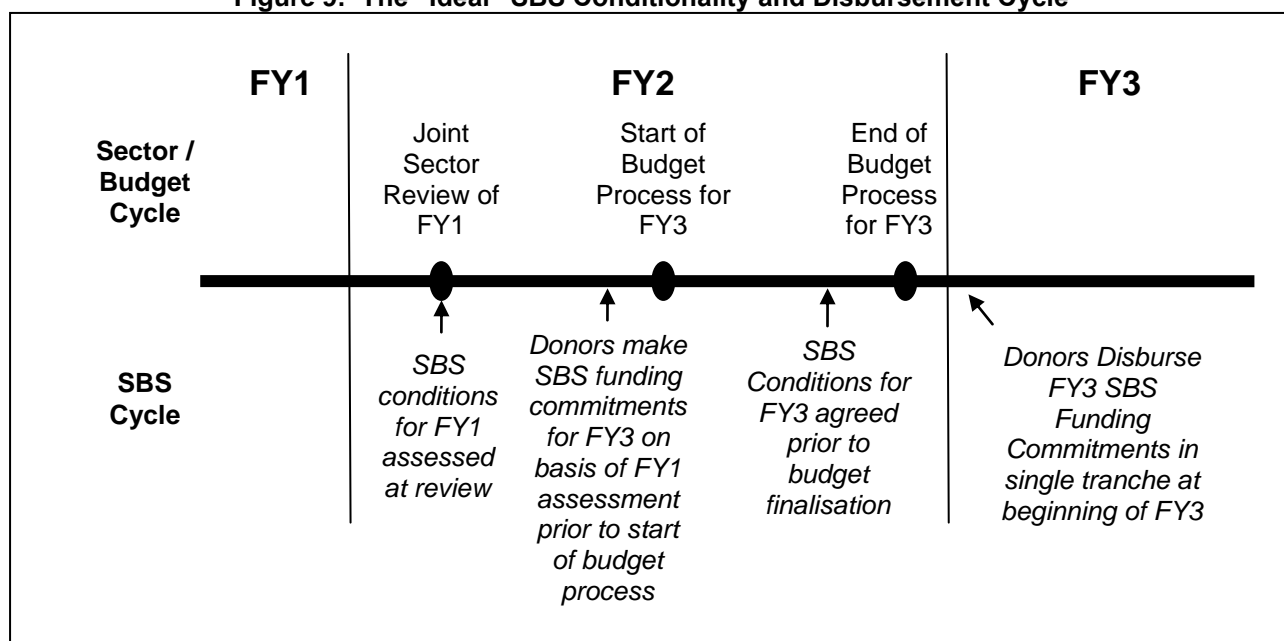
Ensuring SBS conditionality frameworks support domestic decision making processes

113. Conditionality frameworks should support, not undermine domestic decision making structures – and in particular budget process and the sector review cycles. Conditionality, by definition, means linking the amount of SBS funding to performance. Whilst the study found no evidence that graduated responses were more effective than all or nothing disbursements (although there were no instances of the latter being enforced), two key principles emerge:

- Firstly, in-year cuts to SBS disbursements as a response to failure to perform should be avoided as they have a disruptive effect on budget execution and funding for service delivery, especially if SBS is treated as a separate revenue during budget execution. A further desirable feature is to have a single tranche disbursement as early in the financial year as is possible.
- Secondly, SBS commitments should be made in advance of the budget cycle as this makes it possible for the Ministry of Finance and sector institutions to budget in the context of realistic and stable budget ceilings. A further desirable practice is to give indicative medium term allocations at the time of this annual commitment.

114. Figure 8 below shows the ideal conditionality cycle, taking into account these three principles. In practice this means that performance in the current financial year (FY1) will impact on SBS disbursements in the financial year after next (FY3). These principles, and the ideal cycle, also apply to downstream conditionality frameworks which involve performance assessment (although single disbursements are unlikely to be feasible given cash flow constraints at the centre).

Figure 9: The “Ideal” SBS Conditionality and Disbursement Cycle



Focusing Central Dialogue and Conditionality

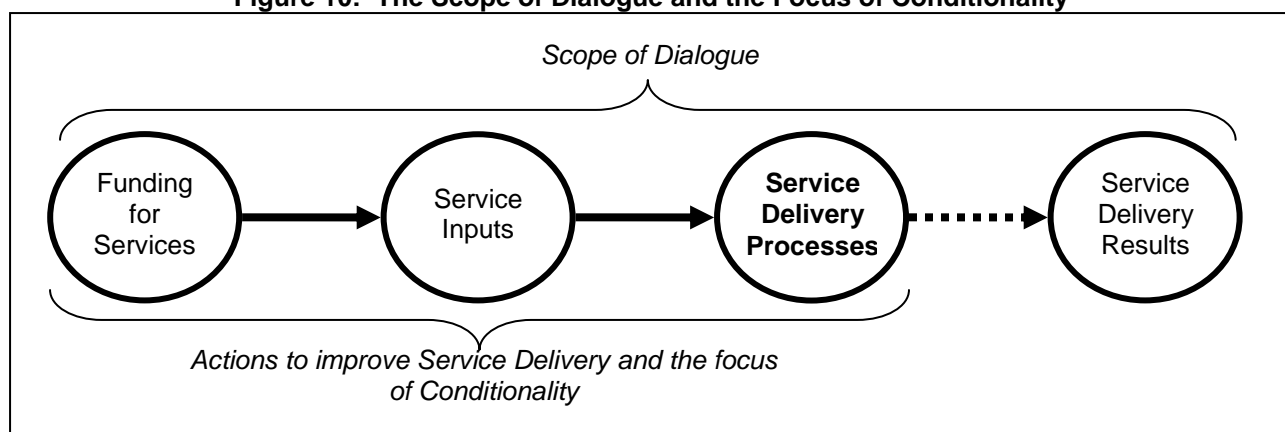
115. The central dialogue and conditionality needs to be focused on service delivery. Furthermore, dialogue and conditionality frameworks are most effective when they are consistent and focused. There are three ways to achieve this:

- **Focus the dialogue on the cycle service delivery improvement:** Sections 3, 4 and 5 above set out a cycle for identification, implementing and monitoring actions to improve service delivery. The SBS dialogue and conditionality framework need to be focused on this cycle. Whilst the cycle focuses on the identification of actions to improve performance, and these will have to do with inputs and systems/processes, the scope of monitoring involves the whole results chain including service delivery results, and this should be

reflected in the dialogue (Figure 10). Specifically, performance indicators and targets have a necessary place in the dialogue, even if they are not a focus of conditionality.

- **Central conditions are best linked to actions to improve service delivery performance over which central government has control.** Whilst the dialogue and monitoring of performance should be comprehensive, the focus of central conditionality should be actions to improve service delivery performance over which central government has control. These actions should be agreed as part of the sector review and operational planning process of the sector.

Figure 10: The Scope of Dialogue and the Focus of Conditionality



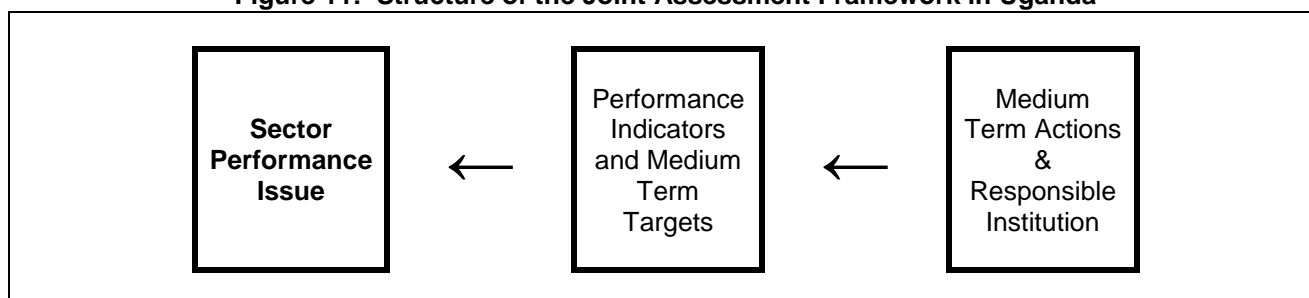
- **Focusing on a few critical issues.** A further point is to limit the number of issues covered by the dialogue, and actions used for conditionality to those which partners consider most critical for improving service delivery. Partners need to ensure that there is a consistent focus on those issues in the dialogue. The more focused the dialogue and conditionality framework, the easier it is to monitor and follow up performance, and the stronger the incentives central government has to deliver against it. Focusing on 5 critical actions is far more likely to yield results than having a list of 80. Partners in the dialogue need to keep asking the question “is this action fundamentally important for improving service delivery?” All relevant partners need to be involved in responding to the question. It may be useful to consider the critical actions as “deal breakers”. These actions are those which need the attention and endorsement of technical and political leaders, not just actors involved in the technical dialogue.

116. Performance Assessment Frameworks are a potentially useful tool in delivering a focused framework for central dialogue and conditionality in two ways:

- **A PAF can help focus on a few key issues of performance.** A PAF can be used as an instrument to focus the dialogue if it is based on the key issues identified in the cycle of service delivery improvement and covers the complete results chain for those issues. A common mistake is for a PAF to be a reproduction of the logical framework of a strategic plan, which means it becomes cumbersome and poorly focused. Sector performance reports should be used as the instrument for reporting on overall sector performance in the context of strategic plans. A PAF should represent a subset of critical performance issues and actions. It is important to note that a PAF is only as good as the quality and focus of the information it contains and the dialogue in which it is used. These are far more important than the form of the Performance Assessment Framework itself.
- **PAFs can also be designed accommodate multiple donor conditionality approaches.** The best case scenario is for all donors to use the same conditions and donors should strive to do so. However, in practice, donors may have different approaches to conditionality. For example, whilst the World Bank in its budget support operations focuses on policy actions, the EC focuses on performance indicators. A Performance Assessment

Framework which includes both policy actions and performance indicators, such as the recently agreed Joint Assessment framework in Uganda, is a way of ensuring dialogue is focused on the same issues, but allowing different types of conditionality to coexist.

Figure 11: Structure of the Joint Assessment Framework in Uganda



117. Sector PAFs and similar SWAp/SBS mechanisms have potential to strengthen domestic accountability for the implementation of government-owned policy. However, for this potential to be realised, **PAF indicators and actions must be owned**. In practice that means they need to be reflected in government operational plans and budgets, and not just the PAF. They must be recognised by all stakeholders as reflecting the most important policy objectives of the sector. The involvement of the ministries responsible for finance and planning is critical in this respect, as highlighted in the example of the health sector PAF in Mozambique.

Box 13: Building a broadly owned sector Performance Assessment Framework in the health sector in Mozambique

Together with 15 donors moving toward the use of SBS, a health sector PAF was developed as the framework for sector performance reporting and monitoring against a common set of indicators. The PAF matrix includes key targets for input, output, outcome and process indicators. The indicators have been selected to reflect the key policy priorities of the health strategic plan and to cover the main functions of the sector institutions.

The health sector PAF is the basis for the sector joint annual review, and it is a key component of all agreements between the government and SBS donors – as a group and as individual agencies. The process is seen as quite robust by donors, and representing significant progress over past reporting, monitoring and review practices. The health PAF is also linked to the overall PAF for GBS as the latter includes selected indicators from the former.

The health PAF is meant to be strongly linked to government operational plans and budgets for the sector, as the latter should show how resources are allocated to achieve the PAF targets. Targets will be reviewed annually, through a dialogue between Ministry of Health and the finance and planning ministries so as to closely reflect actual availability of resources and progress made thus far. The assessment of performance against the health PAF will be an integral part of the Ministry's annual Health Sector Implementation Report, a government document presented to Parliament (as is progress against the overall GBS-linked PAF).

Source: SBSIP Case Study

Improving the Quality of Central Dialogue

118. One problem is the ability of dialogue structures, and those involved in them, to deliver quality dialogue on service delivery issues.

119. On the partner government side, dialogue tends to be led by the policy and planning departments in line ministries. Whilst this is logical, they are typically not the best to lead on issues relating to the missing middle of service delivery. Dialogue structures should include working groups including line departments within ministries (e.g. the primary education department), so that a greater focus can be placed on key elements of service delivery.

120. On the donor side there are also reasons why the dialogue is not focused on service delivery. Firstly, the case studies show that donor offices are increasingly being staffed by generalists. Staff often do not have sector specific expertise and do not understand the nature of

systems for delivery in different sectors. Secondly, there is a high turnover of lead donors, and donor staff, which undermines the consistency in the dialogue and the depth of understanding of sector – specific issues. There are two broad options to deal with these problems.

- Ensure donor offices are adequately staffed with sector specialists, and reduce the turnover of staff in country offices. Furthermore, newly posted donor staff should also be trained in the nature of sector service delivery as well as government budgeting, decentralisation, and civil service systems and reforms before they take up their portfolios. This would provide greater consistency in the dialogue.
- Create a joint secretariat to coordinate donor interaction with government in a given sector. This would provide sustainability in the context of rotating chairs and donor staff, and have specialist individuals working on different aspects of service delivery. This could be staffed by contract staff, or donor technical staff seconded to the secretariat. Meanwhile, staff in sector offices would continue to carry out the function of reporting to headquarters and chairing the donor groups.

121. Staff turnover is not just a problem on the donor side – in many partner countries staff turnover is high in the civil service too. Whilst reducing staff turnover is the ideal situation on both sides of the dialogue, one option may be to run courses on the nature of the sector service delivery for newly posted government as well as donor staff. This would help contributed towards a common level of understanding on both the donor and recipient side.

Developing Downstream Frameworks for Conditionality for Service Providers and their Managers

122. A key theme running through good practice is the need to build incentives for service delivery. One instrument at the disposal of, but not commonly used by central government, is conditionality on service providers and their managers. SBS conditionality frameworks typically only explicitly focus at the national level, and as such they are only likely to influence incentives for service delivery indirectly. As mentioned above, the Local Government case studies and the Tanzania Health and Uganda Education case studies point to the fact that conditions for local governments and service providers can build incentives for them to implement activities which, in turn are likely improve service delivery. Furthermore, central government has the power to enforce conditionality frameworks on sub-national governments and service providers.

123. There are two approaches, that were mentioned in section 4.3, which are not mutually exclusive:

- **Link in year budget disbursement of funds for service provision to in-year reporting on performance and expenditures by service providers and their managers.** This is the approach taken in the Uganda Education and Tanzania Health sectors. This information can be used to improve both decision making and enhance accountability, which in turn will provide incentives to improve performance. In such circumstances reporting frameworks need to be designed in such a way that they promote local accountability and also provide central government with routine performance and expenditure data to inform decision making at that level.
- **Linking access to and the level of development funding for service providers or local governments to annual assessments of performance.** This involves, firstly, designing a framework for assessing performance. As with central conditions, these need to be carefully formulated to provide the right kind of incentives. They are probably best focused on service delivery processes and capacity rather than actual service delivery performance – as it is these processes over which local governments and providers have control. Furthermore, conditionality is probably best linked to funding for service delivery infrastructure and other development expenditure as the quantity of funding for operating services would be unduly disruptive on in-year services. This is the successful approach taken in the local government case studies.

124. These types of approach can be built into SBS during the design phase, and their enforcement monitored through the central dialogue and conditionality.

6.5 Building links between SBS and crosscutting reforms via dialogue structures and GBS

125. Finally, it is important that SBS is not designed and implemented in isolation. Seeking complementarity to other aid inputs in the sector is, or should, be intrinsic to the design of SBS inputs, as discussed so far. But it is also important that SBS inputs are linked to crosscutting reforms outside the sector. Typically SBS programmes have been weakly linked to crosscutting reforms and aid outside the sector, in particular GBS. Thus it is important that both donors and partner governments work actively towards greater complementarity between SBS (and the strengthening of service delivery it is intended to support), and crosscutting reforms to areas such as PFM, the civil service, and decentralisation, where GBS has a comparative advantage.

126. There are four main ways partners can work towards this:

- **Introduce a culture of collaborative working in crosscutting and sector reforms.** The government authorities responsible for civil service reform, decentralisation and public financial management should engage in the sector policy dialogue. Similarly, sector authorities need to engage in the dialogue for crosscutting reforms. SBS programmes should also systematically link up with GBS programmes and ensure that sector civil service-related issues are addressed through the GBS dialogue/conditionality framework.
- **Ensure consistent donor engagement in crosscutting and sector dialogue.** Often donors involved in crosscutting reforms push different agendas from those in sector ministries and vice versa. There is need for the donor community, through its coordination structure, to agree consistent lines in the dialogue across sectors, not just within sectors. Engagement of donor groups working on crosscutting reforms in sector dialogue and vice versa would help in delivering improved consistency.
- **Establish consistent frameworks for monitoring and conditionality.** Linked to the previous point it is important that the conditionality frameworks for GBS and SBS use consistent parameters to monitor and apply conditionality. That means focusing on the same performance indicators and targets and the same actions to improve service delivery. All too often, the GBS dialogue focuses on different and/or inconsistent performance targets and actions to SBS and SWAs. To be achieved, conditionality frameworks need to be focused on key issues across the board.
- **Think from the “bottom up” in cross-cutting reforms.** Typically, crosscutting reforms such as decentralisation, civil service reforms and public financial management are developed with a central perspective. For example, the proponents of civil service reform look at reforming the whole civil service across the board, for instance, applying comprehensive pay and systems reform. Whilst there are undoubted benefits of taking a comprehensive perspective, it is also important that these reforms are responsive to the needs of individual sectors. Such an approach for civil service reform is discussed in Box 14.

Box 14: Turning Civil Service Reform on its head

Human resources are central to service delivery, especially when the public sector is the predominant provider of services. For instance, even with more qualified teachers in schools, if they do not turn up for work or are poorly motivated, this will negatively affect the learning process. Similarly, health or agriculture extension worker attitudes are a critical determinant of services. Sound human resource policy and management is critical - acceptable remuneration level, reasonably conducive working conditions, career prospects, supervision, support and opportunities for professional development. Whilst the importance of these issues is often acknowledged, sector authorities have often not been able to overcome the constraints faced in trying to do so. And, in many cases SBS programmes have done little to change this.

Civil Service Reform is a notoriously protracted process, and often takes a top down perspective that rarely takes sector specific issues into account¹⁴. Furthermore, sometimes sector authorities have faced constraints arising from macro-fiscal caps on the government wage bill and/or other aspects of civil service reform programmes, limiting what the sector could do. Yet again, SBS programmes have usually not engaged with government processes to manage its civil service and with ongoing civil service reform processes.

There is a further argument to turn civil service reform “on its head”, making it focused on bottom-up, sector-specific and service delivery oriented human resource strategies¹⁵ (as opposed to the usual, comprehensive top-down reform approach). In this way SBS/sector donors would also ensure that when there is scope for SBS programmes to support sector-specific “HR retention plans” (like those implemented and recently prepared by health authorities in Zambia and Mozambique), these are firmly located within the overall civil service reform dialogue. Sector authorities, the Ministry of Finance and the ministry in charge of civil service/civil service reform, sector donors and donors supporting civil service reform should jointly explore ways in which this could be achieved.

- **Use multidisciplinary teams in the design and management of SBS programmes.** SBS needs to be managed by teams which include representatives of cross-cutting ministries as well as the sector ministries; and representatives of crosscutting donor groups as well as the sector donor groups. Furthermore, there needs to be a balance of expertise in the arenas of civil service reform, political economy, community development, economics and financial management experts alongside sector specialists. Similarly, sector review processes need to involve both crosscutting ministries and donor representatives from a cross section of donor groups. This will help build understanding of sector issues.

127. Encouraging these changes in practice is not likely to be simple as the prevailing incentive for actors is to work in silos. This, therefore, requires strong leadership from both the government and the donor side to challenge these incentives.

6.6 Responding to risk in the design and implementation of SBS

The Cost of Derogations

128. The evidence from the case studies suggests that derogations from country systems tend to undermine efforts to strengthen country resource allocation, financial management systems and sector policy processes, which have been touched on in previous sections. Table 3 summarises the key detrimental effects of derogations.

Table 3: Costs of Typical Derogations

Type of Derogation	Cost of Derogation
<i>Earmarking of SBS to specific areas of expenditure</i>	Earmarking interferes in the domestic budget process, undermining the decision making of sector institutions, the Ministry of Finance, cabinet and parliament. Where earmarking is imposed and not negotiated this tends to undermine the ownership and sustainability of budget allocations.
<i>Traceability of SBS in budget documents</i>	Traceability of SBS fragments budget allocations distorts the structure of the budget, undermining overall strategic resource allocation. It skews dialogue towards the areas which SBS is funding and away from the overall budget, and encourages further derogations from country systems. Traceable SBS results in a major share of the dialogue being devoted to the operation of the SBS instrument, at the expense of broader policy and systems issues. Furthermore, SBS is considered by recipients as donor funds

¹⁴ See e.g. Batley 2004, and Nord et al 2009 on the case of Tanzania.

¹⁵ This would be similar to suggestions made for PFM reforms during the CAPE CAPE Public Finance Conference – “Reforming for Results: Can PFM Reform Uplift Government Performance?” (November 2008)

Type of Derogation	Cost of Derogation
<i>Treating SBS as a separate revenue in the cash flow.</i>	This undermines the ability of the recipient governments to manage its cash optimally during budget execution as SBS funding is ring-fenced.
<i>Allowing spending agencies to retain cash balances at the end of the year.</i>	This undermines the annularity of budgets and the incentives for spending agencies to spend money as planned during the financial year. It also creates accounting problems, as rolled over balances are not budgeted for in the new financial year and not captured in the annual accounts of the old financial year.
<i>Parallel procedures for expenditure control and procurement</i>	The use of parallel or additional procedures for expenditure control distracts attention from the strengthening of domestic systems, as SBS typically draws from the same (limited) human resources as domestic funding.
<i>Additional Expenditure Reporting Requirements</i>	This adds transactions costs to limited financial reporting and distracts from efforts to improve reporting on overall budget execution and funding for service delivery.
<i>Additional Audit Requirements</i>	Additional audits attract attention away from the statutory audit. The findings are typically not owned by the recipient, and follow up is difficult to obtain. Donor-recipient relations can be undermined, and add significantly to transactions costs.
<i>Additional reporting on performance in addition to that in SWAps</i>	This adds to transactions costs and distracts attention away from established SWAp coordination structures and the need to improve the scope and focus of established sector reporting processes to inform domestic decision making.
<i>Bypassing normal service delivery systems and institutions</i>	This prevents the strengthening of domestic systems and institutions for service delivery.

129. As repeatedly stated, the most effective way of delivering SBS funding is the use of un-earmarked and non-traceable SBS which is supported by dialogue and conditionality that focuses on improving service delivery. These types of actions were identified in section 4.2. Similarly SBS is most effective when it uses and supports the strengthening of sector policy processes. However, this may not always yield results which adequately address legitimate donor concerns, especially in the short term. Therefore, in practice, derogations such as those discussed earlier in this section may prove necessary. All too often those derogations are far more severe than a measured response to the risks would demand.

Identifying and Responding To Risk

130. What is needed is a more considered response to risk that involves explicit efforts to address the causes of weaknesses country systems rather than avoidance of those systems, and only applies derogations when risks cannot be adequately addressed over the short to medium term Table 4 sets out a sliding scale of responses to fiduciary risks. The starting point should always be an effort to address the fiduciary issues through strengthening partner systems. Where this is not possible a set of moderate derogations, which aim to adapt domestic systems rather than impose parallel systems. If such derogations are not feasible a set of significant derogations, which also have significant costs, are identified. In particular traceability should be avoided wherever possible. Furthermore, it is important to note that addressing risks without derogating from country systems demands collaborative working with cross-cutting reform processes, and this underscores the importance of links to crosscutting reforms and GBS.

Table 4: Responding to Risk

Area of Risk	No Derogations	Moderate Derogations	Significant Derogations	Desired outcome
Resource Allocation				
<i>Un-transparent budget allocations make it difficult to identify funding for service delivery in</i>	Identify and support actions for Ministry of Finance to improve presentation and	Support the development of a sector-wide presentation of overall resource	Make SBS traceable and separately identifiable in the budget	<i>Transparent budget allocations, with funding for service delivery clearly classified and</i>

Area of Risk	No Derogations	Moderate Derogations	Significant Derogations	Desired outcome
<i>the budget</i>	classification of the budget	allocation using existing budget classification		<i>presented</i>
<i>Inadequate funding for service delivery</i>	Support sector ministries in budget negotiations for increases in funding for service delivery	Participate in budget negotiations and negotiate earmarking of SBS to service delivery	Make SBS traceable and earmarked to service delivery	<i>Funding of service delivery adequate</i>
<i>Inefficient budget allocations with low share of budget allocated to service delivery</i>	Identify and support actions to improve efficiency of sector budget allocations via the budget process	Use negotiated conditionality on improvements to efficiency in resource allocation	Earmarked SBS to service delivery	<i>Efficient resource allocation, with appropriate share of funding for service delivery.</i>
Budget Execution and Audit				
<i>Unreliable funding for service delivery</i>	Identify and support actions to strengthen overall cash management.	Ministry of Finance commits to protecting key sector budget lines from cuts during budget execution	Make SBS traceable and treat as a separate revenue in cash management processes.	<i>Manageable degree of predictability in funding for service delivery.</i>
<i>Unspent balances for service delivery lapse</i>	Identify and support actions to strengthen capacity of spending institutions to spend budgets	Require unspent balances for priority budget lines to be re-budgeted for in future FYs	Make SBS traceable so that unspent funds can be spent in future financial years	<i>Sector budgets spent in line with budget allocations</i>
<i>Weak/non existing domestic systems for funding service delivery</i>	Identify and support actions to strengthen systems / create new government systems for financing delivery	Put in place additional system requirements for funding of service delivery.	Make SBS traceable and create parallel funding channels for service delivery for SBS funds	<i>Strong domestic systems for funding service delivery</i>
<i>Weak procurement and expenditure controls for service provision inputs</i>	Identify and support actions to strengthen procurement and expenditure controls systems and staff in sector institutions	Put in place additional sector specific requirements on top mainstream procurement and accounting requirements.	Make SBS traceable and use parallel systems of expenditure control for SBS funded budget lines	<i>Strong and transparent procurement and expenditure controls for service delivery inputs.</i>
<i>Weak Reporting on Expenditure on Service Delivery</i>	Identify and support actions to strengthen expenditure reporting	Use reporting on disbursements as a proxy, supplemented by periodic expenditure tracking surveys	Create additional reporting requirements for SBS funded budget lines.	<i>Strong and systematic reporting on expenditure on service delivery.</i>
<i>Weak domestic audit</i>	Identify and support actions to strengthen domestic audit of the sector	Supplement statutory audit, with diagnostic studies of key risk areas.	Fund a separate audit of key sector expenditures to be carried out by a private sector audit firm.	<i>Strong domestic audit of sector expenditures</i>
Sector Institutions and Policy Processes				
<i>Gaps in reporting on service delivery performance by sector</i>	Identify and support actions to fill gaps in reporting on service delivery	Support sector to carry out additional studies or surveys or routine service delivery performance to	Make SBS traceable, and introduce conditions on SBS funded expenditures and carry out parallel	<i>Comprehensive reporting on service delivery performance</i>

Area of Risk	No Derogations	Moderate Derogations	Significant Derogations	Desired outcome
		address gaps in delivery.	surveys.	
<i>Weak institutional capacity to manage reforms to service delivery</i>	Support sector ministry to identify capacity gaps and restructure institution accordingly.	Provide technical assistance to support the management of reforms in line departments	Use a fully staffed programme implementation unit to provide technical assistance and provide support to procurement of technical support.	<i>Sector ministry is able to manage reforms to service delivery effectively</i>

131. Therefore, as part of the design phase of an SBS instrument a framework for managing risk should be introduced. This should involve an identification of the key risks; agreed planned actions to address that risk identified; and process for monitoring risk and actions to address risk. Where a derogation proves necessary, it should be fully justified, with the costs and benefits of that derogation identified.

132. The degree of risk is likely to evolve over time. A key problem when introducing a derogation is that it tends to become permanent and remains long after domestic systems have improved. Therefore, **when introducing a derogation, an exit strategy for phasing it out should be agreed**. This would involve identifying the conditions under which the derogation would no longer be needed. For example, improvements in the reliability of the domestic budget disbursements and increased absorption of budgetary funding could be a condition for withdrawing.

6.7 Assessing the Effectiveness of SBS

133. Finally, an important element of any aid programme is the way it is assessed, and this needs to be factored into the design process. Even more important is to work towards strengthening monitoring and evaluation of service delivery as described in Section 5.

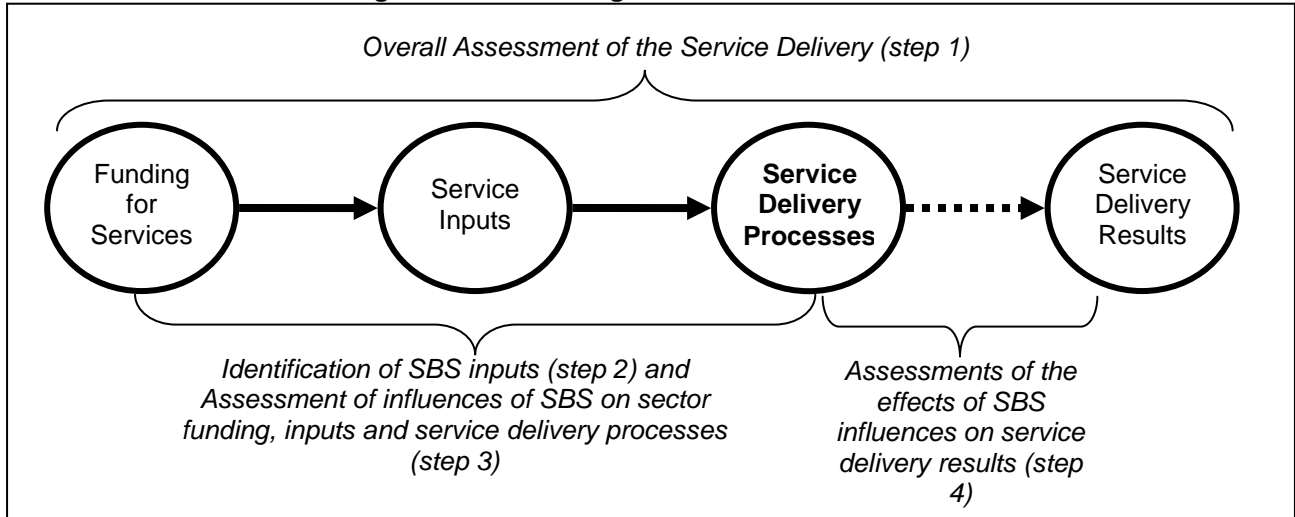
134. The study used a broad assessment framework to cover the broad spectrum of SBS instruments. Any assessment of a specific instrument will need to be focused on the objectives of that particular SBS programme, however, a similar four step approach will need to be taken:

- **Firstly**, the diagnosis of sector service delivery carried out in the design of SBS would need to be updated. This would include an assessment of why any changes in service delivery results have taken place. In doing so it would also examine trends in sector expenditures, inputs and service delivery process – i.e. the results chain in the sector – and identify the key central influences on the results chain. As part of this exercise an assessment of the implementation of plans to improve sector performance, and their influence on service delivery, would need to be carried out. Ideally this step should take place anyway as part of the routine monitoring and evaluation.
- The **second** step would be document the SBS inputs provided to the sector, in terms of funding, TA and capacity building, conditionality and dialogue and links to other aid instruments. To facilitate this, it is important that documentation on SBS inputs is maintained during the execution of SBS. Typically this is not done. Key to mutual accountability is whether SBS has been implemented as planned, and conditionality frameworks been applied as agreed.
- The **third** step would be to assess how SBS influenced expenditure on service delivery; service delivery inputs, and service delivery processes. As part of this step, the

contribution of SBS to the diagnosis of key service delivery issues, and the identification and implementation of actions to address those issues should be identified.

- The **fourth** step would be to examine whether any of the improvements in service delivery funding, inputs and processes that were identified in step three as having been influenced by SBS are likely to have contributed (or to contribute in future) to improvements in service delivery results.

Figure 12: Assessing the Effectiveness of SBS



135. A review of this nature should probably take place every three years. Importantly, the greater the improvements to annual monitoring of service delivery and the clearer the cycle for service delivery improvement, the more straightforward such an assessment would be.