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HELPDESK REQUEST

**Identifying the main categories of financial aid instruments
(beyond budget support) and how they have been used**

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Abbreviations

DPs	Development Partners
DFID	Department for International Development
DLIs	Disbursement Linked Indicators
EU	European Union
FAIs	Financial aid instruments
GAVI	Global Alliance on Vaccinations and Immunisations
GBS	General Budget Support
ISS	Immunisations Services Support
IDA	International Development Association
IBRD	International Bank for Reconstruction and Development
LIC	Low-Income Country
MIC	Middle-Income Country
MDGs	Millennium Development Goals
PFM	Public Financial Management
PPs	Partnership Principles
OECD	Organisation for Economic Co-operation and Development
SSA	Sub-Saharan Africa
WB	World Bank

1 Introduction

The paper, carried out under the DFID Economics and Private Sector Professional Evidence and Applied Knowledge Services (EPS-PEAKS) framework reviews the range of financial aid instruments beyond budget support available to Development Partners (DPs) in developing countries and trends and experiences regarding their use.

Financial aid is a term used mainly by the UK Department for International Development (DFID). It refers to aid provided to a partner government, where the partner government is responsible for spending the grant funds. This means that the government, rather than the development partner (DP) contracts for the expenditure, but the DP can also be involved in the expenditure decision (how and where the funds are spent).

One of the most widely used (although, less so in recent years) and known forms of financial aid is **budget support**. The OECD defines budget support as un-earmarked funding to the national treasury, where the dialogue focuses on general budget (in the case of general budget support) or sector budget (in the case of sector budget support) issues (OECD DAC 2006; p.26). This review does not focus on budget support defined in this way (although it does include a focus on earmarked and results-based direct budget contributions) for two reasons. Firstly, this financial aid instrument has been extensively covered in the research and evaluation literature, and this review aims to focus attention on financial aid instruments which are less widely addressed. Secondly, most DPs are moving away from the use of budget support in their bilateral programmes (although multilateral budget support is still prominent) due mainly to concerns about fiduciary risk and challenges in tracking the impacts of this form of assistance. However, these DPs retain an interest in continuing to support basic government functions through the use of alternative financial aid instruments. This review therefore aims to support the efforts of DPs to identify such instruments and to understand trends and experiences with their use.

A final definitional issue that is useful to address at the outset of this piece is the term **aid instrument**. By this term we refer to the package of policies, practices and support measures which characterise a particular aid programme. In reality every single aid programme incorporates a unique set of such policies, practices and support measures and could therefore be termed a unique aid instrument. However, we use the term mainly to refer to aid programmes which can be said to have similar set of characteristics and therefore can be said to constitute a particular category of aid programme, or instrument.

In order to identify the main categories of aid instrument which have been / are in use we have selected three main sets of characteristics (building in part on Foster and Leavy, 2001) which can be used to distinguish between them. These characteristics include:

- i. the degree to which the recipient government **leads the governance of the instrument**, i.e. makes the decisions about how aid resources are allocated and the activities they fund;
- ii. the types of **conditions** which determine the timing and levels of aid disbursed;
- iii. the degree to which **government systems are used** in the day to day management and oversight of the programmes funded by the aid.

1.1 Leadership by recipient governments

The degree to which the government receiving financial aid leads the governance of the instrument – that is, makes the decisions about how aid resources are allocated and the activities they fund - is a characteristic which is relevant to determining the level of ownership and control governments have over these resources, which may in turn be

significant for their effectiveness in supporting them to carry out their key functions and develop their capacity.

In an ideal world, recipient governments would take full leadership of aid programmes which aim to support their functioning, so as to promote ownership of these interventions. In response to growing awareness of this perspective on aid, over the last 10-15 years, efforts have been made to scale-up the use of financial aid instruments which promote recipient government leadership in their governance (e.g. budget support).

However, there has only been a limited move in this direction, and in practice DPs generally remain eager to retain some degree of control over decision-making with regard to how aid resources are allocated and the activities they fund. Such practices have been motivated largely by DP interests in ensuring that their aid is invested in the intended way, achieves the impacts expected and in order to fulfil their own domestic accountability requirements. Given the diverse capacity and governance contexts in which DPs provide support to governments, DPs seem to be justified in many cases in retaining some control over aid programmes. It is though certainly questionable whether the degree to which DPs retain control over aid programmes can be fully justified on the basis of these concerns.

As a result of these dynamics financial aid instruments do differ with regard to how they balance DP and government governance of their functioning, including decisions about how aid resources are allocated and the activities they support.

1.2 Conditions applied to aid disbursements

Conditionality refers to the conditions which aid donors require to be met before they will disburse aid to a recipient. Conditionality has been one of the most widely discussed issues in relation to aid, due to concerns that this aspect of aid has in some cases undermined the ownership of Governments and their citizens over their national development process (where policy reforms have been used as conditions) or aid funded programmes.

Although there continues to be a diverse approach to conditionality across DPs, in general the last decade has seen a move away from DPs applying policy reforms (as ex-ante or ex-poste) conditions, and greater use of ex-ante eligibility criteria (that is, pre-conditions relating to areas such as macroeconomic stability, strength of oversight mechanisms and commitment to development). In recent years there has also been a growing application of ex-poste results or impact conditions by DPs, an approach which aims to strengthen incentives for improving institutional performance and to increasingly transfer risks from DPs to recipients.

Debate over how these diverse approaches to conditionality balance objectives relating to ownership, performance and risk continues, and it is therefore an important criterion to use in the categorisation we present.

1.3 Use of country systems for aid delivery, management and oversight

Aid uses country systems when it is delivered, managed and reported on in a way that is consistent with the government's standard processes that are applied to domestic resources within its public spending programme. This principle has been promoted by international aid reform processes due to its significance for supporting government ownership of aid, but also in order to help strengthen budget and other relevant institutional systems as well as to promote the sustainability of impact. With regard to strengthening institutional systems, the theory is that using such systems helps to focus attention on understanding more about their strengths and weaknesses and to incentivise action to strengthen them. If the systems of local institutions are strengthened through aid, this then helps to promote the sustainability of aid, as these are systems which will

remain in use after the aid programme has been completed, unlike systems established outside of the government and which are used simply for implementing the aid programme.

There has to date been only limited research testing hypotheses about the use of government systems for delivering, managing and overseeing aid helping to strengthen these systems. Support for this hypothesis is provided by a range of evaluations of budget support, which have found that this funding in combination with non-financial inputs (e.g. capacity building, policy dialogue and conditionality) has supported improvements in public financial management (PFM) systems (see box below). However, this limited evidence base does leave a number of questions unanswered. Firstly, it is not clear to what degree the financial (or non-financial) inputs of GBS programmes were drivers of these improvements in PFM systems. In addition, there is little evidence backing up impacts of such aid instruments on other critical governments systems (e.g. accountability - Glennie et al 2013), nor is it clear how systems strengthening has contributed to broader development impacts.

Box 1: Impact of budget support on Public Financial Management (PFM)

- A seven country study (Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda and Vietnam) found that a general budget support (GBS) package comprising conditionality, dialogue and technical assistance in addition to finance had helped strengthen the budget process; it was reported that such an outcome was partly because of maintained donor attention and engagement with Ministries (IDD and Associates, 2006).
- Analysis of GBS to Tanzania and Uganda found that GBS funds combined with non-financial GBS inputs "have proved effective in supporting recipient governments' efforts to strengthen PFM systems and improve PFM outcomes" (Williamson, 2006).
- A three country study (Burkina Faso, Ghana and Malawi) found that GBS helped to support the development of PFM reform strategies and monitoring frameworks which were important inputs to efforts to strengthen PFM capacity (Lawson, 2012).

DPs face greater challenges in utilising country systems when there are more significant concerns about the strength of a state's systems and the general effectiveness and accountability of its institutions. A key issue donors face in such challenging country contexts is the fungibility of aid, i.e. the use of aid funds for purposes other than those intended by the donor. Full use of a government's systems is often said to heighten the

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To help guide the efforts of DPs to take progressive steps towards use of country budget systems across a wide range of contexts the Collaborative African Budget Reform Initiative (CABRI) has identified seven dimensions of "on budget" aid (see table 1 below), which can also be used to assess the degree to which aid aligns with budgets and important country systems more broadly. Our categorisation refers to a number of these dimensions in distinguishing the main categories of financial aid instrument.

Table 1: Dimensions of aid on budget

Aid on budget dimension	Definition
On plan	Programme and project aid spending is integrated into spending agencies' strategic planning and supporting documentation for policy intentions behind the budget submissions
On budget	External financing, including programme and project financing, and its intended use are reported in the budget documentation
On parliament	External financing is included in the revenue and appropriations approved by parliament
On treasury	External financing is disbursed into the main revenue funds of government and managed through government's systems
On accounting	External financing is recorded and accounted for in the government's accounting system, in line with the government's classification system
On audit	External financing is audited by the government's auditing system
On report	External financing is included in ex post reports by government
On procurement	Goods and services purchased through external financing utilise the government's procurement systems

Source: CABRI 2008

In identifying these three sets of characteristics to utilise in categorising financial aid instruments we did consider a number of other characteristics, which we have judged to be of interest but not of significance in identifying the major categories. These characteristics include whether instruments involve one donor or multiple donors, what type of outcomes/results they target and whether multiple tranches are used. These characteristics will though still be useful in illustrating the variety of financial aid programmes which can be included in each of the main categories of financial aid instruments we identify.

The concepts and analytical framework presented in this section support us to carry out the analysis presented in the rest of this report. Section 2, which follows, proceeds to present our approach to applying the three main sets of characteristics of financial aid instruments presented above, and then utilises this to identify the main categories of financial aid instrument which have been / are being used by DPs. Section 3 then identifies the specific programmes of DPs which can be included in each category and presents an overview of which countries and sectors they have been used. Section 4 then concludes the Report by identifying some of the main conclusions that emerge out of this analysis.

2 Identifying the main categories of financial aid instruments

In this section we identify and present the main categories of financial aid instruments which have been/are being used by DPs utilising the characteristics we have presented in section 1. The framework of categories we develop utilises these characteristics in the following way:

2.1 Government role in governance

We split financial the financial aid instruments (FAIs) we identify into two main categories on the basis of this characteristic:

- i. **Government managed FAIs** – these involve DPs providing their support directly to the budget of governments to support them to pool these funds with domestic resources and deliver existing priorities and strategies;
- ii. **Joint government-DP managed FAIs** – these involve governance structures (which can be based inside or outside of government institutions) in which DPs have notable decision-making powers over what gets funded and how; they also commonly involve funds being ring-fenced and managed separately from domestic resources; this category encompasses aid instruments such as pooled/trust/basket funds.

In practice the line between these two categories of aid instrument is a fine (if non-existent) one, as there are many formal (especially earmarking) and subtler and informal ways in which DPs can shape the delivery of instruments which could be said to be formally government-managed. Likewise, joint government-DP instruments may allow for much greater levels of government leadership than their formal governance structures imply. It therefore may be more accurate to state that financial aid instruments exist along a continuum between those fully managed by governments and those joint-instruments in which DPs have significant decision-making powers. Nevertheless, we think this theoretical distinction does hold to some degree in practice, and it is therefore useful in illustrating the types of approaches to financial aid which are open to DPs.

2.2 Conditions applied to disbursements

Within each of the two main categories of financial aid instruments identified of their Governance structures (see above) we identify three categories of instrument based on the type of conditions applied to disbursements. These three types of conditions include the following:

- i. **Ex-ante eligibility, programme design and policy conditions.** This involves determining aid disbursements ex-ante on the basis of eligibility criteria relating to the country context (for example, strength of public financial management systems, levels of governance; see box below on the UK Government's Partnership Principles [PPs]), project design meeting suitable standards and commitments to pursue policy actions related directly to the implementation of the project or in other areas of government policy.

Box 2: UK Government aid PPs (DFID, 2005)

The UK Government's 2005 Conditionality Policy requires aid partners to display a commitment to a range of PPs as pre-conditions for receiving aid. These PPs are therefore used as ex-ante eligibility conditions which determine whether the UK Government can provide financial aid to partner governments.

- i. A commitment to reducing poverty and achieving the Millennium Development Goals (MDGs);
- ii. A commitment to respecting human rights and other international obligations;
- iii. A commitment to strengthening financial management and accountability, and reducing the risk of funds being misused through weak administration or corruption;
- iv. A commitment to strengthening domestic accountability.

- ii. **Ex-poste action and results conditions.** This involves determining aid disbursements ex-ante on the basis of actions (e.g. policy reforms or financial inputs) that the government will undertake, or in relation to results in areas being supported by DPs; these can be focussed on any aspect of the results chain, from output (e.g. primary school enrolment), to outcome (e.g. primary school completion, literacy levels), to impact (e.g. employment or empowerment resulting from the education).
- iii. **Ex-poste reimbursement conditions.** This involves the DP agreeing with the Government specific categories and / or a set amount of expenditure that can be reimbursed by DP following verification the expenditures have been undertaken.

In practice, all financial aid programmes involve some degree of ex-ante conditionality, as there is always an extensive process of selecting aid recipient countries, partners and activities, during which DPs determine what will and will not be funded and influence the shape of the programmes which get selected. In categorising instruments according to the type of conditionality applied we refer to the conditions that are explicitly agreed to determine the timing and level of the aid to be disbursed during implementation.

In addition, it is also the case that a number of the financial aid instruments we present as examples of the main categories identified in this Report apply both ex-ante and ex-poste conditions to disbursements. However, we categorise these instruments on the basis of the type of conditions most emphasised in their functioning and those which are applied to the majority of disbursements.

2.3 Use of government systems

Of the three sets of characteristics we utilise in this Report to categorise financial aid instruments the most challenging to apply is that of “use of country systems”. This is because there are a wide variety of systems that could be used in any aid programme, and the use of any one system is often not binary as it can be used to a greater or lesser degree. As a result of this diversity and complexity it may well be the case that no one aid programme utilises country systems in a way that is identical to another. We therefore do not utilise this characteristic in order to identify individual categories of financial aid instrument. Instead we use it to provide a fuller description of the individual aid programmes we present as examples in each category, as well as to support our analysis (in section 4) of what approach to the use of country systems (if any) is associated with the main categories of financial aid instrument we identify.

Based on this analytical framework (utilising the “governance” and “conditionality” categories) we identify six main categories of aid instrument, each of which could in theory be sub-divided further based on their approach to use of country systems. This is illustrated in the box below:

Table 2: Categories of FAI identified in this report

Governance	Conditionality	Use of country systems
Government managed FAIs	+ Ex-ante conditions	Very diverse variety
	+ Ex-poste conditions	
	+ Ex-poste reimbursement	
Joint government-DP FAIs	+ Ex-ante conditions	
	+ Ex-poste conditions	
	+ Ex-poste reimbursement	

3 Illustrating the main categories of FAIs

The table below helps to illustrate further the categories of financial aid instrument presented in table 2 above by presenting examples of the funds and programmes which fit into each category. Section 4, which follows, then attempts to identify the main analytical points which emerge out of this presentation.

Table 3: Examples of aid funds and programmes which fit into each category of FAI

Government leads management			
Instrument	Conditionality	Use of country systems	Countries, sectors and scale of use; DPs involved
EX-ANTE CONDITIONS			
Earmarked direct support to budget. <i>Ex-ante financing (with some ex-poste tranches also used by some) through the government's finance Ministry / Treasury to sector budgets; also commonly involves substantial policy dialogue and technical assistance.</i>	<ul style="list-style-type: none"> - <u>Ex-ante</u> eligibility conditions (usually in areas (such as commitment to poverty reduction, governance and macroeconomic standards). - Can also be combined with applying <u>ex-poste</u> conditions linked to variable tranches. 	<ul style="list-style-type: none"> - Yes, as delivered through the finance Ministry/Treasury to sectors and day to day management through government systems; - However, funding is <u>earmarked</u> for specific budget lines/areas of the budget (i.e. not the general central or sector budget) and some donors require <u>additional oversight</u> measures (i.e. outside of national oversight systems) to be applied. 	<ul style="list-style-type: none"> - Utilised by a number of DPs since the early to mid-2000s (although fewer DPs provide today), including: Belgium, Canada, Denmark, Netherlands, Sweden and UK; - EC and UK apply variable tranches linked to ex-post policy and output conditions; - Annual disbursements generally \$20m-\$60m per country, channel for c\$3bn in aid to SSA in 2007 (Williamson and Dom, 2009); - Used mainly in more stable LICs, especially in sub-Saharan Africa (SSA), but also some MICs.
EX-POSTE CONDITIONS			
Cash on delivery aid. <i>Ex-poste financing direct to government sector budgets.</i>	<ul style="list-style-type: none"> - Funding based on <u>ex-poste</u> verification of number of people reached with relevant service above an initial baseline (to some degree 	<ul style="list-style-type: none"> - Yes, with resource management in sector driven by national processes and reward payments are <u>un-earmarked</u> within the sector 	<ul style="list-style-type: none"> - New instrument, first used in 2012 by UK in education in Ethiopia (£30m 3-year programme); yet to be more widely adopted but interest in its

	<p>relies on other programmes supporting general capacity to deliver).</p>	<ul style="list-style-type: none"> - However, involves applying <u>external verification</u> (i.e. outside of national oversight systems). 	<p>approach is growing.</p> <ul style="list-style-type: none"> - Lends itself more easily to use in service sectors, given need to link directly to measurable results.
<p>Global Alliance on Vaccinations and Immunisations (GAVI) – Immunisations Services Support (ISS).</p> <p><i>Ex-ante and ex-poste financing direct to the budget of relevant government sector programmes.</i></p>	<ul style="list-style-type: none"> - Initial ex-ante funding tranche based on estimated cost of number of children to be immunized in the first year; - Subsequent funding based on <u>ex-poste</u> verification of number of children immunised above the first year baseline (payment per additional child reached). 	<ul style="list-style-type: none"> - Partly - uses government systems for disbursements. and day to day management - However, funds are <u>earmarked</u> and usually there is <u>little participation in national planning and budgeting</u> processes (Pearson 2010) - Many governments also place funds in a separate account, although this is not a requirement (GAVI-ISS evaluation). 	<ul style="list-style-type: none"> - Used for promoting uptake of DPT3 vaccine - Initiated in 2001, \$362m in funding; currently for countries with per capita income below \$1,580.
<p>World Bank Performance for Results instrument.</p> <p><i>Ex-ante and ex-poste financing direct to relevant sector(s) budget.</i></p>	<ul style="list-style-type: none"> - At least 70% of funds disbursed on basis of meeting <u>ex-poste</u> Disbursement Linked Indicators (DLIs) – a limited selection of the programme’s results indicators; DLIs can be final outcomes or outputs, but also intermediate outcomes and outputs, as well as process and 	<ul style="list-style-type: none"> - Yes, as resource and day to day delivery managed through Government systems - However, is <u>earmarking</u> which can be wide (whole sector, or multi-sector) or narrow (e.g. particular budget line, or sub-sector, or sub-period of the project, or location); additional <u>external reviews</u> (i.e. outside of 	<ul style="list-style-type: none"> - Began in 2012; as of end 2014 22 operations approved for \$3.5bn in funding (pipeline also includes 21 operations under preparation totalling 5.5 billion); NB – is also effort to link to IDA/IBRD funding in the sectors addressed. - Operations approved to date are in six different regions in a range of country typologies (from fragile states to MICs).

	financing actions; flexibility in how funding linked to the various DLIs. - Up to 30% of funding can be provided <u>ex-ante</u> to provide support in meeting key prior results, or simply to address initial resource constraints (World Bank 2012).	national oversight systems) can also be required.	- Main sectors are Social, Urban, Rural & Resilience, Water, Health Nutrition and Population, Finance and Markets.
EX-POSTE REIMBURSEMENT			
Fixed Amount Reimbursement Agreement (FARA). <i>Ex-poste reimbursement of expenditures (with limited ex-ante disbursements also possible) direct to relevant sector budgets.</i>	- <u>Ex-poste</u> proof of spending in specified areas, with funds to be disbursed based on fixed costings agreed at beginning of the programme. - Funds can be advanced <u>ex-ante</u> in some cases to support delivery.	- Yes, provides reimbursements through national budget with resource and day to day delivery managed through Government systems; - However, is <u>earmarking</u> to specific parts of budget and <u>external verification</u> (i.e. outside of national oversight systems) of spending.	- Used by USAID - Currently being provided in El Salvador (social protection), Ghana (education), Liberia (health), Rwanda (roads) and Uganda (statistics).
Joint Government-development partner management (commonly referred to as trust funds, pooled funds, basket funds)			
Instrument	Conditionality	Use of country systems	Countries, sectors and scale of use; DPs involved
EX-ANTE CONDITIONS			
Examples (basic governance structure). - Liberia Health Pooled Fund (housed in Ministry of Health and Social Welfare, who	- Both utilised traditional <u>ex-ante</u> disbursements, based largely on meeting conditions relating to financial management	Liberia Health Pooled Fund - Mostly – financial management, procurement and programme delivery utilised national systems; but disbursements	Liberia Health Pooled Fund - Established in 2008, and has to date received \$64m in funding to date, from UK (\$32m), Ireland (\$24m), UNICEF (\$4m), France and

<p>submit proposals to the joint Government-DP Steering Committee for approval).</p> <p>- Indonesia Multi-Donor Fund (World Bank managed, with delivery overseen by a Government body; proposals screened first by the Government body before submission to a joint Government-DP Steering Committee for approval).</p>	<p>(Liberia Health Pooled Fund) and quality of project proposals and plans (Indonesia Multi-Donor Fund).</p>	<p>require sign-off from accounting firm managing the fund (for financial oversight); also, funds separately identified in budget and there is also a separate annual audit.</p> <p>Indonesia Multi-Donor Fund</p> <ul style="list-style-type: none"> - Mostly – management and delivery utilised national systems; although there was a separate project account and some additional auditing. 	<p>Switzerland (\$2m each)</p> <ul style="list-style-type: none"> - Focussed on supporting delivery of a basic package of health services. <p>Indonesia Multi-Donor Fund</p> <ul style="list-style-type: none"> - Established in 2005, and has to date received total of \$655m in contributions from 15 different donors, with largest the EU (\$271m), Netherlands (\$146m), UK (\$69m) and World Bank (\$25m) - Focussed on post-disaster reconstruction (community recovery, infrastructure, governance and capacity building, environment, economic recovery and livelihoods).
EX POSTE CONDITIONS			
<p>Examples (and basic governance structure):</p> <ul style="list-style-type: none"> - Health Results Innovation Trust Fund, World Bank (delivered through a diverse set of governance structures across countries, with links developed to relevant IDA/IBRD programmes in many countries). 	<ul style="list-style-type: none"> - Funding for <u>ex-poste</u> results, with an emphasis on outputs (such as vaccination levels, % births involved skilled birth attendant). 	<ul style="list-style-type: none"> - Partly – aimed to use country systems as much as possible, and at the very least involve a short transition to their use; however, in practice use of country systems has been partial (financial management and procurement systems of often used), and varies across countries; funds are kept in a separate account to assist evaluation 	<ul style="list-style-type: none"> - Established in 2007, to support health interventions focussed around maternal, new born and child health; to date \$558m in funding has been committed, \$368m from Norway and \$190m from the UK - By July 2014, 36 Country (22 in Africa) Pilot Grants had been approved by HRITF in the total amount of \$404.4m, linked to an additional \$1.9 billion from IDA
EX-POSTE REIMBURSEMENT			

<p>Examples (and basic governance structure):</p> <ul style="list-style-type: none"> - Special Financing Facility Somalia (housed in and managed by the Government). - Afghanistan Reconstruction Fund (World Bank managed, overseen by a Management Committee, which initially did not include the Government, although more recently is represented). 	<ul style="list-style-type: none"> - Funding mainly for <i>ex-poste</i> reimbursement of Government salaries based on verification of payments (with some additional projects funded up-front). 	<p>Special Financing Facility, Somalia:</p> <ul style="list-style-type: none"> - Mostly – funds largely for salaries paid through the budget, but development projects more closely following DP procedures. <p>Afghanistan Reconstruction Trust Fund:</p> <ul style="list-style-type: none"> - Partly - Main expenditures for reimbursing salaries of civil servants through the budget, although overseen by external monitoring agent; also investment projects less closely linked to systems. 	<p>Special Financing Facility Somalia</p> <ul style="list-style-type: none"> - Established in 2012; c\$12m disbursed to date, from Government of Norway; focussed predominantly on Government salaries (c\$10m on salaries, with \$2m on development projects). <p>Afghanistan Reconstruction Trust Fund:</p> <ul style="list-style-type: none"> - Established in 2002; disbursed just over \$7bn, with approximately half of the funds to each of the operational cost (mainly for salaries) and investment windows; focussed on supporting the Afghan civil service to function, but also infrastructure, rural development and capacity building.
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4 Analytical insights from categorising financial aid instruments

A number of analytical insights emerge from identifying and illustrating the categories of financial aid instruments used/in use by DPs presented in sections 2 and 3.

- **The diversity of approaches in each category of financial aid instrument.** This is illustrated by the range of approaches to conditionality applied to government-led financial aid instruments and the diverse application of country systems across joint government-DP financial aid instruments; such diversity illustrates how it is practically possible to combine the characteristics explored in this Report in a wide range of combinations to tailor the context being addressed and to respond to the political and practical constraints faced by DPs.
- **Financial aid instruments utilising ex-ante results conditions are growing in prominence and diversity.** A number of significant instruments in this category have emerged in recent years, and there is a growing diversity of approaches being tested and utilised across DPs.

- **Financial aid instruments utilising ex-ante results conditions have been pursued largely in service sectors.** These are interventions which more easily lend themselves to applying such approaches, as incremental results indicators can be more easily defined and monitored in sectors such as health and education.
- **Joint government-donor FAIs (especially on a reimbursable basis) are more widely used in fragile and weak capacity states.** These are contexts where DPs have a clear interest in retaining significant control of these instruments in order to ensure adequate capacity is available for their implementation and safeguard aid spending.

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