



# Measuring good pooled funds in fragile states

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## Abbreviations

ACU	Aid Coordination Unit
ARTF	Afghanistan Reconstruction Trust Fund
CSO	Civil society organisation
FCS	Fragile and Conflict-Affected Situations or States
LHSPF	Liberia Health Sector Pooled Fund
MDTF	Multidonor trust fund
MDTF-SS	MDTF-Southern Sudan
NGO	Nongovernmental organisation
ODI	Overseas Development Institute
PIU	Project implementation unit



## Abstract

This paper introduces an experimental methodology for an index that captures the performance of pooled funds in fragile states across the Paris Declaration principles: ownership, alignment, harmonisation, delivery of results, and mutual accountability. This methodology was fully tested on three pooled funds in different countries to show it is possible to assess and compare pooled funds in a systematic way with results that strongly reflect general perceptions of effectiveness.



# 1 Introduction

This paper explores in more depth the methodology put forward in the project briefing 'Fragile states: measuring what makes a good pooled fund' (Coppin et al, 2011). The briefing is available on the ODI website.<sup>1</sup> Also on the website is the dataset used for testing this methodology and a tool for adding data on other pooled funds.<sup>2</sup> Any interest in adding to this dataset would be most welcome.

Pooled funds are gaining in popularity in fragile states as a means to effective aid.<sup>3</sup> Fragile states are countries facing severe development challenges, especially political instability and conflict, a weak institutional environment, and poor governance.<sup>4</sup> Different fragile states face very different problems, depending on the political and economic environment within the country and the relationships with bordering countries and the international system. Dynamics are also critical: approaches should be determined depending on whether donors are engaging in a deteriorating situation or a "hopeful partnership" (OPM and IDL, 2008). These various factors affect the ways that donors can, should and do engage in fragile states, but there are generally applicable principles of aid effectiveness that can also inform this engagement.

Effective aid was described in the 2005 Paris Declaration on Aid Effectiveness (the "best summary we have on the lessons of a half-century of experience" (Booth, 2008: 1)). It states that, in general, effective aid is critically dependent on ownership of aid programmes by recipient countries; the alignment of aid with recipient government policies and systems; and the harmonisation of aid between donors. It also emphasises delivery of results rather than inputs alone, and mutual accountability. Without these elements, aid is likely to be fragmented, erode state capacity to govern, and develop parallel systems without accountability to citizens.

These general principles of aid effectiveness are no less relevant in fragile states, although they may be more challenging to put into practice. The transition from fragile state to robust state is by definition dependent on building capable, effective, and legitimate institutions that can provide and oversee public services and be held accountable (ideally to their citizens, rather than donors). This requires effective aid that does not undermine state capacity.

Recently, the New Deal for Engagement in Fragile States, which came out of the Fourth High Level Forum on Aid Effectiveness in Busan, reiterates the fundamental principle that the way in which donors provide aid can shape the transition out of fragility for conflict-affected countries (IDPS 2011). It builds on Paris Declaration principles and emphasises country ownership and use of country systems, even in the very challenging institutional environments of fragile states. "In most transitional or post-conflict settings, the Paris Declaration can be applied in ways that are not possible in situations of deterioration or prolonged crisis" (OPM and IDL, 2008: vi).

## 2 Good pooled funds

Pooled funding is one financing mechanism that aims to harmonise aid flows and thereby reduce the transaction costs of aid for recipients, in line with Paris Declaration principles. It

1 At <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7266.pdf>

2 At <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7265.xlsx>

3 Effectiveness is defined here as aid that delivers results on the ground in the short to medium term, while strengthening the ability of the state to do so in the long term.

4 See for instance, the World Bank's definition of fragility: low-income countries that score below 3.2 on the Bank's Country Policy and Institutional Assessment (World Bank, 2012).

does so by channelling finance from multiple donors through one instrument (called variously a multidonor trust fund or MDTF, a pooled fund or a basket fund, although these may differ in various aspects). Indeed, 'The consensus view, inside and outside the World Bank, is that MDTFs are "the instrument of preference" for engaging with the FCS [Fragile and Conflict-Affected Situations or States]. This is supported by stakeholder interviews and the existing literature" (Scanteam, 2010: 22; Barakat et al., 2011: xi).

As with other aid instruments, there is potential for pooled funds to be effective if utilised appropriately. Many external factors may affect their performance. The internationally strategic importance of a particular fragile state will have an overwhelming influence on various aspects of how donors and governments behave, while the security situation is also critically important. In terms of aid effectiveness, the existence of state systems is crucial, as are the prevalence of corruption in the state, the extent to which donor activities are subject to political activity, and the complexity of the sector in which donors are acting.<sup>5</sup> These important external features are all beyond the scope of this paper.

However, there are also some common features in the internal design of pooled funds that can accommodate these variations in context and promote more effective aid that supports state-building. It is important to note that although they may promote harmonisation, pooled funds do not *a priori* promote country ownership or use of country systems. 'In general, the review finds that pooled funding has the potential to strengthen aid effectiveness but that the aid effectiveness benefits do not accrue automatically' (Ball and van Beijnum, 2010: viii).

Synthesising the results of the last five years of cross-country research into pooled funds and other aid<sup>6</sup> shows that there is a wide range of experience with pooled funding mechanisms in fragile states. This research shows that there are some areas of consensus on what constitutes good practice for pooled funds in fragile states. '[T]here is a large body of knowledge and convergence of views on the efficiency of MDTFs in FCS, and on their typology, governance structures, and implementation modalities' (Scanteam, 2010: 1).<sup>7</sup>

An array of research stresses that a good pooled fund has features that are broadly in line with Paris Declaration principles. This research shows that a good pooled fund:

**...promotes ownership**

- by aligning with relevant national strategy documents: 'MDTFs based on clear political agreements between the critical stakeholders have a greater chance of success ... Where it exists, MDTFs should be integrated into and support the larger aid architecture (a National Development Strategy, PRSP or relevant planning and/or coordination instrument). Where these instruments are emerging or maturing over the course of an MDTF's operational life, care should be taken to adapt and ensure integration' (Scanteam, 2010: 16).
- by engaging key players in national government (ministers are on the management committee, for instance):

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5 More broadly, it is critical to remember that aid has only a limited effect on overall outcomes even if the performance of the aid instrument is technically good. Indeed, even when an aid instrument such as general budget support is focused on supporting government budgeting processes, the influence of aid is limited. 'Domestic political considerations have a dominant influence. The Tanzanian experience is a useful reminder that budget funding and the related dialogue, conditions and TA are never likely to have more than a modest influence on processes of public sector reform and institutional development' (Lawson et al., 2006: 137). 'GBS funds per se do not improve PFM systems, but they do empower recipient governments to improve these systems...those involved in the dialogue need to understand and take[n] into account the political economy of PFM reform' (Williamson, 2006: 149–50).

6 Barakat et al. (2011); GSDRC (2001:1); Ball and van Beijnum (2010); Scanteam (2010); ODI (2010); OECD (2010a); OECD (2010b); Anten (2009); OPM and IDL (2008); Scanteam and Norway (2007); Ball (2007); and Foster (2007) all provide cross-country research into pooled funds and MDTFs. In addition, Faust (2012), Batkin (2001), and Tendler (2000) discuss social funds while Williamson and Dom (2010) and Williamson et al (2008) discuss sector budget support.

7 However, note that this research is by no means comprehensive. 'While a number of useful "best practice" guidelines can be gleaned from the literature, there is a lack of research examining trust fund design issues, and there are few studies that highlight which models of trust fund are most appropriate in particular contexts' (GSDRC, 2011: 1).

- 'Government membership in MDTF governance mechanisms has the potential of strengthening ownership and leadership. However, this is not a guarantee...Regardless, including national authorities in MDTF governance structures provides a safety net to donors, as well as to the Fund Administrator, in terms of risk sharing. It also provides access to national authorities, and as such opportunities for policy discussions' (Scanteam, 2010: 18).
- 'There is generally no contention regarding the prevalent role of Donors in funding decision making in MDTFs, as long as decisions are made in dialogue with Governments prior to donors' funding approval and according to national priorities' (Scanteam, 2010: 25).
- 'At the same time, any MDTF needs explicitly to incorporate design and operational features that promote national ownership. MDTFs should, for example, include representatives of national governments and civil society on management bodies' (Ball 2007).
- 'Fund structures should allow national partners to take the lead in a limited number of key areas at the outset and subsequently expand these responsibilities as their capacity increases' (Ball and van Beijnum, 2010: v).
- by developing the capacity of the national government: 'One of the immediate and more complex challenges faced early in the post-conflict reconstruction period is the rebuilding of public sector institutions and capacity to manage the reconstruction and the transition to development... Donors need to provide MDTFs aimed at capacity development in the public sector with predictable funding within a horizon of five years' (Scanteam, 2010: 30).
- with a project implementation unit (PIU) that is embedded in the relevant ministry: 'Experience indicates that although working with national actors and through national institutions (including those at community level) is initially slower than direct execution by international executing agencies, it yields greater benefits over time, produces more sustainable outcomes and has a better response from beneficiaries' (Ball, 2007: 12).<sup>8</sup>
- by being transparent to national government: 'The conference felt that donors should take more seriously their responsibilities for reporting to recipient governments on the expenditure of aid funds' (Manuel et al, 2010: 10;).<sup>9</sup>

### ...promotes alignment

- by limiting earmarking or preferencing:
  - '[D]onors' tendency to exert influence over fund administration through, for example, preferencing and micromanagement diminishes the efficiency of the mechanism and challenge MDTFs' ability to function as a tool for harmonization ... [D]onor preferencing and micromanagement of a portfolio significantly limit governments' ownership and ability to align project design with its foreseen capacity for implementation, which undermines the very purposes of a partnership-based pooled mechanism' (Scanteam, 2010: 23-24).<sup>10</sup>
  - '[E]armarking tends to reduce the flexibility of aid, as implementing partners are unable to shift funding between different budget lines and priorities. This can have serious consequences in highly fluid conflict-affected environments, where

<sup>8</sup> Note that Tendler raises the same issues in relation to social funds, questioning the effectiveness of the apparent 'leanness' and low administrative costs of social funds, and asking whether they are really more effective than investing in reform of public institutions (Tendler, 2000: 119). Batkin also notes the "unresolved" trade-off between parallel structures and wider public sector reform (Batkin, 2001: 435).

<sup>9</sup> Note that Faust also raises the same issue in relation to social funds: 'Given the complexity of design, application and implementation procedures for local investment projects, poor municipalities might lack the capacities to fulfil the requirements necessary to successfully apply for funds from the national fund' (Faust, 2012: 1). Even given the fact that pooled funds in fragile states may not seek applications from community level organisations, the general point about capacity almost certainly stands for national contractors and suppliers in fragile states, and indeed national governments.

<sup>10</sup> Note that this is also an issue for sector budget support, where earmarking and traceability requirements have been shown to adversely affect effectiveness (Williamson and Dom, 2010).

international actors need to respond rapidly to changing realities without being able to rely on governments' ability to introduce and guide priority setting and the sequencing of interventions' (OECD, 2010b).

- by aligning (or shadow aligning) with government systems.
  - 'The post-conflict government and the donor community might find each other in an arrangement in which donors commit themselves to align their funds with the government budget procedures, while being allowed to monitor the procedures and building the institutions and capacities for dealing with the government budget, including procedures for parliamentary or other citizen oversight ... Multi-Donor Trust Funds, co-managed by the host country, World Bank and/or United Nations Development Programme, and linked to support for public finance management, are options for achieving shadow alignment where the budget procedures are not considered robust enough yet for general budget support' (Anten, 2009: 45).
  - 'In FCS situations, the political cycle tends to be shorter, more intense, contested, demanding the project cycle to be tighter to the political cycle than in other contexts ... Portfolio design is highly influenced by political objectives and political timetable. Often, different stakeholders perceive objectives differently, although the timetables tend to be fixed ... There is an overall lack of clarity about the actual requirements of the project cycle, leading to unmet expectation and risk for all stakeholders. The political and portfolio cycles need to be brought into closer alignment, and expectations must be realistic' (Scanteam, 2010: 37).

### **...promotes harmonisation**

- by having systems that give donors confidence to contribute, including:
  - adequate fiduciary oversight:
    - 'FCS are characterized by low implementation capacity and weak public administration systems and procedures, which is a major reason that the World Bank is often asked to take on the MDTF Administrator role: it upholds fiduciary standards and a focus on results management that the donor community wants. However, these same standards are also a source of friction: strict standards necessarily mean more careful and thus slower implementation' (Scanteam, 2010: 3).
    - 'Donors have understandable concerns about the potential that exists for diversion of resources if financing is channelled through government budgets. There is, however, growing experience through World Bank managed MDTFs that the use of a monitoring agent can both reduce opportunities for diversion in the short term and help develop capacity for sound financial management in the medium term' (Ball, 2007: 12).
  - experienced senior staff:
    - 'The Administrators exert great influence on the performance of MDTFs as most MDTF funds are implemented using the policies, rules and procedures of its Administrators ... The dedicated capacity and level of management support within an Administrator's institution/organization is thus crucial for MDTF operation to perform in efficiently and effectively' (Scanteam, 2010: 20).
    - 'Lessons pinpoint to the importance of ensuring that key MDTF team is on the ground from the earliest possible date and that adequate administrative and operational support staff is in place and trained/fully conversant in Bank operations to support the MDTF in the field' (Scanteam, 2010: 35).
    - 'The review team recommends that organisations managing pooled funds invest in qualified leadership, in particular by ensuring that their managers have experience working in post-conflict transition settings and a proven ability to set priorities, lead strategy processes and coordinate multiple actors with often divergent priorities' (Ball and van Beijnum, 2010: viii).

- ‘The lack of adequate capacity and administrative support to manage and guide MDTFs in complex emergencies has resulted in slowness in moving pooled funds mechanisms in a timely manner from phases of establishment to operationalization’ (OECD, 2010b).
- transparency to donors: ‘MDTFs are complex, tightly integrated partnerships. The performance of the mechanism is influenced by: (i) the manner in which roles, responsibilities, burdens and risk are shared between the partners; (ii) the performance of each stakeholder in those roles; and, (iii) the interaction between the stakeholders within the mechanism and its external context and conditions. MDTFs are constantly interacting with their environment. The partnership is, therefore, porous. Stakeholders’ knowledge of the mechanism affects performance as roles can be better understood and defined, resources for performing roles planned, expectations better managed’ (Scanteam, 2010: 24).

### **...delivers results**

- by disbursing funds quickly and flexibly, using procedures that are appropriate to a fragile state (see a fuller discussion below):
  - ‘Lessons emphasize that keeping project design realistic and simple is important as well as making explicit space for periodic and mid-term reviews during supervision to allow for component or project restructuring when needed, as fluid post-conflict settings evolve’ (Scanteam, 2010: 37).
  - ‘A central lesson learned by the donor community regarding its engagement in transition situations is the importance of having the capacity for rapid, flexible response’ (Ball and van Beijnum, 2010: vii).
  - ‘Development partners should set higher standards for the speed and flexibility of their delivery in fragile states, but not at the expense of damaging national institutions’ (Manuel et al, 2011: 3).
  - ‘A pooled fund should use procedures that are appropriate for a fragile-states environment ... [Staff] tend to add procedures at every level, reflecting a safety-first culture ... Staff members administering MDTFs need to challenge these additions to maximise the flexibility and speed that donors expect from MDTFs’ (OECD, 2010b).

### **...promotes mutual accountability**

- by ensuring good monitoring systems and independent reviews:
  - ‘Steering Committees should give high priority to developing a rigorous fund-level monitoring and evaluation component. Furthermore, Steering Committees should ensure that fund managers have adequate staff capacity assigned to fund-level monitoring and evaluation and implementers should ensure that they have adequate staff capacity assigned to project-level M&E’ (Ball and van Beijnum, 2010: 51).
  - ‘A concise, easily understood and executed reporting and evaluation process should also be incorporated into the fund’s operational structure’ (Barakat et al., 2011: 50).

In summary, this research generates a set of features of effective pooled funds, listed in box 1.

### **Box 1: Summary of attributes of a good pooled fund in Paris Declaration terms**

Past research stresses that a good pooled fund:

#### **...promotes ownership**

- by engaging key players in national government (ministers are on the management committee, for instance)
- by developing the capacity of the national government
- with a project implementation unit that is embedded in the relevant ministry
- by being transparent to national government.

#### **...promotes alignment**

- by aligning with relevant national strategy documents
- by limiting earmarking or preferencing
- by aligning (or shadow aligning) with government systems.

#### **...promotes harmonisation**

- by having systems that give donors confidence to contribute, including:
  - adequate fiduciary oversight
  - experienced senior staff
  - transparency to donors.

#### **...delivers results**

- by disbursing funds quickly and flexibly, using procedures that are appropriate to a fragile state.

#### **...promotes mutual accountability**

- by ensuring good monitoring systems and independent reviews.
- by ensuring donors and recipients are accountable for development results.

Source: author's own compilation

## **3 Key trade-off: Short-term financial effectiveness and long-term state-building**

Risks for donors using country systems include fiduciary risk, reputational risk, inefficiencies, and lack of desired outcomes. The risks associated with using government systems in fragile states (and elsewhere) mean that donors are keen to provide aid in a way that allows some distance from these systems. Pooled funds can provide this distance by allowing donors to channel only a proportion of finance through the government systems, perhaps none, perhaps growing over time.

In this, pooled funds are like other aid instruments with similar features, such as social funds, which are often semi-autonomous agencies outside the normal administrative structure (Tendler, 2000; Batkin, 2001), and sector budget support instruments, which are subject to many derogations from the standard of channelling funds directly through a sector ministry (Williamson and Dom, 2010). These cases show that even in stable countries, donors appear to prefer to disburse outside government systems despite the well-documented problems this causes.

Risks and results matter. Fiduciary risks are real, and there are arguably greater risks in fragile states and conflict-affected situations. Effective pooled funds must have adequate fiduciary

oversight, as noted earlier, which can take place alongside some other elements of alignment as noted to work towards building a robust state.

The Paris Declaration also emphasises 'delivering results', in part to correct a tendency among both donors and recipient governments to focus on financial inputs rather than development outcomes.<sup>11</sup> However, when combined with a requirement to deliver results quickly, as both donors and politicians hope, it is more problematic to strike a balance with state-building requirements.

In relation to pooled funds (and other aid instruments<sup>12</sup>), there is valid concern among donors that contributions might sit in the pooled fund for an unduly long time rather than being disbursed to meet the urgent needs on the ground, especially in a conflict or post-conflict situation. Disbursement speed therefore remains a relevant metric for the effective financial management of pooled funds in fragile states, and is an important precursor to delivering results on the ground.

However, there is a tension between this short- to medium-term financial effectiveness and longer-term state-building. Attempting to disburse aid quickly can mean circumventing state processes, which can undermine attempts to build state capacity. This does not only apply to pooled funds, of course. Social funds in stable countries are subject to the same tensions, as noted by Batkin (2001: 436):

*Creating new structures for social funds, largely outside the rules and traditions of the public sector, has been positive in terms of fund performance but the trade-off is that poorly performing line-ministries, parastatal bodies and local government are left unreformed. The parallel social fund structure also poses significant questions about institutional and financial sustainability in the longer term ... In many countries, establishing a separate fund, with a more flexible and accountable management, outside the line agencies, [h]as proven to be beneficial for both target communities and politicians anxious to see their good intentions translated into real benefit on the ground ... The extent to which social funds become a model for administrative reform, or a diversion from it, is unresolved.*

The literature shows that some researchers are pessimistic about the ability of donors to meet both short- and long-term objectives using pooled funds:

- 'MDTFs can often be overambitious in terms of what they can deliver, and cannot be expected simultaneously to build state capacity and deliver public goods and services in a timely manner' (OPM and IDL 2008, vii).
- Lack of delivery reflects the 'contradiction placed in the fund's original mandate; simultaneous building the capacity of state institutions while at the same time expecting to deliver services through those institutions' (see also Scanteam (2010), Vol II: 76).

Others believe that although these features are in tension, this does not mean that it is impossible to do both.

- 'While it is important to deliver peace dividends rapidly, key elements of the transitional agenda are more long-term in nature: peacebuilding, statebuilding and providing security. Attempting to move too rapidly can undermine ownership and thus the achievement of aid effectiveness ... For aid effectiveness benefits to be realised by pooled funding mechanisms, it is important to distinguish between elements of the aid effectiveness agenda (like ownership) and elements of effective fund management (like lower transaction costs). While effective fund management is key to achieving aid effectiveness, it does not automatically lead to that outcome.

11 It is not possible for an exercise such as this to gather data on actual development results from pooled funds, although one might hope that pooled funds themselves gathered such information, and effective monitoring is included as an important component in mutual accountability.

12 Faust, for instance, notes slow disbursement as an issue for social funds in Brazil (Faust, 2012: 7).

Indeed, the two central elements of the aid effectiveness agenda – ownership and mutual accountability – may be by-passed in the name of effective fund management’ (Ball and van Beijnum, 2010: vii).

- ‘While rapid delivery of results may have short-term benefits, bypassing national ownership and institutions to do so can slow down the development of these institutions and even destroy the national capacity that already exists. Generally, institutions get fit with exercise – they learn and get stronger by doing, and by solving the problems that prevent them from achieving the goals for which they are accountable. State institutions can wither if the international community takes over accountability for delivering results, establishes a parallel administration and pays national staff more than the government’ (Manuel et al, 2011: 3).

An agnostic view is taken at this point about the ‘correct’ way that this trade-off should be made by any particular fund, or indeed whether both objectives should be contained in one fund.

## 4 Need for systematic comparison

These cross-country reviews have captured a large amount of information on pooled funds in fragile states, covering many different types of pooled funding in many contexts. Despite the breadth of research in this area and the general consensus on some of the key features of a good pooled fund, there is at present no way to systematically compare different pooled funds (as noted by Barakat et al., 2012). Even within the main administrator of pooled funds, the World Bank, systematic capture of knowledge is limited.

*The efforts to build institutional knowledge and ensure incorporation into MDTF design, strategy, management decision-making, operations, Bank’s planning and evaluation instruments are insufficiently structured ... There is no assurance that the main issues and lessons will be captured or that what is being transferred is appropriate to the context (Scanteam, 2010: 27).*

There is scope, therefore, for a more rigorous assessment of pooled fund practice that compares the features of pooled funds more fully and consistently (Barakat et al., 2011: 46). Although country contexts differ widely and must be taken into account, the research shows that some features that are within donor control are important to the effectiveness of a pooled fund. It is therefore appropriate to ask whether funds have the features noted in box 1, which are thought to increase the effectiveness of pooled funds according to cross-country research. A systematic comparison would then enable aid practitioners across the spectrum to identify weaknesses and strengths in the pooled funds they work with, and take appropriate action.

This paper presents in detail the first attempts to develop a methodology for such a comparison. Using the features outlined in box 1, 30 measurable indicators have been identified covering all areas. Complete data were collected from three funds. Section 5 discusses the choice of indicators and data collection issues, and then goes on to explore possible weightings of these indicators and the results of each approach.

## 5 Choice of indicators

The elements of a good pooled fund (box 1) are used as the basis for a set of measurable indicators. These indicators are best seen as necessary rather than sufficient conditions for effective pooled funds. However, a perfect score on all these indicators would not necessarily result in a perfect pooled fund. There may also be other indicators that should be taken on board, and as noted earlier, some of the features may need to be traded off against each other to strike a balance in certain situations. However, a pooled fund that was seriously lacking

across these indicators would likely have substantial problems with effectiveness, financially and in terms of building capacity.

Also, indicators are chosen not only on the basis of their measurability, but also on ease of data collection. The indicators chosen can be relatively easily scored by relevant observers in country or others with access to relevant documentation. There are serious constraints faced by all actors in fragile states and there is no need for an onerous data-gathering exercise.<sup>13</sup> Where data gathering is an issue for a particular indicator, this is noted.

As noted earlier, pooled funds operate in the real world in context-specific fragile situations and are subject to a range of external influences beyond the scope of this paper, including political, security, and other considerations. Nonetheless, there are relevant general principles of aid effectiveness that apply to pooled fund operations in fragile states, as evidenced by the research above. As such, this paper proposes organising the indicators first by the five areas of the Paris Declaration: ownership, alignment, harmonisation, delivery of results, and mutual accountability.<sup>14</sup> The following sections (in the discussion of weighting) highlight and explore the critical balancing act necessary in pooled funds in fragile states: short-term financial effectiveness of the fund (including disbursement speed) and long-term state-building.

All indicators are scaled to between 0 and 1 for ease of aggregation.

## 5.1 Ownership

The research noted earlier shows that pooled funds are thought to be more effective if they promote ownership. This has been emphasised in the New Deal, with strong support for country leadership and ownership. Ownership is notoriously difficult to define and measure, but there are some measurable features to look for, and literature points to some specific features that promote ownership:

- It may seem disingenuous to claim that national strategy documents are necessarily 'owned' by the recipient government. Indeed, in some fragile states, there may be no relevant national strategy (for instance, due to recent cessation of long-running conflict). In this case, research shows that consensus on strategy among key actors is important for the success of the pooled fund, rather than ownership of strategy by the national government. Aligning the pooled fund with key overarching strategy documents is important for effectiveness, but this may be more properly called harmonisation in some cases. However, given that in some cases there may be genuine national ownership of these strategies, this aspect of pooled fund effectiveness is considered under the 'ownership' rubric for now. Also, if a pooled fund is operating in relationship to national strategies rather than independently of these or in conflict with them, this at least provides a good basis for ownership, or at least shows that there is not a complete absence of ownership. Although there are well-known caveats to assuming that government strategies themselves are 'owned', the relevant features of the strategy that might be thought to point to greater ownership are also considered, such as whether it is well costed and prioritised<sup>15</sup>; this is also suggested by Barakat et al. (2011: 46).
- If the national government is appropriately represented on the policy and operational committees of the pooled fund, this is considered a proxy for ownership. More national representation is considered to be better, although there was some debate about whether this was truly critical. For instance, in pooled funds where the government effectively has overall control of the pooled funds and co-chairs the board, does it matter if the government comprises a small minority of

13 See, for instance, Mata and Ziaja (2009: 16): 'Collecting reliable primary data is especially demanding in fragile settings, where factors such as widespread social mistrust, hidden dynamics and agendas, regime secrecy and lack of infrastructure and capacity seriously hamper any attempt to gather reliable and representative information.'

14 Barakat et al. (2011) does the same, and indeed suggests some of the same indicators.

15 It may be that in some cases it is more appropriate to ask if the pooled fund works under the auspices of a joint donor assessment of needs and priorities, such as a JAM.

board members compared to the donors? This first iteration of the methodology at least tries to capture the balance of power in the board membership, but it is possible that a more sophisticated method for measuring this aspect of ownership will emerge. The ownership indicator was also recommended by Barakat et al. (2011: 46).

- If a government minister has accountability to parliament, the legislature, or some other representative public forum for pooled funds, this was taken as a sign that the pooled fund is somewhat owned and has been somewhat integrated into the business of government. Accountability to the wider donor–government forum is not taken into account here, for instance, if the Minister for Health has to give account of the health pooled fund to the Consultative Group or equivalent.
- The location of the pooled fund management is acknowledged in the literature as one element of an effective pooled fund. If a management unit is located in the relevant ministry, that can be taken as a sign of a pooled fund that is (or has become) ‘more owned’ than a pooled fund with a separate, donor-run management unit. A donor-run external unit may ensure that money flows, but may not deliver capacity-building to government. Even a new unit that is located in a ministry has more chance of integrating into the work of government and providing capacity-building effects throughout the ministry, although other indicators (see ‘Alignment’ below) provide more detail on that. The importance of the location of pooled fund management is also highlighted by Barakat et al., (2011), who recommend an indicator based on the ‘level at which recipient governments actively participate in the formation, implementation and daily operation of the fund’.

Although one desirable feature of an effective fund is appropriate and explicit attention to capacity development, this is hard to measure. Some funds, for instance, may have a capacity development strategy, but remain wholly separate from the functioning of the government; in other cases, the donors involved have other capacity-development strategies, or the fund may be well integrated into the functioning of government. Systems alignment (covered below) captures several important capacity-building functions of a pooled fund, and other attempts to measure capacity-building may not cover the various types of pooled funds equitably. For instance, sectoral and central pooled funds may have very different ways of approaching capacity-building.

Again, a perfect score on these features does not necessarily mean that a pooled fund is completely ‘owned’ by the national government; rather, if these features are absent, it likely means a lack of ownership, and their presence indicates more ownership.

**Table 1: Ownership indicators and scoring methods**

	Indicator	Scoring method
<b>Ownership</b>	Pooled fund relationship to relevant government strategy	Pooled fund operates under the auspices of a strategic framework that sets clear, costed priorities based on robust analysis = 1, operates under a strategic framework that meets some of these criteria = 0.5, no relevant strategic framework or no relationship = 0 (If no strategy exists, then explicit support from pooled fund to develop an appropriate strategy = 0.5, no support = 0)
	National government is represented on committees	More than 40% representation on policy and operational committee = 1, between 20% and 40% representation on policy and operational committee = 0.5, no representation on policy and operational committee = 0
	Ministerial accountability for expenditure to legislature	Sector minister is accountable to parliament and or some other representative public forum for use of pooled funds =1; sector minister not given or does not take public accountability for use of funds = 0.
	Location of pooled fund financial management in ministry	In line ministry = 1, in other ministry (e.g., ministry of finance) using government staff = 0.5, separate PIU (or in ministry of finance using short term technical assistance with no focus on capacity-building) = 0.

Source: Coppin et al (2011)

## 5.2 Alignment

Alignment is a critical area of aid effectiveness, also related to ownership, and also emphasised in the New Deal. One of the most important and most difficult areas of alignment is systems alignment, especially in fragile states where existing systems may be atrophied, highly corrupted, or non-existent. However, using national systems is a way of building their strength and resilience (Manuel et al, 2011c), which is why the extent to which pooled funds use national systems is measured. There are several measurable dimensions of alignment:

- The Collaborative Africa Budget Reform Initiative (CABRI) developed a framework for examining the extent to which aid is 'on budget' (CABRI 2009). CABRI specifies eight dimensions across which aid can be said to be on or off budget. These dimensions have been adopted and an attempt has been made quantify the extent to which pooled funds can be said to be 'on budget' for any given dimension. Work by Publish What You Fund and the International Aid Transparency Initiative has also been taken into account, leading to indicators on whether the pooled fund uses the national financial year, currency and budget classifications.
- Earmarking of funds is a significant way in which donors can prevent aid aligning with national priorities (and so undermine ownership), so there is an indicator on the extent to which pooled funds are not earmarked; (Barakat et al., 2011: 46) also suggest this measure.
- As noted under 'ownership', the location of the pooled fund management unit is critical. A well-located fund can contribute to strengthening government systems more broadly rather than operating as a standalone unit solely for the purposes of the pooled fund. As such, there are two indicators about this unit: its location in a ministry or otherwise, and whether the technical assistance to the pooled fund management unit is restricted to working only on pooled fund business, or whether it can work on other government business as well.
- The World Bank points out that, 'Salary top-ups introduce distortions in incentives, and are undesirable especially when they draw scarce knowledge and skills away from where [they] are needed most' (World Bank, 2002). It is therefore important to ask whether any salary top-ups go only to unit staff, thus providing incentives for staff to work on 'donor projects' rather than government business, or if the top-ups go to other ministry staff as well.
- Finally, transparency contributes to alignment by ensuring that the same information is available to government and donors in their decision-making. Transparency can also contribute to broader national ownership and accountability if information is accessible beyond donors and recipient governments, such as contracting bodies, non-governmental organisations (NGOs), and civil society organisations (CSOs). Accessibility of project preparation guidelines also supports good procurement practice. As such, the fund is scored on whether documentation, reports, and guidelines are easily available, both online and in national media (see Barakat et al., 2011: 46). In the future, it may be appropriate to ask whether the pooled fund publishes its data to the common, open data standard agreed on at Busan.

A perfect score on all these indicators would not necessarily indicate that a fund was perfectly aligned with all government systems, but it would be well on its way (table 2). This is not to say that a perfect score would mean an unsuitable level of alignment, for instance with systems that were too weak, as none of these indicators preclude the possibility of substantial donor oversight.

**Table 2: Alignment indicators and scoring method**

	<b>Indicator</b>	<b>Scoring Method</b>
	<i>CABRI's 8 'on-budget' indicators</i>	
<b>Alignment</b>	... on plan	Pooled fund spending is integrated into ministry planning and budget submission = 1, spending is not integrated in ministry planning and budget submission = 0
	... on budget	Pooled fund financing is reported in budget documentation = 1, financing not reported in budget documentation = 0
	... on treasury	Pooled funds disbursed into the main revenue funds of government and managed through government's systems = 1, not disbursed into government revenue funds = 0
	... on parliament	Pooled fund spending goes before parliament = 1, pooled fund spending does not go before parliament = 0
	... on procurement	National procurement method = 1, donor/fund-specific procurement method compatible with national method = 0.5, fund/donor-specific procurement method = 0
	... on accounting	Pooled fund financing is recorded and accounted for in the government's accounting system in line with government's classification system = 1, pooled fund financing not recorded in government's accounting system = 0
	... on audit	Audit process involves government national audit office = 1, audit process involves ministry-level audit office (e.g., internal audit) = 0.5, audit process does not involve any government audit offices (or audit not carried out) = 0
	... on report	Pooled fund financing included in ex post public expenditure reports by the government = 1, not included = 0
	Low proportion of funds that can be earmarked	1 minus proportion of funds that can be earmarked or preferenced (so 0% earmarking becomes a high score of 1)
	Flexibility of technical assistance to work beyond pooled fund	Objectives of technical assistance go beyond pooled fund management to wider government related work = 1, objectives of technical assistance related exclusively to pooled fund management issues = 0
	Salary top-ups go beyond management unit staff	Salary top-ups go beyond management unit to other parts of ministry = 1, salary top-ups are management unit only = 0
	Business conducted using national budget classifications	Yes = 1, no = 0
	Pooled fund documentation and reports made publicly available	Pooled fund documentation published on website and in widely available national media, or made available to beneficiaries = 1, on website only = 0.5, not published = 0
	Project preparation and approval guidelines available	Pooled fund project preparation and approval guidelines widely available (in pooled fund procedures manual or operating guidelines, on Web or elsewhere) = 1, available on request to pooled fund manager or board = 0.5, not available except to board (or do not exist) = 0
	Business conducted in national currency	Yes = 1, no = 0
Business conducted in sync with the national financial year	Yes = 1, no = 0	

Source: Coppin et al (2011)

### 5.3 Harmonisation

Harmonisation in fragile states is a high priority given the costs of fragmented aid, but low government capacity for leadership can act as a barrier to harmonisation. Pooled funds are an important potential vehicle for harmonisation in a low-capacity environment. To a certain

extent, a pooled fund is already promoting some harmonisation simply by existing, but further or greater harmonisation is dependent upon certain key features.

- Ensuring that the pooled fund provides a safe home for donor funds can help with moves towards greater harmonisation because it encourages more donors to contribute. As such, ensuring that the pooled fund has a regular interface with not only contributing donors, but also a wider donor group, is important.<sup>16</sup> Although a regular interface is not a sufficient condition for harmonisation, it is probably necessary: a pooled fund that did not have a regular interface with donors would be highly unlikely to promote harmonisation.
- The protocol for dealing with misuse of funds is a critical part of reassuring donors (as well as part of the effectiveness of the fund generally), but the use of national accountability processes is prioritised as an important principle of national ownership, rather than a process that is solely linked to the pooled fund.
- The experience and competence of the pooled fund manager is critical to the success of the fund in general, but also for giving donors confidence to contribute. This is scored according to their experience with fragile states and pooled fund management.<sup>17</sup>

The proportion of total finance flowing through the fund is not taken as an indicator of harmonisation, although this is certainly an important issue (see for instance, Barakat et al. (2011: 46), and also Williamson and Dom (2010: 2) on sector budget support). If only a small proportion of donors put a small amount of their funds through a pool, the transaction costs associated with this additional method of financing may mean that any harmonisation benefits are lost and transactions costs may actually increase. The same is true of other programmatic aid instruments such as sector budget support: 'Efficiency gains were greatest when there was a significant relative switch in aid modalities from project and/or common basket funding' (Williamson and Dom, 2010). However, this is difficult to measure. To establish the 'universe' against which to compare the pooled fund, one would have to know the number of donors and the amounts of funds flowing into the country, from which donors, for which data are not always readily available in fragile states. It would also be necessary to compare sector flows, rather than total flows, for sector pooled funds. These flows are measurable, but data collection time would increase substantially. When donors publish more data more reliably to the common, open data standard agreed on in Busan, it would be sensible to use these data to develop an indicator on proportion of total funds flowing through the pooled fund.

The question of whether the fund is going to provide the basis of a sector wide approach or direct budget support is also not pursued, because there would be many factors outside of the performance of the pooled fund that could affect such a decision. Its absence could not be taken as lack of effectiveness or harmonisation, but could be due to the general stability of the environment or the donor mix in country.

Finally, there are no indicators on whether the pooled fund regularly shares information with the Aid Coordination Unit (ACU) or equivalent. Although this is important, the role of the ACU and information sharing expectations can vary widely, and there was no obvious way to find a common denominator across countries on which data could easily be collected.

16 For multisector trust funds, high-level relations are scored rather than sector-level relations, because it is not necessarily the best use of a pooled fund manager's time to meet with many sector groups regularly.

17 Funds are not presently scored according to whether the manager is located in country, although this has been suggested.

**Table 3: Harmonisation indicators and scoring methods**

	Indicator	Scoring method
Harmonisation	Regular interface with wide group of donors	Harmonised, wider donor (sector if sector fund) group has at least quarterly meetings with pooled fund managers and government = 1, pooled fund donors and government meet at least semi-annually = 0.5, irregular interface = 0
	Experience and competence of fund administrator	Senior-level administrator with experience in pooled fund management and with fragile states = 1, senior-level administrator has only ONE of pooled fund management experience OR fragile state experience = 0.5, junior and/or inexperienced administrator = 0
	Protocol for misuse of funds includes national accountability processes	No misuse found or action taken to hold those accountable through national accountability processes = 1, government or pooled fund management processes invoked as they were intended to do so = 0.5, only donor processes available = 0

Source: Coppin et al (2011)

## 5.4 Delivery of results

The Paris Declaration emphasis on delivery of results is an important counterbalance to the tendency of bureaucratic organisations to focus on inputs. Arguably, the other Paris Declaration categories are supposed to provide the preconditions for delivery of long-term development results. However, as discussed above, delivery of results and short-term financial effectiveness are important for pooled funds in fragile states, and appropriate indicators may capture this.

Individual pooled funds have different ways of measuring their own success in delivering results, particularly in terms of final outputs of outcomes relative to a particular intervention. However, in looking for common, high-level measures for comparing across various funds, disbursement figures are key indicators of a fund’s effective ability to deliver results. Two sets of figures are included:

- first, donor financing received compared with money committed to projects, and
- second, planned spending compared with actual spending.

Both of these can again be seen as necessary rather than sufficient conditions for success. A fund that receives donor financing and does not commit a good proportion of these funds to projects is seriously flawed and unlikely to deliver results. A fund that does not spend a good proportion of what it planned to is also unlikely to be able to deliver results.<sup>18</sup>

In both cases, cumulative figures for (up to) four financial years are compared (depending on availability of figures and the age of the fund), to allow for unevenness in year-to-year spending and allocations. For instance, in some funds there might be a large amount of money received late in the first year that is not committed to projects until early in the second year, or where money that is unspent one year is planned to be spent the next year. These are especially important considerations in scoring new funds. Although both of these problems are not trivial in fragile states (money that is left idle in a pooled fund for a year is money that could have been operationalized on the ground), for the purposes of straightforward comparability across funds, cumulative figures should be compared in the first instance.<sup>19</sup>

Donor financing received is not compared with actual spending. Although this is an important way of measuring disbursement speed, there are issues about comparing infrastructure funds

<sup>18</sup> It is true that even a fund that scores well on both of these is not necessarily going to be successful in terms of final outcomes. However, measurement of success in terms of final outcomes is beyond the scope of this exercise.

<sup>19</sup> There is one case where the amounts committed to projects outstripped the financing received (LHSPF, a relatively new fund). In this case, the figure is capped at 100%.

with funds that finance recurrent expenditure. Infrastructure trust funds commonly hold large amounts of funds in trust for several years so that contracts can be honoured regardless of (political or security) circumstances. As such, an infrastructure pooled fund may receive all its financing upfront, to be spent over five years. It would then have a disbursement rate of only 20% per year, which compares unfavourably with a recurrent expenditure fund designed to spend all of its financing year on year and be replenished. To ensure a fair comparison across different types of funds, this measure is avoided in the first instance. Even if cumulative figures are used, the fact that these different types of funds might be different 'ages' would impede comparability.

Two other factors that can seriously impact on the delivery of results in fragile states are flexibility and counterpart funding.

- The flexibility of the pooled fund board to reallocate funds within year is critical in the fast-changing environment of fragile states. A key measure is the extent to which funds can be reallocated to other priorities after the budget has been set at the beginning of the financial year, but before the money has been committed to specific projects.<sup>20</sup>
- Finally, the requirement for counterpart funding may be useful in more stable environments, but can seriously slow disbursement of funds in fragile states, because the government's low capacity and lack of financing becomes an obstacle to delivery. Funds score more highly if there is no requirement for counterpart funding.

**Table 4: Delivery of results' indicators and scoring methods**

	Indicator	Scoring Method
Delivery of results	Financing: commitments to projects/financing received	Capped at 1. Cumulative commitments to projects for up to four years/cumulative donor financing received for same number of years.
	Financing: actual spending/planned spending	Capped at 1. Cumulative actual spend for up to four years/cumulative planned spend for same number of years.
	Flexibility to reallocate funds to different priorities within year	More than 25% of budget can be or has been reallocated within the year = 1, between 10% and 25% of budget can be or has been reallocated within year = 0.5, less than 10% of pooled funds can be or has been reallocated within year = 0
	No requirement of counterpart funding	No requirement for counterpart funding = 1, counterpart funding a pooled fund requirement = 0

Source: Coppin et al (2011)

## 5.5 Mutual accountability

The Paris Declaration promotes mutual accountability, with both donor and government behaviour under scrutiny. Although full mutual accountability is some way off in most developing countries (let alone fragile states), there are indicators that point to the existence of building blocks on which mutual accountability can be founded: good, transparent monitoring systems that are well-integrated with national monitoring processes and deliver timely reports (Barakat et al., 2011: 46), and periodic independent reviews that scrutinise all parties. A strong monitoring system that is dedicated solely to monitoring the pooled fund is not scored highly because it does not support the development of broader accountability processes within government.

<sup>20</sup> The extent to which funds can be reallocated away from projects that are not performing is not measured, although this may be something to look at in the future.

**Table 5: Mutual accountability indicators and scoring methods**

	Indicator	Scoring method
Mutual accountability	Monitoring of pooled fund includes government processes	Government monitoring systems supported = 1, pooled fund-specific monitoring system = 0, no effective monitoring system = 0
	Timeliness of pooled fund reports	All or most reports on time = 1, some reports on time = 0.5, major issues with reporting = 0
	Independent (not joint) reviews	Independent reviews carried out every two years and cover wide range of issues (results, value for money, institution building, etc.) = 1, ad hoc, independent reviews covering limited range of issues = 0.5, no independent reviews = 0

Source: Coppin et al (2011)

## 6 Data collection

A full data set on all 30 indicators was collected for three funds, two that are well known and considered successful, and one that is generally criticised (Scanteam and Norway 2007; Ball and van Beijnum, 2010; Pantuliano, 2009; Manuel et al, 2011). A range of regions was chosen – West Africa, Central Africa, and Asia – and a range of sectors – two of them multisectoral and one single sector. Although country and sector contexts may be somewhat different (although all are fragile states), the indicators measure pooled fund design, which is comparable across these different environments.

- **Afghanistan Reconstruction Trust Fund (ARTF)** – a World Bank-administered MDTF, which is widely recognised as an example of a successful MDTF. Although the original fund was only expected to reach \$50-100 million, 30 donors have contributed over \$3 billion since 2002.
- **Liberia Health Sector Pooled Fund (LHSPF)** – a pooled fund managed by the Ministry of Health and Social Welfare in Liberia, with four donors contributing over \$20 million since 2008. This is a relatively new pooled fund, but generally agreed on to be highly effective by those within Liberia.
- **Southern Sudan Multidonor Trust Fund (MDTF-SS)** – a World Bank-administered MDTF, with 14 donors contributing over \$400 million since 2006. The fund has been criticised on a number of occasions and is now being closed.

Most of the data come from sources such as quarterly and annual reports, consultant reports, terms of reference for the fund, memoranda of understanding, minutes of meetings, operating procedures, and implementation manuals. Some of these documents are published on the Web for some funds, while others were gathered by request. The opinions of consultants who were familiar with the country and the pooled funds were sought and triangulated where possible.<sup>21</sup> All the data was sent to the pool fund managers so they could correct any misunderstanding and also comment on the methodology. This process led to further refinement of the definition and scoring of a few of the indicators.

There were attempts to gather information on more funds, but it was not possible to collect complete data sets in these cases. Incomplete data on other pooled funds<sup>22</sup> are held by ODI for future use. Future attempts at data collection would benefit from high-level institutional support from key donors and more systematic standardisation of the definitions of each indicator to ensure the return of high-quality data.

21 The problem of expert bias is well noted, as in Kaufmann and Kraay (2007) and Mata and Ziaja (2009: 25), hence the efforts to triangulate opinion and seek the opinion of pooled fund managers.

22 Liberia Reconstruction Trust Fund, Liberia Education Pooled Fund, Rwanda PFM Basket, Yemen Social Fund for Development, and Nicaragua FONSALUD; in these cases, it was not possible to obtain the full data set required for various reasons.

Table 6 is a summary of how funds perform on individual indicators. A fully blue box shows that the highest possible score was received for that indicator, while an empty box shows the lowest score.

**Table 6: Pooled fund performance on individual indicators**

	Indicator	ARTF	LHSPF	MDTF-SS
Ownership	Pooled fund relationship to relevant government strategy	Full	Full	Full
	Ministerial accountability for expenditure to legislature	Full	Full	Full
	Location of pooled fund financial management in ministry	Full	Full	Full
	CABRI's 8 on-budget indicators	Full	Full	Full
Alignment	... on plan	Full	Full	Full
	... on budget	Full	Full	Full
	... on treasury	Full	Full	Full
	... on parliament	Full	Full	Full
	... on procurement	Full	Full	Full
	... on accounting	Full	Full	Full
	... on audit	Full	Full	Full
	... on report	Full	Full	Full
	Low proportion of funds that can be earmarked	Full	Full	Full
	Flexibility of technical assistance to work beyond pooled fund	Full	Full	Full
	Salary top-ups go beyond management unit staff	Full	Full	Full
	Business conducted using national budget classifications	Full	Full	Full
	Pooled fund documentation and reports made publicly available	Full	Full	Full
	Project preparation and approval guidelines available	Full	Full	Full
	Business conducted in national currency	Full	Full	Full
	Business conducted in sync with the national financial year	Full	Full	Full
Harmonisation	Regular interface with wide group of donors	Full	Full	Full
	Experience and competence of fund administrator	Full	Full	Full
	Protocol for misuse of funds includes national accountability processes	Full	Full	Full
Delivery of results	Finance: commitments to projects/financing received	Full	Full	Full
	Finance: actual spending/planned spending	Full	Full	Full
	Flexibility to reallocate funds to different priorities within year	Full	Full	Full
	No requirement of counterpart funding	Full	Full	Full
Mutual accountability	Monitoring of pooled fund includes government processes	Full	Full	Full
	Timeliness of pooled fund reports	Full	Full	Full
	Independent (not joint) reviews	Full	Full	Full

Source: Coppin et al (2011)

## 7 Possible aggregation and weighting options

Given the number of indicators, there are a variety of possible ways to aggregate the indicators. The next two sections explore a couple of options and show that the results of this methodology are robust to a range of weightings.

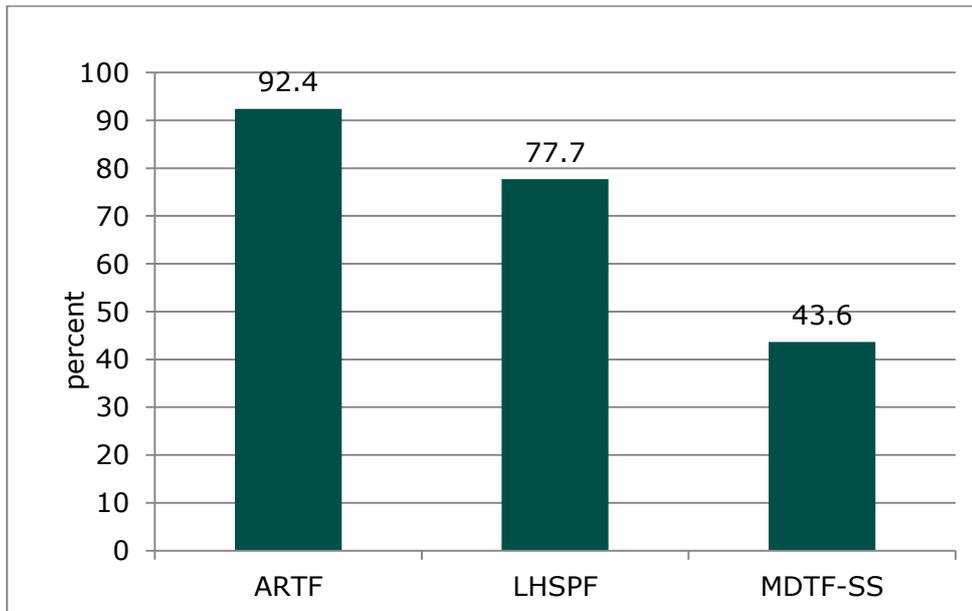
### 7.1 Additive aggregation

The most obvious way to aggregate the indicators is additive – add the (weighted) scores for each indicator together. This is a widely used and accepted way of aggregating composite indices (OECD, 2008: 103) and may be applicable here.

If an additive aggregation method is chosen, the next question is weighting. Given that full data has been collected for only three funds so far, it is not appropriate to conduct any statistical analysis (Mata and Ziaja, 2009: 19). The theoretical justification of the indicators above can provide some options for weighting, although these are open to discussion.

One option would be to weight all 30 indicators equally. One drawback of this approach is that there are many more indicators for the Paris Declaration category 'alignment', and equal weighting of all indicators would thus disproportionately favour alignment as a category. Equal weighting of all indicators gives the following results.

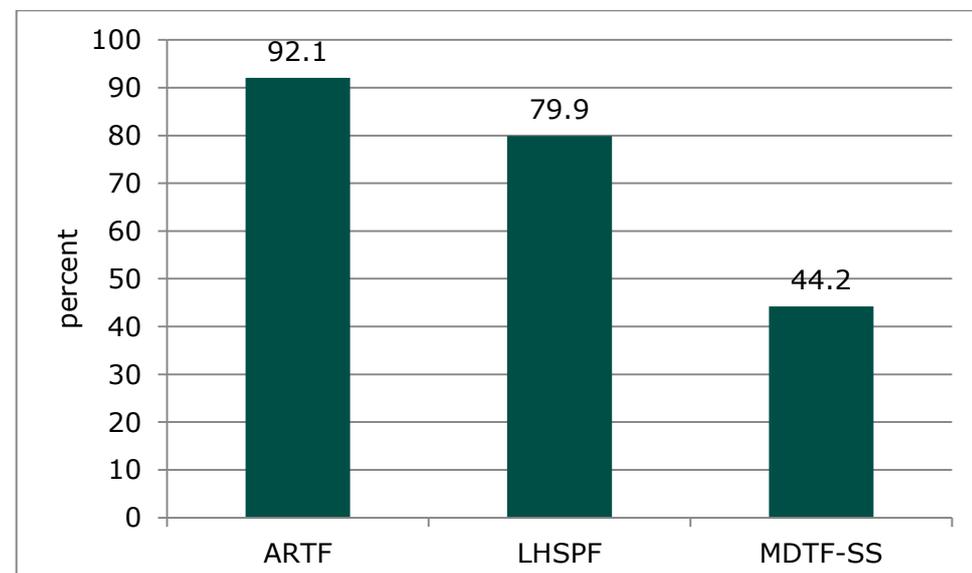
**Figure 1: Unweighted scores**



Source: author

Another approach would be to keep the indicators in their Paris Declaration categories as discussed so far and weight each category equally (each category gets 20% of the final result). This would give the following results, quite similar to an unweighted additive aggregation.

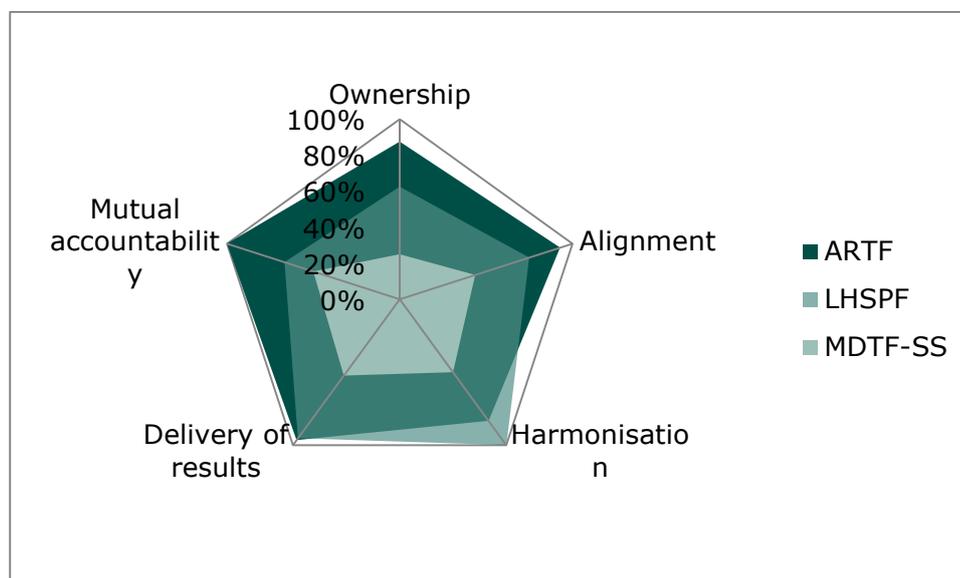
**Figure 2: Paris Declaration categories weighted equally**



Source: author

It would then also be possible to provide useful summary data of how the funds score in each category.

**Figure 3: Performance on Paris Declaration categories**



Source: author

A third alternative would be to consider whether the key trade-off mentioned above, that of short-term versus long-term goals, could be considered in the weighting. It would be possible to assign each of the indicators to be considered important mainly for either short-term goals (primarily quick disbursement) or longer-term (state-building and capacity-building) goals.

It is possible to divide out indicators into these two groups roughly as shown in table 7.

**Table 7: Division of indicators by short-term and long-term goals**

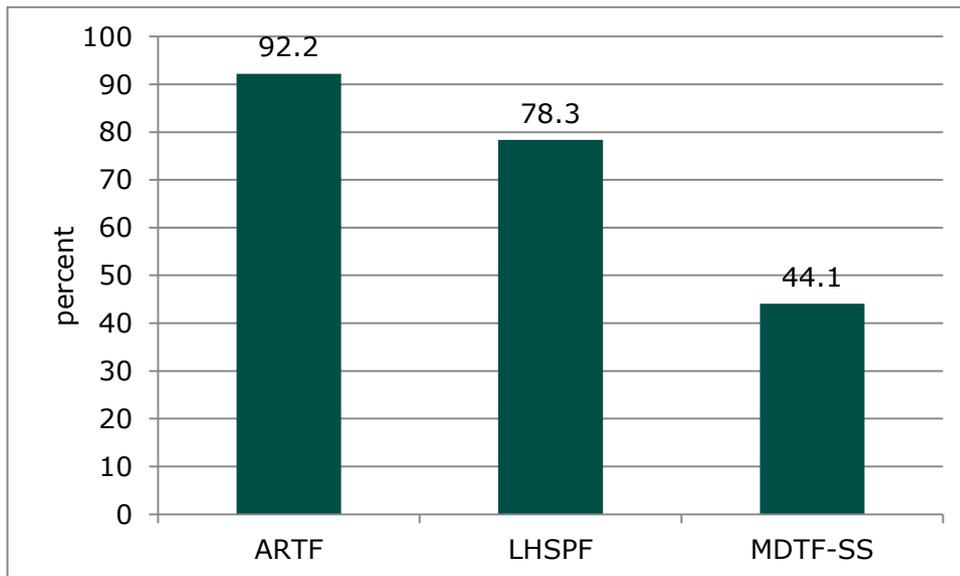
Short-term goals (50%)	Long-term goals (50%)
Pooled fund relationship to relevant government strategy	National government is represented on committees
Low proportion of funds that can be earmarked	Ministerial accountability for expenditure to legislature
Pooled fund documentation and reports made publicly available	Location of pooled fund financial management in ministry
Project preparation and approval guidelines available	CABRI's 8 on-budget indicators:
Regular interface with wide group of donors	... on plan
Experience and competence of fund administrator	... on budget
Protocol for misuse of funds includes national accountability processes	... on treasury
Financing: commitments to projects/financing received	... on parliament
Financing: actual spending/planned spending	... on procurement
Flexibility to reallocate funds to different priorities within year	... on accounting
No requirement of counterpart funding	... on audit
Monitoring of pooled fund includes government processes	... on report
Timeliness of pooled fund reports	Flexibility of technical assistance to work beyond pooled fund
Independent (not joint) reviews	Salary top-ups go beyond management unit staff
	Business conducted using national budget classifications

	Business conducted in national currency
	Business conducted in sync with the national financial year

Source: author

If each indicator is weighted equally within these two categories, the results again look quite similar to previous weightings. It may well be that some of these indicators could be assigned to different categories, or could be spread across both categories in some way, such that they are reflected in both categories. Either of these options is entirely possible, since the data suggest that the results are not unduly sensitive to this kind of rearrangement.

**Figure 4: Balancing short-term and long-term goals**



Source: author

Going further, it may be desirable to weight some of these indicators more heavily than others. Table 8 shows the preliminary and experimental prioritisation of these indicators using three, four and five stars, and the numerical weights given.

**Table 8: Prioritisation of indicators and their weights**

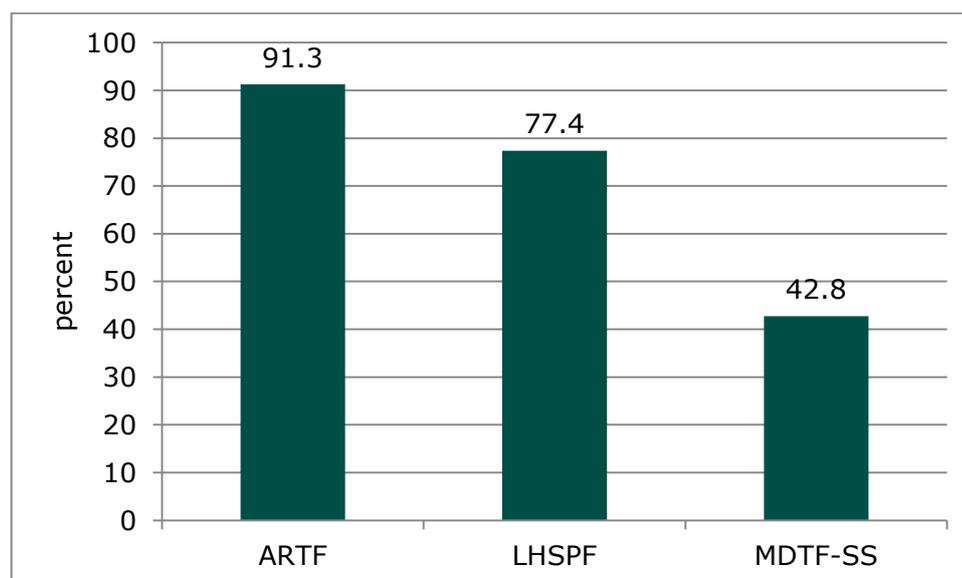
	Weighting	
	No. of stars	%
<b>Short-term goals</b>		
Pooled fund relationship to relevant government strategy	*****	6.00
Low proportion of funds that can be earmarked	****	3.50
Pooled fund documentation and reports made publicly available	***	2.17
Project preparation and approval guidelines available	***	2.17
Regular interface with wide group of donors	****	3.50
Experience and competence of fund administrator	****	3.50
Protocol for misuse of funds includes national accountability processes	****	3.50
Financing: commitments to projects/financing received	*****	6.00
Financing: actual spending/planned spending	****	3.50
Flexibility to reallocate funds to different priorities within year	****	3.50
No requirement of counterpart funding	***	2.17
Monitoring of pooled fund includes government processes	****	3.50
Timeliness of pooled fund reports	****	3.50

Independent (not joint) reviews	****	3.50
	<b>Total</b>	<b>50</b>
<b>Long-term goals</b>		
National government is represented on committees	*****	6.00
Ministerial accountability for expenditure to legislature	****	3.20
Location of pooled fund financial management in ministry	****	3.20
CABRI's 8 on-budget indicators (see footnote 1)		
... on plan	****	3.20
... on budget	****	3.20
... on treasury	****	3.20
... on parliament	****	3.20
... on procurement	****	3.20
... on accounting	****	3.20
... on audit	****	3.20
... on report	****	3.20
Flexibility of technical assistance to work beyond pooled fund	****	3.20
Salary top-ups go beyond management unit staff	****	3.20
Business conducted using national budget classifications	****	3.20
Business conducted in national currency	***	1.20
Business conducted in sync with the national financial year	***	1.20
	<b>Total</b>	<b>50</b>

Source: Coppin et al (2011)

Again, the results for this weighting are quite similar to other additive aggregations.

**Figure 5: Weighted within two categories**

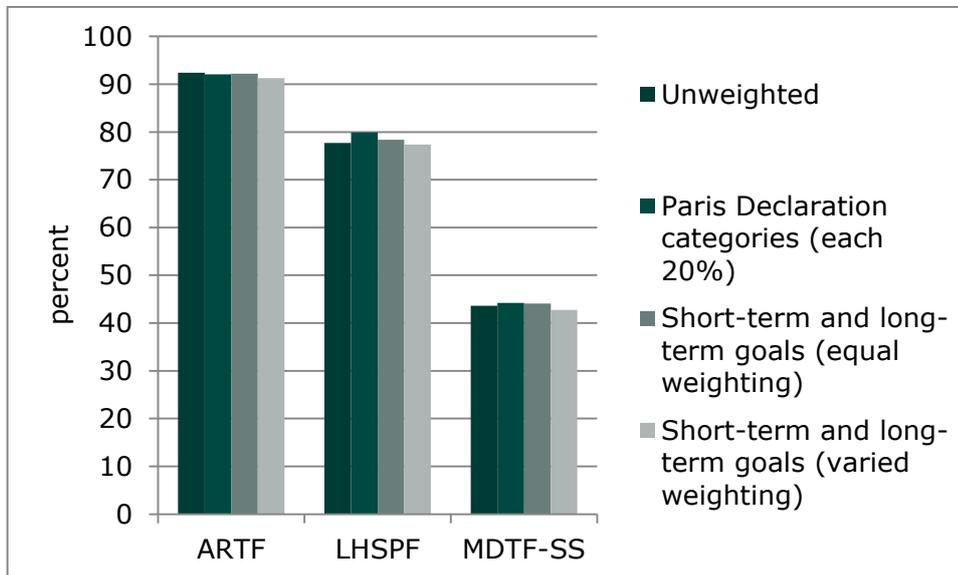


Source: author

To summarise, the additive aggregation methods are not unduly sensitive to various weightings. This implies that it would be possible to move indicators around in various categories and reweight them without impacting the final result disproportionately. Full

statistical analysis of these weighting options must wait until a more comprehensive set of data have been collected.

**Figure 6: Comparing additive weighting options**



Source: author

## 7.2 Multiplicative aggregation

It is possible that additive methods of aggregation are not the most appropriate method for these data, for two reasons.

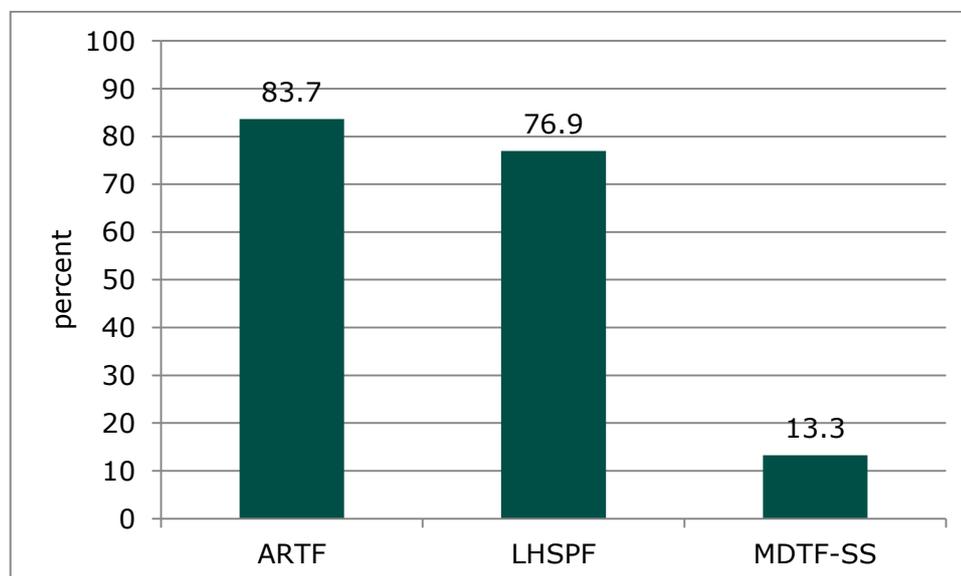
- 1 For an additive aggregation method, the indicators must all be independent of one another: performance on one indicator must not affect performance on another.
- 2 Additive methods also assume that poor performance on any indicator can be compensated by good performance on other indicators (OECD, 2008: 103).

On the first point, it is difficult to confirm whether any of the indicators are not independent. It is certainly possible that some of them may be interrelated in ways which would only be discovered when there is a sufficient body of evidence to allow for statistical analysis. For instance, it may be that if the pooled fund is operating under the auspices of a national plan, it is much more likely that the pooled funds will be 'on plan' (pooled fund spending is integrated into ministry planning and budget submission), and that they will use national budget classifications. Some indicators that might appear at first glance to be very closely related may not always give the same results: pooled fund spending may go before parliament (for instance, it may appear as a noteworthy item when budgets are passed), but it may be that no particular minister is required to report pooled fund spending and outcomes to parliament if the pooled fund is separate from government functioning. Experience in public financial management (and donor behaviour) indicates that things that one might expect to go hand-in-hand do not necessarily do so. A larger set of data would be advisable before determining whether any indicators are truly dependent on each other. Even if it is revealed that indicators are dependent on one another, it may be best to choose between these indicators rather than abandon an additive aggregation method.

On the second point, it may indeed be the case that certain indicators are necessary for determining pooled fund effectiveness and cannot be compensated for by other indicators. For instance, it is possible that a pooled fund which committed zero funds to projects should be considered completely ineffective (i.e., get a total score of 0) even if it scored 100% on all other indicators. This would mean that the indicator on proportion of funds committed to projects is a 'deal breaker'.

One way to ensure that the importance of this indicator is reflected in the final score is to multiply other indicators by the score for the deal breaker. If the average of all other indicators is multiplied by the proportion of funds committed to projects, the results look somewhat different than when using additive methods.

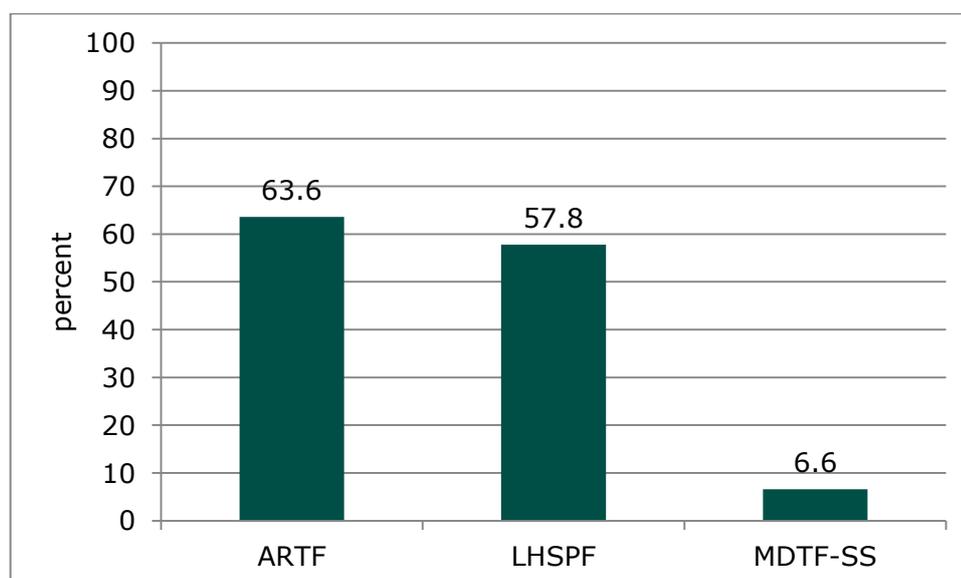
**Figure 7: Commitment to projects as the deal breaker**



Source: author

It is possible to go further with this. To draw on the suggested weightings from earlier (table 8), three indicators could be considered critical deal breakers for fund effectiveness: (1) whether the pooled fund is operating under the auspices of the relevant national strategy, (2) whether the national government is appropriately represented in the management of the fund, and (3) the proportion of funds committed to projects. A multiplicative aggregation would be one way to reflect the importance of these indicators. It may be appropriate to average the first two of these indicators for one product. Again, the results are somewhat different (figure 8).

**Figure 8: Three deal breakers**



Source: author

## 8 Discussion of results

The previous section explored various options for weighting and aggregating the indicators. Additive methods of aggregation were insensitive to different weighting options, returning consistent results despite changes. Multiplicative aggregation methods returned somewhat different results, but with the same ranking positions for the pooled funds. The full set of results for these three funds is available on the ODI website with an option to add data on additional funds.<sup>23</sup> It is almost certainly preferable to wait for a larger data set before deciding on the best aggregation method.

The results of both types of aggregation correlate with real world qualitative opinion about these differences in performance of these funds.<sup>24</sup> The ARTF is widely considered to be successful, while the MDTF-SS is not. The LHSPF is less well known, but in Liberia is considered an example of a successful pooled fund (Hughes et al., 2012).

- **ARTF:** 'ARTF funding is increasing ... The ARTF is thus a "best practice" case in this field ... the ARTF funding clearly is both an efficient and effective funding mechanism' (Scanteam, 2010: 43, 45).
- **MDTF-SS:** 'Stakeholders looked to the MDTF-SS to lead Southern Sudan's economic development and deliver results early on. Notwithstanding accomplishments, these high expectations, perceived as unfulfilled, have been the main source of frustration and disappointment' (World Bank, 2010a: i).
- **LHSPF:** 'Although the pool fund was a comparatively small proportion of total donor support, it improved the institutional capacity of the MOHSW, especially in the area of financial management, the coordination of donor funding and increased the stewardship of the MOHSW in delivery of health services. Use of the pool fund contributed to the expansion of the network of public facilities by 24% and to increasing the percentage of facilities providing the MOHSW's Basic Package of Health Services (BPHS) from 36% in 2008 to 82% by the end of 2010' (Hughes et al., 2012: 1).

These funds score differently overall on the scoring methodology because they have important differences in their features, as detailed below.

- The strong performance of **ARTF** reflects the fact that it is financially effective, almost completely on budget, and uses government public financial management systems. In terms of financial effectiveness, it has committed over 90% of its financing to projects and has spent 95% of the money it planned to spend from 2007/8 to 2009/10. In terms of capacity-building, it is the only pooled fund in the sample that is included in the national budget. It uses a national auditor (with World Bank oversight), has adopted the Afghan Solar Year, and uses both Afghani and US dollars (in line with government practice).
- In comparison, **MDTF-SS** scores badly for both financial effectiveness and capacity-building. Its funds are only partially on budget and the fund management unit is not integrated with government systems. MDTF-SS has a much weaker relationship to national policies and systems, with funds not reported in national budget documentation, and it does not use the national budget classifications or currency. Importantly, it has also had difficulty disbursing funds, committing less than one third of its total financing to projects over the years 2006 to 2009, although its actual spending is 80% of its cumulative planned spending for 2008 and 2009.

23 At <http://www.odi.org.uk/resources/details.asp?id=5925&title=pooled-funds-fragile-states-aid-south-sudan-afghanistan-liberia> and <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7265.xlsx>; There is also a facility to score other funds by inputting new data.

24 Supporting statements on the ARTF and MDTF-SS can be found throughout the literature, but see in particular OECD (2010b: 58–66).

- **LHSPF** scores highly for financial effectiveness, but has a lower score for capacity-building. It has committed all of its financing to projects since its inception, although it has only spent just over 80% of its planned spending, on a par with MDTF-SS. LHSPF also has no earmarking or requirement for counterpart funding. It has a strong capacity-building focus at the sectoral level, with a project management unit embedded in the Liberian Ministry of Health and Social Welfare that uses government monitoring systems. The fund uses national procurement procedures and the Liberian national audit office (with donor oversight). Despite these features, there are gaps that reflect weak links among LHSPF and central public financial management processes. Although funds are disbursed into the Ministry account, they do not go through a Treasury account. Similarly, although pooled fund spending is integrated into the Ministry's planning and budget submission, it is not reported in national budget documentation or Ministry of Finance reporting, and does not go before Parliament. A stronger focus on these links would improve the fund's score in capacity-building.

As has been noted, the relative performance of pooled fund arrangements depends to a certain extent on country-specific factors, such as the difficult conditions in Southern Sudan after the Comprehensive Peace Agreement, and the willingness of donors to take on in-country risks. However, these indicators capture elements of performance that are evident in the design of good pooled funds, and are primarily not subject to country contexts. In addition, all three of the countries in which these pooled funds operate are fragile and face similar challenges. It is unlikely that the design of a pooled fund would be so constrained by the country context that it was truly impossible to score well on these indicators.

## 9 Conclusion

Not all pooled funds in fragile states are equally effective. Cross-country research from the last five years shows that there is a good deal of consensus on the features of effective pooled funds in fragile states. This paper has organised these features into the five Paris Declaration categories of ownership, alignment, harmonisation, delivery of results, and mutual accountability. This rubric is relevant in fragile states because of the evident need to avoid aid modalities that undermine the state. This paper also reflects on the necessary balancing act for any assistance to fragile states: the need for speedy delivery in the short term, and the need for longer term state-building.

As noted above, there is presently no way of systematically comparing pooled funds. But the goal is to quantify this research by developing a method for scoring pooled funds on relevant indicators, and in doing so make comparisons between funds.

The 30 indicators chosen reflect all aspects of the Paris Declaration to the extent possible, bearing in mind the many caveats around measuring concepts such as ownership in any environment, let alone the additionally complex environment of a fragile state. Straightforward data collection is critical in a fragile state environment, and indicators for which data can be collected from existing documents are preferred. There will be undoubtedly be discussion regarding the choice of indicators.

As with any collection of indicators, there are many ways to aggregate the data for a final score. Data was collected on three pooled funds, the Afghanistan Reconstruction Trust Fund, the Liberia Health Sector Pooled Fund, and the Southern Sudan Multidonor Trust Fund. The data for these are available on the ODI website,<sup>25</sup> along with a tool for entering data on additional pooled funds.

Using these data sets, various weightings options were tested for both additive and multiplicative aggregation. The various additive weighting options return very similar

25 At <http://www.odi.org.uk/resources/details.asp?id=5925&title=pooled-funds-fragile-states-aid-south-sudan-afghanistan-liberia> and <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7265.xlsx>.

quantitative results, showing that the results are not particularly sensitive to different weightings. Treating one or more indicators as deal breakers in a multiplicative aggregation returns quite different quantitative results, but results that still recognisably correlate with the qualitative opinion on the fund overall.

The conclusion is that even with a limited data set and an experimental methodology, it is possible to systematically and quantitatively assess and compare pooled funds and obtain results that strongly reflect general qualitative perceptions of effectiveness. Furthermore, given the lack of comparable data on pooled funds, such an exercise is necessary and desirable.

With a larger amount of data, it would be possible to undertake more sophisticated statistical analysis. First, it would be possible to identify areas where improvements could easily be made across funds by improving procedures at donor headquarters. It would be also possible to explore more fully the implications of various aggregation methods, seek out correlations between different indicators or categories of indicators, and potentially conduct primary component analysis. It may also be possible to compare the results of this exercise with external data, such as the World Bank's Country Policy and Institutional Assessment data. With only three full data sets so far, it is not possible to draw any robust conclusions from such analysis.

Should a larger data-gathering exercise be conducted, there will be a few areas of further reflection with a wider range of stakeholders, including debate on the selection and weighting of indicators. There might need to be a focus on the differences between types of pooled funds – such as infrastructure funds, humanitarian funds, sector-specific funds – to ensure that the methodology reflects the purposes of each type of fund adequately. In addition, in some situations it may not be optimal to attempt to meet multiple transition needs in one financing mechanism (Ball and van Beijnum, 2010), so it would be necessary to consider how to score separate funds that are designed to work together – for instance, one working on short-term delivery and another working on capacity-building or phased funds. It will be important to capture the difference between situations where separate pooled funds have been set up with full deliberation by the international community and recipient government to the extent possible, and those situations where pooled funds have proliferated unintentionally, leading to greater transactions costs, as happened in Southern Sudan (OECD, 2010b: 61; GSDRC, 2011: 2).

A larger data-gathering exercise will allow more discussion on indicators and their weighting, and yield results of interest to a wide range of stakeholders. All those who benefit from additional transparency and accountability in aid would benefit from accessible, comparable data on pooled fund effectiveness.

- Donor agencies should be interested in a tool that could help them to monitor the likely effectiveness of their contributions to pooled funds, as would those who provide oversight to fund managers. There would also be improved opportunities for peer learning and institutional knowledge management in donor agencies, which is at present surprisingly lacking (Scanteam, 2010).
- Recipient country governments of fragile states would benefit from tools to guide them in what to expect of a pooled fund in their country, and to enable them to request those features that have been shown to promote more effective aid.
- Service delivery bodies, private contractors, academic institutions and NGOs should be able to access as much information as possible about the lending and grant instruments active in fragile states, because of efficiency and accountability gains as information imbalances are rectified.
- Finally, citizens of both donor and recipient nations are entitled to data that helps them to hold their governments to account. Although pooled fund instruments may be rather far-removed from the lives of most citizens, the services they deliver are not. Ineffective trust funds deserve to be held up to public scrutiny.

Given the paucity of comparable data on trust fund performance, such an exercise is long overdue and urgently necessary. Observers have been increasingly vocal in asking for more accountability on pooled funds (Barakat, et al 2011, Miller 2012, Pasquini 2012). Comparable data on pooled fund effectiveness will help to counterbalance some of the unreasonably high expectations on all sides about what a pooled fund can deliver, and focus the energies of all concerned on the key features necessary for improving aid effectiveness in fragile states.

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