Pooled Funding to Support Service Delivery

Lessons of Experience from Fragile and Conflict-Affected States

May 2013

This document presents the findings from a short research project commissioned by DFID. The research was overseen by Tessa Mattholie.

Part I is a policy briefing, providing a succinct overview of the issues. Part II provides more detailed operational guidance for those involved in setting up and running pooled funds.

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Executive Summary

Research objectives

This is the output from DFID-commissioned research into the use of pooled funding to support service delivery in fragile and conflict-affected states (FCAS). The aim was to distil practical knowledge from existing studies and, in particular, to *capture practitioner experience* on the design and implementation of pooled funds, in order to produce:

- an updated summary of current knowledge and knowledge gaps (from a policy perspective) in a *policy briefing* note (Part I of the team's report);
- more detailed *practical guidance* for those working on establishing/managing pooled funds for service delivery in FCAS (Part II of the report).

The research team reviewed existing literature and selected for detailed review 16 pooled funds which covered a variety of countries, fund managers, and approaches to service delivery. The team's review of case-study documentation was supported by extensive interviews with people involved in the case-study funds, and sought to learn equally from successes and failures.

The significance of pooled funds

Pooled funds rarely dominate aid flows at country level but they often have an importance beyond their scale. They may be at the centre of collaboration amongst donors and with governments. Even if they are financially a small part of total aid flows, they have high visibility and high expectations, so it is important to maximise the chances that these flagship instruments will work as intended.

The literature on pooled funds highlights their potential advantages, but it also notes that their performance frequently falls short of expectations. Potential advantages include coordination and harmonisation among donors, enabling operation on a larger scale and with lower transaction costs, and allowing participating donors to pool the risks of operating in fragile contexts. They can provide a framework for dialogue with the government along with direct support to capacity development and service delivery. At the same time there are many examples of pooled funds that have fallen short of expectations, with slow disbursement; dissatisfaction with results often leads donors to pursue alternative or parallel channels of funding.

Research findings – key themes

Key themes identified included:

- *Trade*-offs, which make it necessary to be clear and selective in setting pooled fund objectives. Examples of potential trade-offs to consider when designing a pooled fund include:
  - Speed of service delivery versus capacity building of government systems.
  - Fiduciary risk versus capacity development.
  - Donor attribution versus ownership, alignment and use of country systems. (Donors wish to know what their money will fund, but granting the partner government freedom to manage the money is part of capacity building.)
  - Short term, visible impacts for political goals versus investing in what may be slower, long term (sustainable) change.

- The importance of *context analysis,* and the need for continual review of changing contexts, linked to *feedback* on pooled fund performance and *flexibility* to adapt in response to experience.

- The need to *manage expectations* is relevant for initial design and for subsequent monitoring, evaluation and communications.

- Country ownership and *engagement with the government* is a consistent theme which is relevant at virtually every stage of assessing, designing, managing and phasing out a pooled fund, or transitioning to other aid instruments. In some cases a government's lack of capacity, or of legitimacy, limits the role it can be given, but sustainability depends on engaging with the government to the extent possible.

- A pooled fund's relationship with the government is one aspect of *risk management*. Pooled fund donors should work together to reflect the International Network on Conflict and Fragility (INCAF) objective of *moving from risk avoidance towards better risk management.* Individual contributors' efforts to limit their own perceived fiduciary, political and reputational risks may be inconsistent with achieving an effective balance between risk and opportunity in pursuing objectives.

Lessons of experience

The importance of context and the ubiquity of trade-offs mean that there is no generic blue-print for a successful pooled fund. Rather, the research team has highlighted the factors to be considered in deciding whether and how to set up (and then manage) a pooled fund, and provided illustrations of typical problems and how they have been addressed.

- *There is a danger that political agendas and desire for speed will lead past lessons and local (political and institutional) context to be ignored*.

- The relevant context includes other aid instruments with which the pooled fund will interact; *complementarity with other instruments* should be factored into the design.

- *Donors are frequently over-optimistic about time-scales: (a) about how long it will take to get the pooled fund up and running* (setting up a pooled fund – even "off-the-shelf" – takes time, more so if it needs consensus-building among donors and buy-in from the government); and *(b) about how long after that there may be demonstrable results on the ground.* A pooled fund may not be the best solution *in the first instance* when very rapid results are required.

- *Working with government, and if possible through government systems, should be the 'default' approach when supporting service delivery.* An intermediate step may be to design pooled funds in ways that provide shadow alignment with government systems.

- Experiences with pooled funds also highlight *the importance of building from existing systems and administrative structures*, even when they are seriously flawed or weakened.

- A *simple dichotomy between humanitarian and developmental approaches is unhelpful*. Many FCAS are countries with protracted crises which last for a number of years, and frequently leave large numbers of people extremely vulnerable. This means that aid instruments and donors need to adjust to different levels of violent conflict, political uncertainty and fluctuating levels of government capacity. There needs to be very clear analysis of the short-term/long-term trade-offs and the specific goals and objectives of humanitarian instruments, particularly if short-term interventions might run counter to creating local institutional capacity and create parallel systems that further fragment aid programmes.

- Effective *pooled fund governance* requires a clear system of authority, accountability,, and transparency. More often than not the World Bank or the UN act as the fund manager, but there are cases where private companies or NGOs have managed pooled funds. Different agencies have different strengths, and operate under different constraints, so the initial choice is important. Donors need to understand at the outset how much flexibility the chosen agency can exercise and tailor the design accordingly. The chosen agency must be able to deploy sufficiently experienced staff in-country. Pooled fund secretariats play a crucial role, but many have been undermined by weak staffing. Pooled fund governance may need to mitigate conflicts of interest (e.g. if the pooled fund manager is also bidding for funds) while ensuring that the staff involved have the right incentives to perform. Contributing donors need to provide strategic oversight while avoiding micro-management.

- There is *rarely enough attention to monitoring and evaluation* (M&E) at the outset when the initial focus is rapid service delivery. M&E is naturally more difficult in fragile environments (data are scarcer, the costs of collection higher, and data collection and M&E may be limited by travel restrictions). But if M&E is inadequately addressed at the outset (in terms of proper design, establishing baselines, a broad set of indicators, and allocating the necessary resources), aid mechanisms often suffer later when asked to demonstrate the results that would justify continued funding.

- Similarly, there is rarely much attention to a realistic *exit strategy*. The design of a pooled fund should include a flexible but clear goal on what is intended when the fund's mandate ends.

Operational Guidance

A pooled fund is not a panacea, and it will not *automatically* engage better with the government, pool risk, reduce transaction costs and align funding within an overarching strategy. But such objectives can be achieved with good design linked to realistic expectations, hard work and judicious and sustained support and engagement from the donors. The Operational Guidance (the second volume of this paper) provides more detailed guidance to support decision-making by practitioners in the field.

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Acronyms

A-MDTF	Analytical Multi Donor Trust Fund
ARTF	Afghanistan Reconstruction Trust Fund
BSF	Basic Services Fund
CAP	Consolidated Appeal Process
CAR	Central African Republic
CBTF	Capacity Building Trust Fund
CGA	Country Governance Analysis
CHF	Common Humanitarian Fund
CPA	Coalition Provisional Authority
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DFID	Department for International Development
DRC	Democratic Republic of Congo
ERF	Emergency Relief Fund
EU	European Union
FCO	Foreign and Commonwealth Office
FCAS	Fragile and Conflict Affected States
GHA	Global Humanitarian Assistance
HAP	Humanitarian Action Plan
HC	House of Commons
HPF	Health Pooled Fund
HQ	Headquarters
HRF	Haiti Reconstruction Fund
ICAI	Independent Commission for Aid Impact
IDPS	International Dialogue on Peace-building and State-building
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IHRC	Interim Haiti Reconstruction Commission
ILO	International Labour Office
INCAF	International Network on Conflict and Fragility
INGO	International Non-governmental Organisation
IRFFI	International Reconstruction Fund Facility for Iraq
JI	Joint Initiative (Zimbabwe)
M&E	Monitoring and Evaluation
MC	Management Committee
MDTF	Multi Donor Trust Fund
MDTF - SS	Multi Donor Trust Fund Southern Sudan.
MoFEP	Ministry of Finance & Economic Planning
MoH	Ministry of Health
MoU	Memorandum of understanding
NEX	National Execution
NGO	Non-Governmental Organisation
NPTF	Nepal Peace Trust Fund
NYC	New York City
OCHA	Office for the Coordination of Humanitarian Affairs
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
oPt TF	PA-UN occupied Palestinian territory Trust Fund
PA	Palestinian Authority
PBS	Protecting Basic Services
PF	Pooled Fund

PFM	Public Financial Management
PRDE	Poverty Reduction in Difficult Environments
PWC	PricewaterhouseCoopers
RC/HC	Resident/Humanitarian Coordinators
RoY	Republic of Yemen
SC	Steering Committee
SCGP	Strengthening Capable Government Programme
SFD	Social Fund for Development
Sida	Swedish International Development Cooperation Agency
TA	Technical Assistance
TF	Trust Fund
TRG	Technical Review Group
UN	United Nations
UNDP	United Nations Development Programme
UNDG	United Nations Development Group
UNICEF	United Nations Children's Fund
UNPBSO	United Nations Peacebuilding Support Office
UNPFN	United Nations Peace Fund for Nepal
UNSCO	Office of the United Nations Special Coordinator for the Middle East Peace Process
UNRWA	United Nations Relief and Works Agency
USAID	United States Agency for International Development
WASH	Water, Sanitation and Hygiene
WB	World Bank
WBG	West Bank and Gaza

Part I: Policy Briefing

"What have we learned about the strengths and weaknesses of pooled funding to support service delivery in fragile and conflict-affected states?"

While a large number of donor studies highlight the potential benefits associated with trust funds, most empirical case studies find that trust funds have generated disappointing results. This failure to translate theoretical advantages into practical success is caused by a number of factors, which include poor design, a lack of flexibility [by] donors and fund administrators, poor contextual understanding, a failure to generate proper ownership, and donors' failure to commit funds to trust funds or to prioritise harmonisation over strategic issues. 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. (Walton, 2011)

A. Introduction

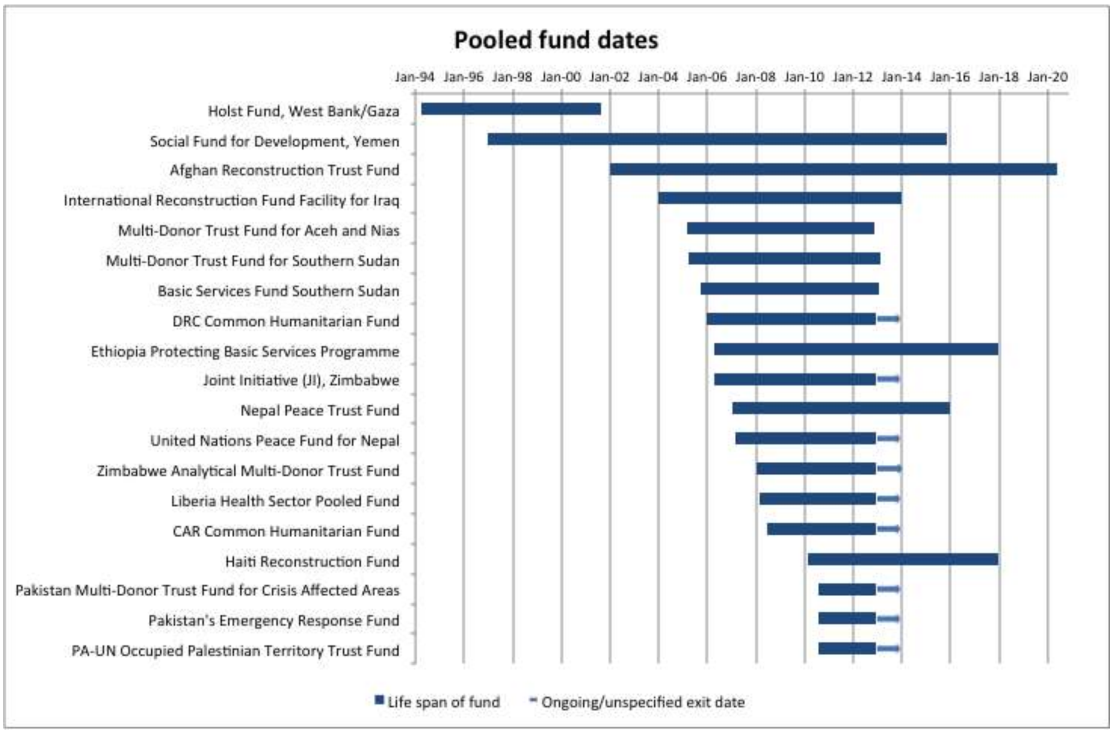
1. In mid-2012 DFID commissioned a research team to distil practical knowledge from existing studies and practitioner experience on the use of pooled funding to support service delivery in fragile and conflict-affected states (FCAS), with the following aims:

- providing an updated summary of current knowledge and knowledge gaps (from a policy perspective) in a **policy briefing note;**
- providing **practical guidance** (currently missing from much of the literature) for those working on establishing/managing pooled funds for service delivery in FCAS;
- **capturing practitioner experience** on design and implementation of pooled funds in order to contribute to the policy and guidance papers.

2. This **Policy Briefing** provides a summary of current knowledge of key aspects of Pooled Funds supporting service delivery in FCAS, including the principal findings from the research exercise. For those seeking more detailed, practical advice, the **Operational Guidance (**Part II of this paper) is an additional resource aimed at practitioners in the field.

3. Both parts draw on the case studies and interviews by the research team, as well as on the wider literature. Annex I provides details on the case study approach and includes a list of interviewees. Figure 1 below is an overview of the funds used as case studies – for brief details on each fund, see Annex II.

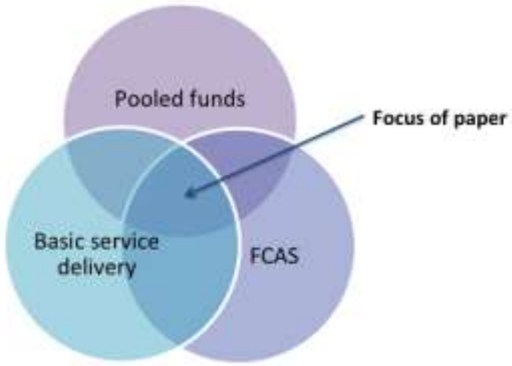
Figure 1 The case study pooled funds



Note: the Holst fund for West Bank/Gaza was not formally one of our case studies, but it was an important precursor of other pooled funds, in West Bank/Gaza and elsewhere/

4. The focus is the use of pooled funding mechanisms to deliver basic services in fragile and conflict-affected states. As Figure 2 illustrates, this represents the confluence of three related subject areas.

Figure 2 Focus of the guidance



Pooled funds – donors commingle funds supporting a common programme.

FCAS – Fragile and Conflict Affected States

Basic services – education, health, and water, sanitation & hygiene (WASH)

5. Each topic is considered with this in mind, though the guidance offered may also be of more general interest. Pooled funds can take many shapes and forms, and the research team deliberately looked at funds that differed in size, scope, management arrangements, number of participants and so forth. (Box 14 in Annex I illustrates the variety of funds considered.) FCAS for this study includes countries (or territories) with stagnant or deteriorating governance, in a conflict or post-conflict situation (or post-disaster in FCAS contexts), and nascent states, and covers both humanitarian and development contexts.

6. For the purposes of this paper, basic service delivery includes education, health and water, sanitation & hygiene (WASH). This is considered both in terms of the delivery of the actual services and capacity building for medium to long-term sustainability (see Box 1 below). In many instances, service delivery forms just one part of the remit of the pooled fund.

Box 1 Scope of Service Delivery

*"**Service Delivery** is conceptualised as the relationship between policy makers, service providers, and poor people. It encompasses services and their supporting systems that are typically regarded as a state responsibility. These include social services (primary education and basic health services), infrastructure (water and sanitation, roads and bridges) and services that promote personal security (justice, police). Pro-poor service delivery refers to interventions that maximise the access and participation of the poor by strengthening the relationships between policy makers, providers, and service users."*

(*Approaches to Improving the Delivery of Social Services in Difficult Environments*, Berry *et al*, 2004**)**

7. The Policy Brief is organized as follows:
- Section B considers why pooled funds are important, and summarises existing good practice guidance.
- Section C highlights key themes that stood out from the present research.
- Section D addresses the design and implementation of pooled funds.

B. Why pooled funds matter, and criteria of effectiveness

The significance of pooled funds in FCAS

8. Pooled funds (or multi-donor trust funds – MDTFs) rarely dominate aid flows at country level (see Box 2 below), but they often have an importance beyond their scale. Pooled funds are often at the centre of collaboration amongst donors and with governments; even if they are financially a small part of total aid flows, they have high visibility and high expectations. FCAS will always be risky environments so it is important to maximise the chances that these flagship instruments will work as intended.

Box 2 How significant are pooled funds in FCAS?

MDTFs are rarely the most important financing instrument in conflict settings— total funding through some 18 operative MDTFs in 2007 amounted to US$1.2 billion, still a small fraction of international financing for fragile and conflict-affected states. (WDR 2011)

Trust funds account for about 11 percent of official development assistance, and the World Bank is trustee for about half of the total contributions. (IEG 2011)

Potential advantages and disadvantages of pooled funds

9. There is a substantial literature on pooled funds which highlights their potential advantages, but it also notes that their performance frequently falls short of expectations. The 2011 World Development Report (WDR), for example, observed that *the performance of multi-donor trust funds is mixed, with criticisms ranging from slowness to a lack of expectation management and mixed success in working through national systems.* (WB, 2011**)**

10. The present research seeks to understand reasons for pooled funds' success and failure and to offer guidance accordingly. It recognises that pooled funds are not the only relevant aid instruments: donors should be able to utilise a complete repertoire of aid instruments to respond to the variety of contexts in FCAS, and pooled funds should be designed to complement other instruments.

11. At the end of this section we reproduce a useful checklist of the potential advantages and disadvantages of pooled funds (see Box 5 below). It is striking that the entries in both columns are so numerous: we highlight in section C below, the importance of being selective about the benefits sought from a particular pooled fund, and understanding the trade-offs involved in pooled fund design.

12. Based on the research for this study, several key advantages and disadvantages of pooled funds were identified.

- **Cost** – transaction costs to the donor are reduced. There may be economies of scale from mass procurement, and a single reporting and procurement system may simplify administrative coordination, and reduce administrative costs. At the same time, the creation of a new administrative layer in the form of the pooled fund, comprising of a steering committee, a secretariat and various working groups, does have costs. Transaction costs to implementing agents may increase, which may be passed back to the donor through increased bids, or discourage agents from working with a pooled fund, reducing competition and potentially driving up costs.
- **Harmonisation & coordination** – there is potentially a huge advantage of pooled funds, by pooling finance and expertise for enacting an overarching strategy. However, this has met with varying levels of success.
- **Predictability and timeliness of funding** – by pooling the funds and having donors commit to multiple years of support, the fund can assist in improving the predictability of aid (but in practice donors on rarely provide such predictability). It may also help to mobilise funding and reduce frontloading, particularly in high-profile, highly-politicised situations such as Iraq

and Afghanistan, where frontloading continued to be an issue. In other instances, commitment of funds to projects, rate of expenditure at the project level or disbursement has been slow (MDTF Southern Sudan, A-MDTF Zimbabwe, Haiti Reconstruction Fund).

- **Government engagement** – the combining of donors' funds means that the government must deal with one fund rather than a multiplicity of donors. In practice, if the situation is seen as internationally important politically, the government may have to deal with the donors bilaterally in addition to the fund. The skill of the fund manager also matters; if the fund manager expects the government without assistance to produce reports/requests for funds to their international standards it can be problematic, but where fund managers have taken a more proactive approach to government engagement, including providing timely technical assistance, the results are more positive.

Relevant aid effectiveness criteria

13. The aid effectiveness principles embodied in the Paris Declaration and the Busan outcomes are relevant for pooled funds, as illustrated in ODI's guidance on the characteristics of effective pooled funds (Box 3 below).

Box 3 What makes a good pooled fund (ODI)

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 (PIU) 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: Coppin et al, 2011

14. The Principles for Good International Engagement in Fragile States & Situations (Box 4 below) are also fundamental, and are underpinned further through the extensive work by INCAF (the International Network for Conflict and Fragility) to develop guidance on transition financing (OECD, 2010). The *New Deal for engagement in fragile states* that was agreed at Busan in 2011 (IDPS, 2011) deepens previous commitments, with a strong emphasis on country leadership and ownership, and on the need to change habitual approaches to aid; this highlights the "TRUST" elements of the New Deal, which have the most direct implications for pooled fund design, include **T**ransparency, **R**isk Sharing, **U**se and Strengthen Country Systems, **S**trengthen Capacities, **T**imely and Predictable Aid.

Box 4 Principles for Good International Engagement in Fragile States and Situations

1. Take context as the starting point.
2. Do no harm.
3. Focus on state-building as the central objective.
4. Prioritise prevention.
5. Recognise the links between political, security and development objectives.
6. Promote non-discrimination as a basis for inclusive and stable societies.
7. Align with local priorities in different ways in different contexts.
8. Agree on practical coordination mechanisms between international actors.
9. Act fast … but stay engaged long enough to give success a chance.
10. Avoid pockets of exclusion.

(OECD, 2007)

Box 5 Potential advantages and disadvantages of pooled funds

Advantages	Disadvantages
➢ **Coordination**: They facilitate donor coordination and harmonisation. ➢ **Ownership**: They help to boost recipient government ownership of post-conflict reconstruction and development. They can allow recipient governments to fund its priority needs including payment of salaries and provision of basic services, supporting state-building objectives. ➢ **Mobilising resources**: They encourage a range of multilateral donors, bilateral donors and private sector actors to commit resources. ➢ **Tackling front-loading**. They provide a solution to the problem in many post-conflict contexts, where donors are willing to commit large amounts of resources during the immediate post-conflict period, when government capacity is lowest. ➢ They have the potential to **cut transaction costs and administrative burdens**. ➢ **Simplifying procedures**: They provide straightforward disbursement and recording procedures. ➢ **Accountability and information**: They may create separate institutions for supervising and auditing assistance, boosting accountability and improving access to information. ➢ **Spill-over effects**: They may drive up overall standards in public financial management. ➢ **Tackling cherry-picking**: They may help to ensure that donors do not cherry-pick their favourite projects and ensure that unfashionable yet critical projects are funded. ➢ **Absorbing political risks**: They help to absorb political risks for bilateral donors of working with a recipient government directly. They allow donors to provide flexible support to a nationally owned development plan, progressing to budget support if possible, but with the flexibility to retreat if necessary. ➢ **Policy dialogue**: They may provide a platform for policy dialogue amongst donors and between donors and the recipient government.	➢ **Complexity**: They often produce complicated implementation arrangements. ➢ **Cost**: Despite promising to cut costs, MDTFs are often more expensive in practice. ➢ **Persistent front-loading**: In some circumstances (particularly countries of high geo-strategic importance such as Iraq and Afghanistan) pressure to distribute funds quickly can lead to poor standards of implementation, weakening aid effectiveness and contravening state-building objectives. ➢ **Slow disbursement**: In other contexts, MDTFs can be slow to disburse funds in practice. ➢ **Earmarking**: Although, in theory, trust funds should ensure that national governments set funding priorities, in practice most resources to trust funds remain earmarked. At the same time, funds that do not allow sufficient earmarking, can cause significant legal and legitimacy problems for some donors and create allocation problems. ➢ **Poor ownership**: Donors often continue to directly implement programmes. ➢ **Low commitment from donors**: MDTFs often do not lead to harmonisation because only a small proportion of total funds are channelled through the MDTF. ➢ **Ossification**: These mechanisms may ossify – institutions created to support trust funds are unlikely to evolve or change as the situation changes, causing particular problems in fragile contexts.

Source: Walton, 2011 – who cites sources for each advantage/disadvantage listed.

C. Key Themes

15. Our research revealed some cross-cutting themes which are worth considering upfront. These issues are informed by the INCAF recommendations on pooled funding in relation to their *transition financing guidelines* (see Box 6 below). We deal in turn with: trade-offs; managing expectations; the cyclical nature of the relationship between contexts, goals and outputs funded; government engagement; and risk management.

Box 6 INCAF recommendations on pooled funding

"To maximise the effectiveness and impact of these funds, significant improvements are required, including:

- *Greater clarity on how to **manage potential trade-offs** between effective service delivery and government capacity building.*
- *Agreement on how different funding instruments at country and global level link together and can be used to **meet common objectives**.*
- *Agreement on practical options to **decrease fragmentation** (of funding mechanisms and reporting and accounting rules and regulations), and **increase government participation** in the governance of pooled funds.*
- ***Better management of expectations** about what can be delivered through pooled funds, and acceptance of the higher overhead costs associated with transition situations.*
- ***Increased predictability** of funding flows and decreased earmarking of contributions into pooled funds.*
- *Further exploration of opportunities for **collective risk management** through pools."*

Source: OECD, 2010

Trade-offs

16. **Pooled funds (especially for FCAS) are characterised by trade-offs**. For this reason, we do not offer blue-prints for pooled fund design. Instead, it is recommended that donors and recipient countries are clear about what they are trying to achieve, are thorough in checking that a pooled fund is the appropriate aid mechanism to use, and that the design will be consistent with goals and objectives. On this basis, those responsible for designing and managing pooled funds should recognise the trade-offs and make explicit decisions about how to deal with them.

17. Examples of potential trade-offs to consider when designing a pooled fund include:

- Speed of service delivery versus capacity building of government systems.
- Fiduciary risk versus capacity development.
- Donor attribution versus ownership, alignment and use of country systems. (Donors wish to know what their money will fund, but granting the partner government freedom to manage the money is part of capacity building.)
- Short term, visible impacts for political goals versus investing in what may be slower, long term (sustainable) change

18. Underlying most of the trade-offs listed above is the trade-off between capacity building (of government and/or of other local entities, in a manner that encourages sustainability) and the delivery of services (timely, efficiently and to an appropriate standard).

19. It is therefore vital to clarify certain questions at the outset (as an internal exercise for DFID and with partners – the checklist of potential advantages and disadvantages in Box 5 above may be useful here). For example:

- what is the fund intended to achieve or its goals?
- what are the objectives of the pooled fund?
- do all partners share the same objectives? (and the same entry and exit conditions?)

- are there too many objectives and what are the trade-offs between them?
- what are the degrees of government legitimacy, motivation and capacity?
- what are the optimal levels of government engagement overall, by ministry and by level of government?
- is the timing of the fund's start up and exit/transition realistic?
- are governance arrangements of the pooled fund clear and appropriate?
- is there a sensible division of labour in terms of:
    - o different instruments to address different objectives (and will the Pooled Fund promote harmonisation or add to proliferation?)
    - o different donors working to their comparative advantage?
- is there a danger of repeating past mistakes?

➔ See also: *Fragile states: measuring what makes a good pooled fund*, ODI Project Briefing, No. 59, (Coppin et al, 2011).

Managing expectations

20. When a number of donors come together to create a pooled fund, **expectations are often unrealistically high** about what it can achieve and how quickly it can do so, and this can set the fund up for perceived failure if it does not meet expectations.

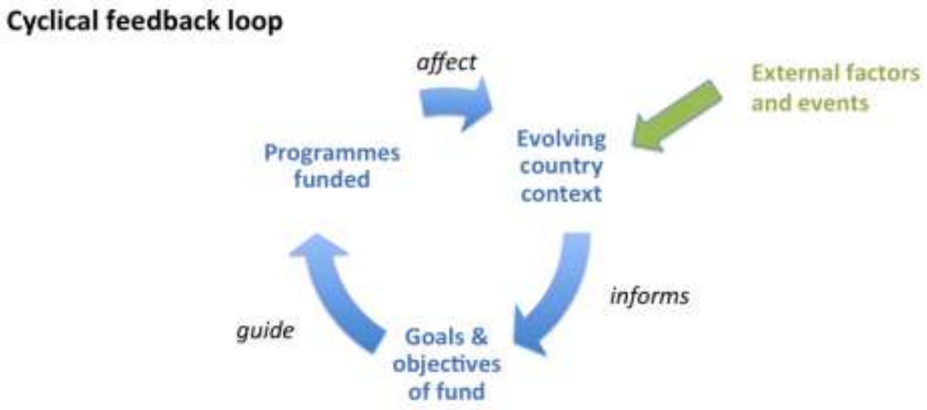
21. The political dimension can exacerbate this by requiring results early on, potentially at the cost of sustainability and capacity building. There is thus the need for realism about timescales, and a consideration of the most appropriate way to sequence financing mechanisms.

22. Adaptability is required, as the specific situation evolves or becomes clearer. The capacity and motivations of stakeholders may not be immediately apparent, particularly to those out of the country, and these are key to the delivery of results and whether expectations are realistic.

Cyclical feedback & the importance of flexibility

23. **Continual review, feedback and flexibility are needed to keep a pooled fund relevant.** The country context, including the aid landscape, informs the goals and objectives of the pooled fund. These goals are then key to prioritising which programmes are funded, and the choice of programme should in turn affect the context, which may result in a need to alter the objectives of the fund and the programmes funded. This cycle continues indefinitely over the lifetime of the fund, with external factors and events also feeding into the system. This is illustrated in Figure 3.

Figure 3 Cyclical feedback loop



24. From this, the following emerges:

- **Flexibility** – for this cycle to be successful, the goals and objectives need to have in-built flexibility to respond to the changing context.
- **M&E** – an effective monitoring & evaluation process should be in place to track results of the programmes funded, and to feed this information back into the fund design.
- **Updating the context analysis** – the context analysis should be updated regularly, responding both to the impact of the programmes and to external factors and events, such as changes in the political situation (more on this in Part II, Section B).

Government engagement

25. In line with the New Deal for Engagement in Fragile States agreed at Busan, and following on from previous international agreements such as the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008), **country ownership and engagement with the government on planning and implementing aid interventions remain central.** This is a consistent theme which is relevant at virtually every stage of assessing, designing, managing and phasing out a pooled fund, or transitioning to other aid instruments.

26. Dependent on the context, government engagement may be more or less possible, or possible only with certain sections of the governmental/state system. The case studies utilised for this project revealed a number of different models, some where the government was actively involved, e.g. in setting up and managing the fund, some where it was passively involved, providing limited oversight, some which were set up to engage government and some which purposely exclude it. (See Box 14 in Annex I for a full list categorised by type of government involvement.)

27. Recent donor and recipient country initiatives, such as the work of INCAF or the Busan agreements, support the view that the risks of not working with the government are usually greater than the risks of working with the government. Pooled funds can contribute to the implementation of the post-Busan New Deal through supporting elements of a country compact. While this is dependent on the context and goals of the fund, it is worth noting that there is no 'safe option'. Engaging with the government may carry fiduciary risk and reputational risk, but a decision not to engage with the government may undermine the entire programme. This can be better understood by considering the concept of risk, which also emerges as a cross-cutting theme.

Managing risks and trade-offs

28. One of the key arguments for pooling funds is the potential to share and manage risks. The 2011 WDR (Box 7) highlights pooled funds' role in managing risks in FCAS.

Box 7 WDR 2011 on MDTFs and managing risks

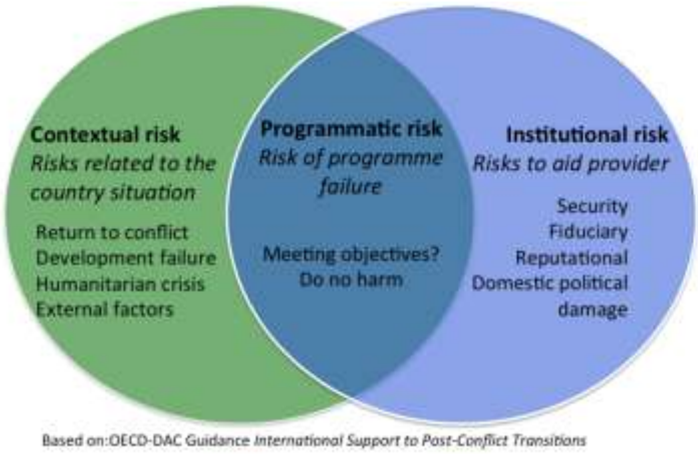
Pooling funds also provides a way to manage risk. Multi-Donor Trust Funds (MDTFs) have increasingly been used in fragile and conflict-affected situations—for example, in Afghanistan and Southern Sudan Iraq, Indonesia, West Bank and Gaza, and Haiti. MDTFs can help to bridge the dual accountability dilemma. For national actors, they improve the transparency of donor investments, ensure greater coherence with national planning, and provide a platform for resource mobilization. For donors, MDTFs can reduce transaction costs and provide a forum for donor collaboration and dialogue with national authorities, while MDTF secretariats can provide information to capitals that donors may not be able to generate on their own. MDTFs can enable donors to adopt a collective approach to the risks inherent in transition situations. In the humanitarian context, pooled mechanisms may increase funding levels because they enable donors to disburse larger sums than they can manage directly. (WB, 2011)

29. Discussion of risk tends to focus on fiduciary risk, in particular, the risk of corruption, and due diligence measures that can be taken. However, risk is a much broader concept than this. Recent DAC guidance distinguishes between three types of risk in providing aid to FCAS:

1. **Contextual risk** – risk due to the country situation, generally outside the control of the international community;
2. **Institutional risk** – risk to the donor, such as reputational risk, fiduciary risk (including risk of corruption), security risk;
3. **Programmatic risk** – risk of the objectives not being met.

30. These three types of risk are illustrated in the "Copenhagen circles" – see Figure 4 below. This sets programmatic risk as consisting of the overlap between contextual and institutional risk.

Figure 4 The Copenhagen Circles of Risk



31. Individual contributors' efforts to limit their own perceived fiduciary, political and reputational risks may be inconsistent with achieving an effective balance between risk and opportunity in pursuing objectives. This trade-off may be especially acute in a context of early recovery when "windows of opportunity" may present themselves. The most common fiduciary risks in FCAS are not financial theft, they are related to value for money (VFM), including the risk of doing the wrong thing or doing the right thing poorly – wasting money. Thus, for pooled funds, policy aspects of risk should be focusing on this level – VFM and quality, the need for participatory policy and planning, which moves beyond assessing or managing simple trade-offs.

32. If the donor appetite for institutional risk, particularly fiduciary risk, is set too low, the risk of programmatic failure may increase, as risk-averse procedures can cause delays and even inaction. A fund manager with experience in managed risk-taking is a major advantage over risk-averse fund management. Ideally a pooled fund offers a way for donors jointly to manage political and reputational as well as fiduciary risks, taking account of the country context and the importance of programme success. INCAF has highlighted the ways in which donors need to adapt their treatment of risk in order to operate effectively in transitional situations (see Box 8 below).

Box 8 INCAF on risk

Donors need to rethink their procedures, rules and conceptual frameworks for addressing risk in transitional situations. Current approaches are largely guided by accountability and reporting requirements that have been created for more stable environments. Partially as a result of this, current risk management practice is primarily focused on institutional risk reduction — in particular to address fiduciary and reputational risks to the donor.

But risk management is not just about risk reduction or avoidance: it involves balancing risk and opportunity, or one set of risks against another. A new conceptual framework is therefore required ... to ensure parallel focus on contextual, programmatic and institutional risks along with specific reforms to simplify the tools and procedures available, including for planning, procurement and financial management. Whilst this may be uncomfortable for international partners, it will ultimately help to deliver better results.

From risk avoidance towards better risk management: Donors need to a) start performing joint assessments of contextual risks; b) use collective or shared risk management arrangements; and c) simplify procedures for the release and delivery of aid.

(OECD, 2012b)

➔ See also INCAF-DAC *Aid risks in fragile and transitional contexts: Improving donor behaviour*, (OECD, 2011).

D. Design and Implementation

33. In this section we provide some headline findings from the current research. More details and more extended examples can be found in the Operational Guidance (Part II).

Realism in contextual analysis and feedback loops

34. *The trade-off calculus will vary in different contexts*. The case studies indicate that the wider country context has a major influence on the design and success of a pooled fund in terms of government capacity, capacity of third party service providers, level of donor engagement, and evolving needs and priorities. They reinforce the advice that: *Trust funds design should be tailored to local conditions rather than simply following a generic international model* (Walton, 2011).

35. *There is a danger that political agendas and desire for speed will lead past lessons and local (political and institutional) context to be ignored*. Interviews highlighted the significant dangers of wishful thinking. High levels of international political pressure are often associated with establishment of pooled funds to support national reconstruction. The pressure and associated rush to establish pooled funds post-crisis can pre-empt thoughtful design with a vision for an exit or transition strategy. There is evidence that some funds are not sufficiently adapted to context. In these cases, they tend to be driven by donor interests and external perceptions and/or priorities, with insufficient effort made to understand the country context prior to establishment. Donors need good context analysis to assist them in managing expectations for what a pooled fund can accomplish, and to ensure conflict sensitivity and the avoidance of harm.

36. The centrality of country context also raises the issue of who does the analysis. All institutions approach the country context with some specific interests and priorities: diplomacy, security, humanitarian, development, regional spillover effects, economic investment. One key element involves an assessment of the dynamics at the national and regional/local level in regards to different elements of the government. A number of interviewees and studies pointed out that a major reason for shortcomings in pooled funds is that "reality is constantly ignored", particularly in FCASs due to political agendas. Donors often were too eager to agree that there is a ‘post-conflict’ situation when it is a more complicated political dynamic. (Iraq was a clear example where political imperatives drove

the design and the implementation process; when this happens, realistic assessments aren't done, realistic project design isn't done and expectations aren't well managed.)

37. *Realism about time-scales includes (a) how long will it take to get the pooled fund up and running?* (setting up a pooled fund – even "off-the-shelf" – takes time, more so if it needs consensus-building among donors and buy-in from the government); and *(b) how long after that to have demonstrable results on the ground?* This makes it important both to manage expectations surrounding a pooled fund, and to consider each pooled fund in the context of possible complementary instruments which may be better suited to delivering very near-term results.

38. *It is essential to set out clear expectations of donors involved in the fund so that consistent engagement is provided*. In Iraq (IRFFI), the Donor Committee was very active at the start, but when security problems started they stopped meeting (they did not meet between 2005–2007); this meant that there was no strategic guidance for IRFFI and reduced the donors' ability to have meaningful insight of the context. The donors left the WB and UN to their own devices and then in 2007/2008 they started to demand results. As projects came up for planned completion donors such as DFID and the EU swapped to the opposite extreme and wanted to micro-manage project details showing little interest in the big picture.

39. From Afghanistan, it was clear that there is a need to set out expectations required of donors from the start to ensure optimal level of engagement; initial levels of engagement often fade. The external evaluation (Scanteam, 2008) found the lack of donor engagement particularly on strategy and technical inputs "troubling". In order for the pooled fund to remain a consensus building instrument for major funding decisions, donors need to continue to engage on policy and oversight – not just pushing all this on the World Bank.

Matching the pooled fund design to its objectives

40. *Be careful that the political need to show that something is being done immediately does not lead to inappropriate intervention decisions*. There is often an understandable political demand for quick results to show that something is being achieved, and/or to provide political support to a legitimate government. But this needs to be tempered with realism about what kinds of result are appropriate and achievable in the short term. Frequently, this comes back to identifying the trade-offs and being explicit about the choices that are being made in the design and implementation of the pooled fund. as well as the corresponding risks that need to be managed.

41. *Another key lesson is the importance of details in the design of the pooled fund.* Some examples, which recur in this note and in the operational guidance:

- the appropriateness of the fund manager's systems and procedures to the context;
- the need for attention not just to the choice of an agency to manage the pooled fund, but to the quality of personnel assigned;
- the need to take care that alignment with government takes account of local government as well as central government institutions, and achieves the right degree of government ownership without making excess demands on the government's administrative capacity;
- the need to ensure that procurement arrangements are fit for the specific purposes of the fund.

42. Such details are context- and country-specific, involving such issues as the political settlement in Liberia, the politics of decentralisation in Ethiopia, and the existing complex aid architecture and donors in DRC. It is vitally important to understand local politics and institutions. This covers local institutions (what systems do local bureaucracies use?) and local political economy (e.g. being sensitive to conflict). A well designed Political Economy Analysis (PEA) may be an indispensable part of the context analysis and can contribute to the design and also to the longer feedback loop when revisited as part of an annual or mid-term review. Resources such as Joint Assessment of Conflict (JACS) and Drivers of Change can provide basic tools for the context analysis, particularly in FCAS.

43. Experiences with pooled funds also highlight *the importance of building from existing systems and administrative structures*, even when they are seriously flawed or weakened. (This is a strong finding from research on public finance management (PFM) in fragile states – see WB, 2012.) An understanding of current government systems and working with them is a basic task at the start. In Nepal (NPTF) there was not enough understanding of government systems at the start – they used previous funds and simply 'cut and pasted' in the new plans; conversely, adaptation to Ethiopia's PFM system and unique federal structure was key to the success of the Protecting Basic Services (PBS) programme.

44. Finally, and this is often particularly sensitive in FCAS, a central element of design and implementation involves the relations between central and local government. Part of political settlements can involve asymmetric decentralization, and donors need to be particularly cognizant of the sensitivities and tensions in these evolving arrangements as found in Pakistan, DRC. Indonesia and South Sudan.

Protracted crises

45. *Many FCAS are countries with protracted crises which last for a number of years, and frequently leave large numbers of people extremely vulnerable. This means that aid instruments and donors need to adjust to different levels of violent conflict, political uncertainty and fluctuating levels of government capacity.*

46. In response to high levels of vulnerability, donors establish humanitarian funds with the capacity for rapid response. These humanitarian crises in FCAS are not temporary interruptions to the country's development continuum, they are part of the political landscape. It would be appropriate to establish pooled funds that are not designated either 'humanitarian' or 'development' but a hybrid that can adapt to the 'ups and downs' in protracted crises, as well as a number of stagnant or deteriorating contexts. This point is often recognised in principle but less often reflected in the way pooled funds have been designed.

47. *Some core elements of humanitarian pooled funds and instruments remain essential to effective work in protracted crises,* where there are urgent human needs due to political collapse, increasing levels of violent conflict and/or population displacement. Well designed and managed humanitarian funds can play a key role in addressing pressing health, nutrition and other immediate imperatives. Sometimes there will be a long term need for humanitarian responses, in which case humanitarian and development instruments may exist alongside each other, potentially serving complementary purposes.

48. There remains the need to design funding instruments for service delivery while also addressing capacity, but perhaps through a different fund, while instilling the flexibility to address shifting needs and the location of the needs. Among examples of the potential use of humanitarian pooled funds over the longer term, perhaps as annually replenished funds with multi-year frameworks, are the experiences in CAR, DRC, and Pakistan. One lesson is that these funds require predictability of donor support, and need to be aligned with other support for instruments that could fund recovery activities. Another lesson is that longer-term humanitarian funds need exit criteria, either for ceasing operation or for transition to development instruments.

49. *FCAS include situations where 'crisis is the norm, and the norm is crisis', highlighted in a country such as CAR or DRC, which has both nearly two decades of 'emergencies' and a high level of sub-national fragility.* The interviews and case studies on which this paper draws reinforce all the points made in INCAF guidance on this subject. There needs to be very clear analysis of the short-term/long-term trade-offs and the specific goals and objectives of humanitarian instruments, particularly if short term interventions might run counter to creating local institutional capacity, especially in government, and create parallel systems that further fragment aid programmes.

50. Good conflict analysis should be part of this. It also links to risk, as tolerance for risk should be higher for humanitarian instruments, and donors should seek to move from 'normal' practices to take risks with multi-year humanitarian instruments and aid baskets. It is possible to strike the right balance between the short and long term even in difficult sectors like infrastructure, where early investment can be in repairs, while the longer term reconstruction projects are being prepared for implementation.

The importance of ownership

51. *Working with government, and if possible through government systems, should be the 'default' approach when supporting service delivery.* Ownership is a central principle in the Paris/Accra principles, and one that underpins the post-Busan New Deal. *Past research has highlighted ownership as a criterion of a good pooled fund while it also recognises the challenges of ensuring ownership in fragile and conflict-affected environments.* In FCAS, ownership is central to legitimacy, accountability, and the prospect of state-building, capacity development and sustainability, but there is no simple recipe for getting ownership right in relation to a particular fund. However, unless there are specific reasons not to engage with government, the pooled fund should include mechanisms for engagement with government entities. An intermediate step may be to design pooled funds in ways that provide shadow alignment with government systems.[1]

52. It is important to have a realistic role for the government, taking account of its capacity and interest, with the government's legitimacy as another important dimension.[2] The question of government legitimacy raises a range of issues, including how well it is accepted by different elements (or regions) of the population, how acceptable it is for partnering with donors (Ethiopia), its legal authority (oPt) and capability. The contextual analysis should incorporate the areas where country ownership exists, where it has the potential to develop, and where it is likely to be lacking, and fund design should respond to these areas accordingly.

53. The range of experience in terms of Government buy-in varies considerably, with knock-on effects for country ownership, efficiency of fund allocations and alignment to national priorities. In Indonesia (Aceh Multi Donor Fund) and Liberia (Liberia Health Pooled Fund), the Government was fully involved in objective-setting from the outset, led the governance mechanism and participated in fund implementation, leading to strong country ownership. In Iraq (International Reconstruction Fund Facility for Iraq) and Afghanistan (Afghanistan Reconstruction Trust Fund) by contrast, the Government's initial involvement in decision-making was extremely limited, even though Government was expected to be involved in implementation and the funds were intended to support national reconstruction, necessitating later revisions to the governance structures.

54. A lesson from Afghanistan is that if a pooled fund works with and through the government it must be ready to deal with disagreements between the government and donors. Government engagement increased over time and the more voice it had the more important it became to deepen and define roles and responsibilities. The government's reform agenda was not necessarily in line with what donors wanted to fund. It did enable policy discussions; but it also brought tensions over priorities between donors and the government. The lesson for the design and management of pooled

[1] *'Shadow alignment' is the practice of providing aid in such a way as to mirror national systems, to enable rapid conversion to 'real' alignment as soon as conditions permit*. (DFID, 2010)

[2] As one observer commented to the team:

> *... we need to differentiate states where there is a robust political settlement in place where we have confidence that incumbent authorities are legitimate but not necessarily capacitated – probably Timor Leste – from those where legitimacy remains highly (and probably rightly) contested and where high levels of caution are required about building the capacity of state institutions…. For too long we have associated humanitarian with state avoiding and development with simplistic state-engagement.....*

funds is that generally governance mechanisms should set policy, priorities and provide oversight, but stay out of the execution**.**

55. One aspect of FCAS design that is wider than pooled funds, but which includes them, is the decision by donors on which parts of government should be involved in various projects. This includes central or sectoral ministries, and sometimes specific (more competent or trusted) ministries and some central functions. Another key element involves the ways in which funds may support finance and planning ministries in their proper roles in strategic resource allocation, budgeting and financial management (support to the recurrent budget may be crucial in ensuring rapid results and restoring government systems in the early stages of recovery).

Design of pooled funds

56. *Donors should set up the fund in context of other funds and operations – where does the fund fit in (externally) as well as how is it managed (internally),* i.e. the pooled fund functions as part of donor portfolio and country architecture. The design has to identify the minimum conditions that have to be achieved and maintained in order to receive the aid.

57. *Design is a matter of process as well as product – it matters who is involved, as this can strengthen ownership and sharpen objectives*. As INCAF guidance rightly emphasises, it is also important not to have tunnel vision: each fund must be seen in context of other instruments and the aid landscape more generally. It matters who is involved at the outset (several more successful pooled funds – usually in politically high-profile cases – have benefited from high-level donor representation). Interviewees stressed the importance of ensuring that governance structures encourage joint strategy formation, both amongst donors and with the government (see Box 9 below for a cautionary example).

Box 9A lack of joined-up governance in Haiti

One of the key strengths of pooled funds raised by interviewees is the forum they can provide to bring all parties together for discussion and the forming of a joint strategy – ensure your governance structure encourages this. The governance structure in Haiti did not allow for this. The Interim Haiti Reconstruction Commission (IHRF) made the decisions about what the priorities were, and this was done with a very political focus. Because the IHRF and the Steering Committee of the pooled fund itself, the HRF, were completely separate, serious discussions or strategy planning failed to happen. In fact there was a disconnect between the two structures.

58. Since pooled funds may be part of an overall strategic approach to dialogue and finance for the country concerned, it is important to engage with important non-contributing donors to ensure effective coordination, especially in a context of transition or fragility with both humanitarian and development instruments present (as found in the Liberia health pooled fund – Box 10 below).

Box 10 Liberia Pooled Fund

By combining support from donors, the pool fund reduced transaction costs for the Ministry of Health and Social Welfare (MOHSW) and reduced the fragmentation of support for the health sector. The inclusion of non-contributing donors on the governance committee helped to improve overall coordination. Specific, mutually reinforcing objectives were selected at the outset, which increased their likelihood of being achieved. In a context where major donors by volume do not participate in pooled funds arrangements, the Liberia pool fund raised the relevance and effectiveness of multiple small donors while increasing the stewardship role of the Ministry of Health and Social Welfare. As the fund is managed from within the MOHSW, uses country systems, and the steering committee is chaired by the MOHSW, the fund has been successful at increasing the MOHSW's ability to coordinate health sector donors and increasing the MOHSW's fiscal decision making-space.

59. A donor's involvement in a pooled fund should transfer substantial responsibilities to the fund manager, but there will remain the task of continuing to take an interest in the performance of the fund and its governance. This engagement needs to be consistent and pitched at the right level (not veering from neglect to micro-management). *A pooled fund is not necessarily less work for DFID* – for a good pooled fund the work will be different and add more value (and a bad pooled fund will be more work and more frustration). Maintaining an interest in the fund's governance should mean contributing to strategy (including the pooled fund's complementarity with other funds and operations) and oversight, not micro-management.

60. Donors and governments need to be realistic about what a single pooled fund can achieve (it is not a cure-all), and avoid loading it with too many objectives – the more there are, the harder it is likely to be to achieve them using a single operating instrument. Objectives should be realistic and explicit, reflect the context, and be revisited over time. Donors and governments should seek the successful achievement of modest and specific objectives rather than poor achievement of ambitious objectives. Objectives should focus on what is feasible in the short- to medium-term, with long-term goals on the horizon. What the fund should seek to accomplish is not always obvious and will evolve over time if there is room for adapting objectives based on M&E and operational experiences, as well as the changing context.

61. *The design must address the role of country systems, including whether (preferably 'yes') and how they would be used in the pooled fund implementation.* The design should set out the minimum conditions for working through country systems, and which country systems, and which levels of government. The pooled fund planning process would incorporate the context analysis as well as a review of the aid architecture, and could also include a recognition of what other systems or programmes might be reinforced or undermined by different decisions and designs.

62. INCAF has urged that *'an international agreement on objectives be used to facilitate prioritisation during transition. Furthermore, strict prioritization should be linked to a specific facilitating strategy that combines different aid instruments in support of these priorities, which should be revisited on an annual basis to ensure continued relevance. This requires a collective approach across policy communities and better risk management.'* (OECD, 2012a)

Governance of pooled funds

63. Effective pooled fund governance requires a clear system of authority, accountability,, and transparency. The governance structure requires mechanisms that are appropriate to the context, including the membership and function of the overall steering committee, as well as the governance of the fund and the fund manager. The structure needs flexibility to allow it to continue to function well over the lifetime of the fund. This may result in changes that expand the government's involvement when it becomes appropriate, or which reduce complexity if the fund becomes too unwieldy.

64. Pooled fund governance works better when it is clear with whom different responsibilities reside, as well as whether they have sufficient capacity for dealing with trade-offs and risk. Broad stakeholder representation and transparent decision-making processes can mitigate vested interests. Inclusive processes for establishing funding priorities, such as participatory national planning, can reduce the opportunity for 'hijacking' funding priorities. Explicit and transparent governance rules and procedures help to enable different stakeholders to understand their own roles and those of others.

65. While it is essential to keep donors engaged, it is not always productive to rotate responsibility – the chairing of coordination mechanisms needs to be based on a lot of political capital and time investment, building relationships. This is especially true in FCAS. Better to be pragmatic than systematic – use the person who has relevant skills.

66. The composition of the fund's Steering Committee requires care in regards to the relative authority and responsibility of the individuals in their own organisations. The function of the Steering

Committee works best when its mandate is well structured and operates with a focus on strategic input. Pooled funds have done well when the Steering Committee is supported by technical working groups that can address specific operational matters. The Steering Committee also needs to be able to change when there are opportunities for increasing government engagement. Part of the governance structure would include a thorough Mid Term Review that provides guidance on all levels of the fund, from governance to fund manager to implementation, or specific sectoral goals and targets.

67. Several interviews noted that *secretariats are crucial but are often undermined by weak staffing*, either in numbers or in professional background. This is not a new finding:

> Secretariats are also critical, although they have often been under-staffed and under-funded. The costs of secretariats should be more realistic. MDTF secretariats need to be staffed up quickly with the requisite skills, to ensure that the start-up phase runs as smoothly as possible. (Scanteam, 2007)

68. Secretariats play different roles – e..g in management of the fund itself, in servicing the governance bodies, keeping stakeholders informed, and ensuring M&E. Secretariats require sufficiently senior staff to ensure that as much decision-making as possible takes place in-country (referrals to Washington or New York are a typical source of delay and slow disbursement). Consider carefully the position of a secretariat vs. the fund manager: it may be important that the secretariat is seen as providing a common service to all pooled fund contributors, and staffed accordingly.

Fund managers and trustees

69. *The choice of fund manager requires a clear understanding of the context within which the manager will function, as well as the structure and governance of the fund itself.* The design of the pooled fund should clarify the different "fund manager" roles: acting as the trustee for the funds (custodian of the resources) and the management of the programme (disbursing funds to the implementers) may be distinct roles. It is quite feasible for the fund trustee to hire an agency to serve as the fund manager (and also to outsource other functions such as monitoring and verification). Equally important is the selection of key staff, including the skills and experiences that they bring, and the potential for a probationary review period for these positions.

70. The study found that a good fund manager requires both strong leadership and good quality staff. In the Common Humanitarian Funds in both DRC and CAR, the presence of a good leader was noted, and their absence was felt when they left. Flexibility of the fund manager to respond to the local context, adapting procedures where needed, is also important. Fund managers need the space and flexibility to innovate, using pilot approaches and adapting in light of lessons learned where necessary to optimise performance.[3] An equally important factor is the ability of the fund manager to hire and retain an adequate number of quality staff. The staff have to be able to build and maintain good relationships with government ministries, and with contracted implementers, donors and other stakeholders.

71. For large funds, the World Bank and UN are the usual trustees. Each can do some things the other cannot. For example: the UN can channel funds for the salaries of security personnel but the WB cannot;[4] in some cases, regardless of technical considerations, a UN agency may be considered as having more legitimacy for political engagement with a nascent government; the WB is more suitable where budget support or similar close alignment with government planning and budgeting is required. The Operational Guidance (Part II) provides more information on their institutional frameworks for trust fund management.

[3] In Aceh, for example, the fund provided the government the flexibility to implement projects through line ministries and other development partners.

[4] Thus UNDP's Law and Order Trust Fund for Afghanistan (LOTFA) complemented the World Bank's ARTF, so that donors were able to support policing activities that were not eligible under the ARTF.

72. The *fund's procurement strategy needs to be considered in tandem with the choice of fund manager*. It is well known that World Bank and UN procedures for international procurement are ponderous (a consequence of the high fiduciary standards that donors often seek). In Afghanistan (Afghanistan Reconstruction Trust Fund) and Ethiopia (Protecting Basic Services), earmarking funds to support recurrent financing helped governments avoid the rigidities of World Bank rules on capital expenditure, increasing implementation speed. In the Joint Initiative Fund in Zimbabwe, participating NGOs agreed to follow a donor agency's procedures for procurement. In the event that a fund uses government systems, donors should ensure that they have sufficient fiduciary confidence in them at the outset, and provide additional capacity support where necessary. In Nepal, donors to the Nepal Peace Trust Fund agreed that the fund would use government procedures, but then raised concern about the robustness of its public financial management systems during implementation.

73. While the WB and UN are the more usual fund holders and managers, there are other fund managers. Amongst the case studies (see Annex I), NGOs collectively managed a pooled fund in Zimbabwe, and private companies have been used in Liberia and South Sudan. Use of private sector, contracted fund managers has had some success (e.g. BSF in Southern Sudan – see Box 11 below), as well as the Health Pooled Fund in Liberia, but only to the extent to which they are held accountable to their contract. In delegated cooperation arrangements, a lead donor plays a trustee role and in some cases (e.g. Ghana) the recipient government has set up a pooled fund for joint-financing of sector programmes.

Box 11 Private sector fund manager in Southern Sudan

The BSF approach of contracting overall fund management to a single commercial company operating outside of Government is considered to have given it a significant efficiency advantage over other pooled funds operating in Southern Sudan during the same period, in particular the MDTF which was World Bank managed and Government implemented. It was widely seen as an effective fund, which enabled donor funding to be channeled to service providers more rapidly than was the case for other funds, and more transparently than was the case for bilateral donors, given Government involvement in the Steering Committee. BSF was able to contract service providers within a matter of months, whereas for the MDTF the process took years. This approach may not be appropriate where one of the aims of the pooled fund is to facilitate coordinated dialogue with government, and directly strengthen government capacity.

Monitoring and evaluation

74. There is rarely enough attention to M&E at the outset when the initial focus is rapid service delivery.[5] M&E should be considered in the context of a fund's objectives – whether national or independent M&E is appropriate, or both. The M&E framework must be adequately resourced and should monitor the full extent of the fund, from inputs, outputs and outcomes to fund management, governance and the overall effectiveness of the mechanism itself (see Box 12 below).

75. M&E is naturally more difficult in fragile environments (data are scarcer, the costs of collection higher, and data collection and M&E may be limited by travel restrictions). But if M&E is inadequately addressed at the outset (in terms of proper design, establishing baselines, a broad set of indicators, and allocating the necessary resources), aid mechanisms often suffer later when asked to demonstrate the results that would justify continued funding. Often funds could be particularly strengthened by mandating an element of independent evaluation from the outset, and linking this to a

[5] Evaluators in Aceh were hired early in the Fund's cycle for quality and tracking, including criteria of donors such as gender, environment, conflict sensitivity and spatial equity. Contracting of MDTF, Southern Sudan, monitoring to a third party agent who was contractually required to provide comprehensive reports on a monthly, quarterly and annual basis proved an effective way of ensuring a timely flow of information on project implementation across the MDTF portfolio and identification of constraints to implementation.

pro-active communications strategy. But all agencies involved in pooled funds must recognise that good M&E has to be paid for.

Box 12 M&E matters

The availability of quality data is a significant challenge in many fragile and conflict-affected environments, affecting the ability of interventions to be targeted in an effective and sustainable way, according to need. In Central African Republic, projects under the **Common Humanitarian Fund** have tended to be supply-driven, based on the proposals of implementing agencies, rather than guided by an overall needs analysis. Likewise, in Pakistan, the **Emergency Response Fund's** ability to prioritise has been affected by limited information on humanitarian needs in conflict-affected areas country-wide.

By contrast, in Yemen, the **Social Fund for Development** has a demonstrated track-record in monitoring interventions to the level of outcomes, evaluating the sustainability of interventions ex-post and feeding back monitoring data into its funding allocation system. This, however, is an exception. **In most pooled funds, insufficient attention has been paid to the role of monitoring and evaluation.** Monitoring is often limited to the level of outputs, and in many cases, particularly for UN-managed funds, implementing agencies are left to monitor their own interventions and report back to the Fund Manager, with little or no external verification of their findings. Some funds, including a number managed by the World Bank, have hired independent monitoring agents to keep track of project implementation, but their focus has tended to be on outputs rather than results. Even when information is available, the ability of a Fund to respond to it effectively can be impeded by weaknesses in the design of its governance structure, as was the case in the **Multi-Donor Trust Fund for Southern Sudan,** which only had an oversight body constituted at political level, without a supporting technical body underneath it.

Adaptation and exit strategies

76. The design of a pooled fund should include a flexible but clear goal on what is intended when the fund's mandate ends. From the interviews it was apparent, first, that exit had rarely been properly considered early on (Box 13 below), and, second, that in many cases, donors should not exit unless there is a superior alternative (but this did not take into account issues of changing donor interests, priorities or donor fatigue). To the extent possible, in a context where what to do may not be obvious and may change, it is necessary to establish a vision and milestones for the potential evolution of the fund, and revisit them regularly. In many cases, no consideration is given to exit strategy at the point of fund establishment, but you need the capacity to adapt your systems in line with your exit/transition strategy. Transitioning a fund to recovery too early can overload it with expectations resulting in failure. The vision for the pooled fund may include dissolving the fund and a completion process, or evolving to sector or general budget support, depending upon the context, but it is vital to avoid becoming entrenched in unchanging programming, prioritisation, and execution – doing the same thing year after year, driven by inertia rather than strategy.

Box 13 Where is the exit?

Many pooled funds are set up without any consideration of an exit or transition strategy. This is a typical feature of humanitarian funds, leading to a mismatch between annual funding cycles and longer-term needs in situations of protracted crisis (e.g. **Common Humanitarian Funds** in CAR and Democratic Republic of Congo). However, a number of development-oriented funds also have no exit strategy, or highly unrealistic ones. In Yemen, the absence of an exit or transition strategy for the **Social Development Fund**, which has been in operation for over 15 years, has the potential to undermine Government institutional coherence. In Liberia, there has been no discussion on how the **Health Pool Fund** might evolve over time, for example into an instrument for sector budget support. In Afghanistan, the original vision of a fund that would last two years proved so unrealistic that the **Afghanistan Reconstruction Trust Fund** has now been extended to 2020, but still without a clear exit or transition strategy. In Southern Sudan, the exit of the **Multi-Donor Trust Fund for Southern Sudan** was premised on handover to a Government institution which hadn't even been established, while the **Basic Services Fund** was extended several times due to the absence of a viable handover strategy. Indonesia's **Aceh Multi Donor Fund** offers one of the few examples of a well-planned exit, in part due to the involvement of Government in initial design of the fund, clear focus on exit from the outset and effective use of capacity building during the lifetime of the fund to facilitate eventual handover to Government.

From policy frameworks to operational practice

77. A pooled fund is not a panacea, and it will not *automatically* engage better with the government, pool risk, reduce transaction costs and align funding within an overarching strategy. But such objectives can be achieved with good design linked to realistic expectations, hard work and judicious and sustained support and engagement from the donors. The Operational Guidance (the second volume of this paper) provides more detailed guidance to support decision-making by practitioners in the field.

Annexes

Annex I. Research Approach

The methodology consisted of an iterative and mixed methods analytical approach. It included, in sequence:

- Scanning and taking stock of existing literature to identify key issues and gaps in existing knowledge (see the Bibliography at the end of this volume).
- Selection of particular cases for detailed review. The 18 case studies chosen are listed in Table 1 below and Annex II briefly describes each one. They were selected as a purposive sample including more and less successful experiences, and a spectrum of humanitarian and developmental funds from a geographical range of countries and with a variety of implementation arrangements (see Box 14 below).
- Follow-up interviews with key informants (see Box 15 below).
- Discussion of emerging findings with an expert roundtable.
- Drafting of the Policy Briefing Note, and Operational Guidance Note.

Both papers drew on the wider literature as well as case studies and interviews by the research team, but the emphasis was on capturing the knowledge that exists in people’s heads, and so the particular focus of the research was on interviews and discussions with people involved in pooled funds.

Table 1 Pooled Funds used as case studies

Country	Pooled Funds
Afghanistan	Afghan Reconstruction Trust Fund (ARTF)
Central African Republic (CAR)	CAR Common Humanitarian Fund (CHF)
Democratic Republic of Congo (DRC)	DRC Common Humanitarian Fund (CHF)
Ethiopia	Protecting Basic Services Programme (PBS)
Haiti	Haiti Reconstruction Fund (HRF)
Indonesia	Multi-Donor Trust Fund for Aceh and Nias
Iraq	International Reconstruction Fund Facility for Iraq (IRFFI)
Liberia	Health Sector Pooled Fund (HPF)
Nepal	Nepal Peace Trust Fund (NPTF)
	United Nations Peace Fund for Nepal (UNPFN)
Pakistan	Multi-Donor Trust Fund for Crisis Affected Areas
	Pakistan's Emergency Response Fund (ERF)
Southern Sudan (as was)	Basic Service Fund Southern Sudan (BSF)
	Multi-Donor Trust Fund for Southern Sudan (MDTF-SS)
West Bank/Gaza	PA-UN Occupied Palestinian Territory (oPt) Trust Fund
Yemen	Social Fund for Development (SFD)
Zimbabwe	Zimbabwe Analytical Multi-Donor Trust Fund (A-MDTF)
	Joint Initiative (JI) Pooled Fund

Box 14 Funds overview by government engagement

Fund	Type of engagement	Manager
Yemen SDF, Nepal NPTF	Set up and managed by government	Government
Liberia HPF, Afghanistan ARTF, Iraq IRRFI, Southern Sudan MDTF, Indonesia Aceh MDF	Set up in contexts of limited government capacity to support government delivery, primarily using government systems:	World Bank and UN (IRRFI) World Bank (ARTF; S. Sudan MDTF; Aceh MDF) Private sector (Liberia)
Haiti HRF, Southern Sudan BSF, West Bank & Gaza PA-UN oPt TF	Set up to provide recovery/reconstruction financing with government oversight, but limited implementation role:	UN (oPt); World Bank (Haiti) Private sector (S. Sudan BSF)
Ethiopia PBS, Zimbabwe A-MDTF	Set up to enable engagement with government in contexts where direct support was politically problematic:	World Bank (Zimbabwe A-MDTF; Ethiopia)
Zimbabwe JI, Pakistan ERF	Set up to provide humanitarian response outside of government, in the absence of government interest/capacity:	UN (Pakistan) NGOs (Zimbabwe Jl)
CAR CHF, DRC CHF, Nepal UNPFN	Set up to improve coordination of UN-led humanitarian response, outside of government:	UN

Box 15 List of interviewees

Tom Adams, US State Dept
Olga Aleshima, UNDP
Tom Allan, DFID
Ian Attfield, DFID
Fiona Bayat-Renoux, UNDP
Allison Beattie, DFID
Jerome Caluyo, NGO
John Clarke, UNSCO
Eillya Costandinides, DFID
Desmond Curran, DFID
Andrea de Domenico, UNDP
Arne Disch, Scanteam
Marshall Elliott, DFID
Andy Featherstone, Consultant
Wendy Fenton, Consultant
Seb Fouquet, DFID
David Gardiner, Scanteam
Thomas Gass, Swiss Ambassador
Adaeze Igmoebeka, DFID
Ousman Jah, World Bank
Kieran James, NGO
Michelle Keane, World Bank
Marie Keenan, DFID
Josef Leitmann, World Bank
Moses Mabior Deu, Government
Richard Maconachie, DFID
Annina Mattsson, Channel Research
Simon McCoy, DFID
Kirsty McGinigal, DFID
Alistair McKechnie, ODI
Pascal Mounier, Donor
Ross Mountain, DARA think tank
Tasneem Mowjee, Consultant
Christine Mulamba, IMC
Ary Naim, IFC
Dominic O'Neill, DFID
Emily Oldmeadow, DFID
Dirk-Jan Omtzigt, Consultant
Sandra Pepera, DFID
Tia Raappana, DFID
Joe Read, NGO
Nigel Roberts, Consultant
Nicolas Rost, UNSCO
Joe Saba, Consultant
Peter Sollis, IDB
Sarah Spencer, DFID
Richard Taylor, DFID
Pietro Toigo, DFID
Bishnu Upreti, NGO
Juliet Wattebot O'Brien, DFID
Leni Wild, ODI

Annex II. Narrative overview of case study funds[6]

Afghanistan – Afghanistan Reconstruction Trust Fund (ARTF) (2002–)

Designed as a mechanism for providing coordinated funding for reconstruction activities in line with government priorities, while promoting transparency and accountability. Managed by the World Bank, implemented by government following World Bank procedures. Implementation support provided by a range of external agents, particularly on procurement. Two windows: recurrent and investment. Initially, major focus was on funding through the recurrent window (ensuring salaries were paid), but this has changed over time as government's own revenues increased. Government's role in the ARTF governance structure has increased over time (initially it was only an observer in the Steering Committee). Some concerns over conflict of interest in the World Bank's role, particularly with respect to the investment window. Not clear how projects are selected from the Afghan National Development Strategy for ARTF funding, which usually acts as additional funding for existing World Bank projects designed by World Bank staff. Lack of robust exit strategy (fund now extended to 2020). M&E tends to focus on outputs, and is complicated by the security situation.

Central African Republic – Common Humanitarian Fund (CHF) (2008–)

Led by UN RC/HC, supported by OCHA, and administered by UNDP. Objective of rapid humanitarian service delivery. No formal government engagement, although government were invited to participate in coordination at sector level and attend in some cases. Implementation by UN Agencies and INGOs. Funds allocated to priority areas in the UN Consolidated Appeal (CAP), via the cluster system. CHF initially enabled funding mobilisation from donors who would not otherwise prioritise CAR. The CHF has facilitated better coordination within and between clusters. However, projects are supply-driven (proposals from agencies/NGOs) rather than guided by overall needs analysis. M&E limited. NGO participation primarily by INGOs, due to weaknesses in local NGO capacity.

Democratic Republic of Congo – Common Humanitarian Fund (CHF) (2006–)

Led by UN RC/HC, supported by OCHA and UNDP, and administered by UNDP. Aim to improve humanitarian response and its coordination by providing a mechanism for funding activities in the UN Humanitarian Action Plan (HAP). Funds allocated via the cluster system, no government involvement, based on needs assessment conducted at provincial level within framework of HAP (some provincial government involvement in HAP prioritisation). Implementation by UN Agencies and NGOs (both international and local). Conflict of interest when a UN Agency chairs a cluster, but also wants to access funds? Monitoring primarily at the output level, and only for NGOs – UN agencies expected to monitor their activities themselves. Instances of mission creep – fund supposed to finance activities that are 'life-saving', but sometimes supported recovery/transition activities. However, projects allocated on an annual cycle, so no longer-term view. Decision making by the RC/HC and project board has tended to lack overall strategy (possibly due to insufficient information), focusing on the project level.

Ethiopia – Protecting Basic Services (2006–)

A framework/set of pooled funding arrangements managed by the World Bank. The main component is funding to regional and local governments for service delivery channelled through the Ministry of Finance (Federal Block Grant). Additional components have included: a social accountability fund (operated through a Managing Agent and implemented by NGOs, with Government a involved in the oversight body); health commodities procurement (implemented by the MoH using World Bank procedures – but over time, donors have migrated to a separate Health Pooled Fund); PFM and financial transparency (TA implementation); and additional trust fund supports the PBS secretariat. The PBS framework supplanted general budget support (GBS) in the wake of post-election violence

[6] See the Bibliography (at the end of the full volume) for key source documents.

in 2005, and enabled donors to continue supporting basic services through government systems while distancing themselves from the Federal Government. It has also helped strengthen decentralisation and made continued aid more politically defensible by including components on PFM and social accountability. The Federal Block Grant is in many ways a form of sector budget support, but earmarked to recurrent expenditures to avoid the rigidities of World Bank rules on capital expenditure. Tensions around the role of the World Bank – some donors have felt that it tended to dominate dialogue with government, raising the question whether donors were involved in a joint programme, or simply co-financing the World Bank. In 2013 a third, five-year phase of PBS commenced, now re-titled Promoting Basic Services, with added emphasis on monitoring of results.

Haiti – Haiti Reconstruction Fund (HRF) (2010–)

Established in the wake of the devastating 2010 earthquake. Good government engagement at political level, but weak institutional capacity limited government participation/ownership at the level of implementation. Government set up the Interim Haiti Reconstruction Commission (IHRC) to guide HRF planning/implementation, but this led to a hiatus in fund activities when its mandate expired, and the body intended to replace it had not been established. The role of the HRF Steering Committee (SC) is to implement project allocations in line with the guidance issued by the IHRC. It is also responsible for overseeing project implementation, reporting etc. The separation between the IHRC, which is an entirely government entity, and the SC, which is chaired by Government but includes representatives of donors, implementers, civil society etc, has limited dialogue around fund utilisation. The scale of donor preferencing for fund allocations has also limited the efficiency of resource allocation. The HRF is implemented by the UN, World Bank and Inter-American Development Bank, under the administration of the World Bank (trustee). Each uses its own procedures, and is responsible for M&E. It is estimated that only 5% of donor funds go through the HRF.

Indonesia – Aceh Multi Donor Fund (2005–2012)

Good situational analysis prior to establishment, government adequately involved in objective setting and design. World Bank administered. Aligned to government plan/priorities, but implementing channels (Government, UN, NGOs) selected according to comparative advantage, with each using their own systems. Multi-system approach enabled both humanitarian and development needs to be addressed (approximately 73% of funds channelled to projects identified in the national budget, 23% to UN, 4% to NGOs). Steering Committee co-chaired by Government of Indonesia, European Commission (largest donor), World Bank (trustee) and Governor of Aceh. A Technical Review Group was introduced to the governance structure during implementation to enable a forum for technical review and analysis at project level, enabling the Steering Committee to focus on more strategic considerations. Clear focus on exit strategy from the outset – transition to Government. Scope and timeline of fund adjusted in line with findings of a mid-term review.

Iraq – International Reconstruction Fund Facility for Iraq (IRFFI) (2004–)

Fund objectives built on a series of assumptions with respect to the evolution of the security situation and government capacity (progressive improvement) which in the event did not hold true (security situation got worse, with knock-on effects for government ownership and capacity) – but the fund had no provision to adjust its objectives or modalities in response, severely limiting its effectiveness. IRRFI established as a dual-window facility – UN and World Bank, but insufficient joint planning between the windows limited their potential synergies. The Governance mechanism of the fund was adjusted three years into implementation: an executive committee was created (alongside the donor committee, which had not proved very effective), with government as a full member (previously it had had no formal oversight role). Procurement (by government, using World Bank procedures) was a significant implementation bottleneck for the World Bank facility. The World Bank used an independent monitoring agent, but monitoring focused on outputs not outcomes. Donors' initial enthusiasm for the IRRFI waned, as the security situation worsened and the Fund didn't meet its ambitious objectives of providing a 'flexible, coordinated and swift response'. Plus some donors wanted greater attribution for their funding than the funding mechanism allowed.

Liberia – Health Pooled Fund (HPF) (2008–)

Established to fund priority needs within the government health sector plan and provide a platform for increased government leadership in health sector coordination. Overseen by a Steering Committee chaired by the MoH. Managed by a contracted fund manager on contract to one of the contributing donors, and implemented through government systems. Role of the Fund Manager is to provide fiduciary safeguards and ensure effective fund implementation. The Fund Manager reports to the Steering Committee. However, the Steering Committee has not adequately managed the Fund Manager, leading to variable performance. Although a number of major donors remain outside the fund, it has provided a platform for increased allocative efficiency across the health sector, and government-led sector dialogue.

Nepal – Nepal Peace Trust Fund (NPTF) and UN Peace Fund for Nepal (UNPFN) (2007–)

Two funds under one governance structure chaired by government, complementarity of interventions. NPTF managed by the Government of Nepal, with two-thirds of funding coming from government, and one-third from donors. Implementation through government systems. UNPFN implemented through UN system. Some joint planning/working between the funds, but synergies not always maximised. Concerns expressed over whether a separate UN fund was necessary, or more could have been done to integrate it into the NPTF. M&E a weakness in both, PFM a concern for donors in the NPTF, no exit strategy for either. But joint monitoring by the funds is a positive development.

Pakistan – Emergency Relief Fund (ERF) (2010–)

Established to respond to the needs of communities displaced by both natural disasters and conflict, in the absence of adequate government capacity to do so, but initially mainly focused on flood-affected communities; focus was subsequently rebalanced following an evaluation. Managed by UN RC/HC, and implemented through the UN system, limited government engagement. Weak M&E. Limited information on humanitarian needs in conflict-affected areas and absence of a system to prioritise needs country-wide affected the ERF's ability to prioritise. Evaluation also found that donors needed to give greater scope/freedom to the Fund Manager to implement changes based on M&E findings. Nonetheless, projects generally well-received, though sometimes experienced implementation delays (related to the time taken to finalise partner agreements and disburse).

Southern Sudan – Basic Services Fund (BSF) (2005–2012)

Primary aim was to improve coverage of service delivery during the transition from humanitarian to development financing, whilst also building government capacity to plan, monitor and coordinate service delivery. Managed by a contracted fund manager on contract to the lead donor, and implemented by NGOs. Steering Committee chaired by government. Fund proved effective at increasing service delivery coverage and ensuring rapid implementation, but not successful in building government capacity, since no government role in intervention planning/implementation. Eventually closed to pave way for a Health Pooled Fund, with greater government involvement.

Southern Sudan – Multi Donor Trust Fund (MDTF-SS) (2005–2012)

Set up to provide a swift, flexible and coordinated donor response to Southern Sudan's priority recovery and reconstruction needs. Managed by the World Bank, implemented by government using World Bank systems. Tension at the heart of the MDTF's objectives, in that it was expected to simultaneously build government capacity, which was extremely weak, while also delivering services through government systems. World Bank also failed to deploy sufficient resources rapidly enough to assist implementation. Resulting implementation delays led to a proliferation of other funds/bilateral projects to fill the gap. Fund design not appropriate to context, based on inadequate understanding of the operating environment, & failed to build in flexibility to adjust in light of lessons learned. Reasonable M&E (by a contracted monitoring agent) at the level of outputs, but the scope of the fund (covering 14 sectors) and design of governance mechanism (no body below the Oversight Committee tasked with technical appraisal/review at the project level) inhibited its capacity to act effectively on the information provided. Eventually closed as planned, but without a transition to government.

West Bank and Gaza – PA–UN Occupied Palestinian Territory Trust Fund (oPt TF) (2010–)

Established to finance UN state-building and development goals in oPt, at request of the Palestinian Authority (PA). Two windows, one for the West Bank and one for Gaza. Donors can opt to fund either window or both, but no further preferencing allowed. Management Committee chaired by PA and UN Resident coordinator, ditto Project Approval Group. UNDP the Administrative Agent, signs MoUs with Participating Organisations, which are mainly UN agencies, but could be others (e.g. NGOs). Only one donor has so far committed funding & disbursed. Need to familiarise non-traditional donors on the potential benefits of the Fund. Gaza restrictions possibly discouraged donors from taking risks/participating in the Fund.

Yemen – Social Fund for Development (SFD) (1997–)

Established by government as a semi-autonomous governmental institution, able to set own rules and hire own employees. No donor involvement in the governance structure, which is led by government and includes representatives of the private sector and civil society. Highly successful in attracting donor financing, due to its track record of delivery at community level. Highly effective M&E system to the level of outcomes, with feedback into the funding allocation system (poverty targeting). Absence of exit strategy has potential to undermine government institutional coherence, as fund coverage is multi-sector and multi-level, potential for overlap with Line Ministries and decentralised administrations. Implementation through a range of actors: government agencies, NGOs, communities, private sector.

Zimbabwe – Joint Initiative (JI) (2005–)

Joint Programme by 7 INGOs to address the needs of vulnerable urban communities neglected by government. Overseen by a Steering Committee of the Country Directors of the participating NGOs, plus one donor representative. Separate donor group. Collaborative model for agreeing activities based on overall assessment of need. Funds managed by a lead NGO, and implementation supported by a Programme Management Unit. Activities implemented by individual NGOs (working in consortium with local partners); procurement according to Sida systems. Lead NGO responsible for consolidated reporting to donors. Donors pool funds without earmarking, disburse to lead NGO. M&E the responsibility of the individual NGOs, initially weak. No government or UN involvement. Criticism that there is insufficient capacity building of partner local NGOs by the INGOs, and insufficient joint working between the JI NGO partners.

Zimbabwe – Analytical MDTF (A-MDTF) (2008–)

Managed by the World Bank. Designed to support analytical work related to the World Bank's second Interim Strategy Note (ISN), in order to strengthen the Bank's operational readiness to engage in Zimbabwe when conditions warranted. Also intended to coordinate/harmonise donor support, and expected to facilitate dialogue with the Government of Zimbabwe. No government involvement in the Governance structure, but all contributing donors involved, plus the ADB and UN, therefore enhancing coordination. Governance arrangements restructured following a Midterm Review, to make them simpler and more effective. Implementation of activities (which are limited to studies, TA and pilots) was by third parties (consultants, research bodies, firms, NGOs) following World Bank procedures (which were not always well understood by World Bank staff in the relatively under-resourced World Bank office in Harare, sometimes leading to delays). Quality assurance was variable/insufficiently systematic, but outputs have in some cases provided opportunities for policy dialogue with government. Greater efforts are now in place to involve government in commissioning work. Focus has been on the research component – TA has been insufficient, and there have been no pilots.

References for Part I

A more extensive bibliography is provided in the full volume that includes the Operational Guidance (Part II).

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