



Diving into the pool: pooled funding for basic service delivery in fragile and conflict affected states

By Beth Hodson

Back in July last year, I dropped in at the friendly Mokoro office to see a couple of people and found myself, against my better judgment, agreeing to take part in a project on producing guidance for pooled funding of basic service delivery in fragile and conflict-affected states (FCAS) (trips off the tongue nicely).

"Pooled funds, as single gateway between governments and donors, have to be the right approach for fragile and conflict affected states. Key challenges are how to manage the fund, and how to manage within the fund." (Interview, DFID staff)

My reservations were two-fold: firstly, I thought it sounded rather dry and academic, and I much prefer getting my hands muddled in the reality of Education, Health or even Sanitation; secondly, my experience of pooled funds up till then had been largely negative – they appeared to be unwieldy, bureaucratic monsters where no-one took responsibility for the results (or lack thereof). However, I was persuaded that this project was about offering "practical guidance" and would draw on "real experience from the field", and in answer to my second reservation (which I probably failed to vocalise), I decided that it is always good to have an opportunity to challenge one's prejudices – perhaps I'd find some positive examples, and if not, I would be unafraid to add a critical perspective to the papers.

This was a timely study – pooled funding is increasingly being used by donors such as DFID, and although there were a great many papers on specific funds and the benefits and shortcomings of using pooled funds, there was little in the way of practical guidance for the people on the ground.

One appealing aspect of the project was the international nature of the team. I had recently relocated to Jordan and was worried this would leave me out of the loop, but in the event, of our team of six, only two were based in the UK – the Mokoro lead, eminent aid effectiveness expert, Stephen Lister, and fellow Mokoro analyst, the prolific Anthea Gordon, and they were based in different cities when, that is, they weren't rushing off to exciting places like East Timor and the Congo. Other people on the team included two experts – Jacob Hughes and Fiona Davies, who had considerable insider experience of pooled funding in Liberia and South Sudan respectively, and we were all united under the leadership of Californian, Steve Commins, co-author of the oft cited World Development Report 2004. The downside to having six team members in up to six different time zones was that scheduling conference calls was not easy – Stephen Lister in the Far East would have to stay up unreasonably late while Steve Commins on the West Coast manfully woke before 5am to make the call.

The project consisted of producing two notes for DFID: the first, a Policy Briefing Note which surveyed the current knowledge of pooled funds supporting basic service delivery in FCAS with recommendations for policy-makers based on our findings; the second, an Operational Guidance Note for practitioners in the field offering practical guidance to support decision-making. The methodology consisted of a wide-ranging literature review on the general issues, followed by a more focussed review of key pooled funds identified in the initial stage, and then a series of interviews with people involved in those funds.

Transition Financing: Building a Better Response, OECD 2010.

Box 1 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."*

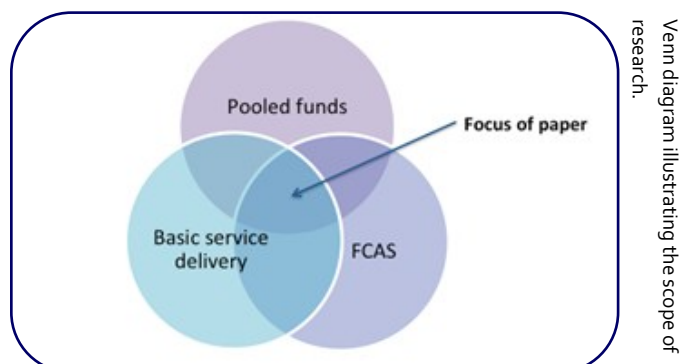
There has been much intently good research on pooled funding over the last decade or so (see, for example, OECD text-box), but our focus was quite specific – basic service delivery in FCAS. I found it useful to keep in mind a Venn diagram (see illustration) to limit the scope

of the research: only where basic services overlapped with pooled funding and FCAS did we want to offer guidance, despite the strong, and sometimes necessary, desire to think generally about any one of those areas.

When deciding on the number of funds to study in depth, our interview with the clients went as follows:

Us: "Do you want depth or breadth from the case studies?"

Client: "Both."

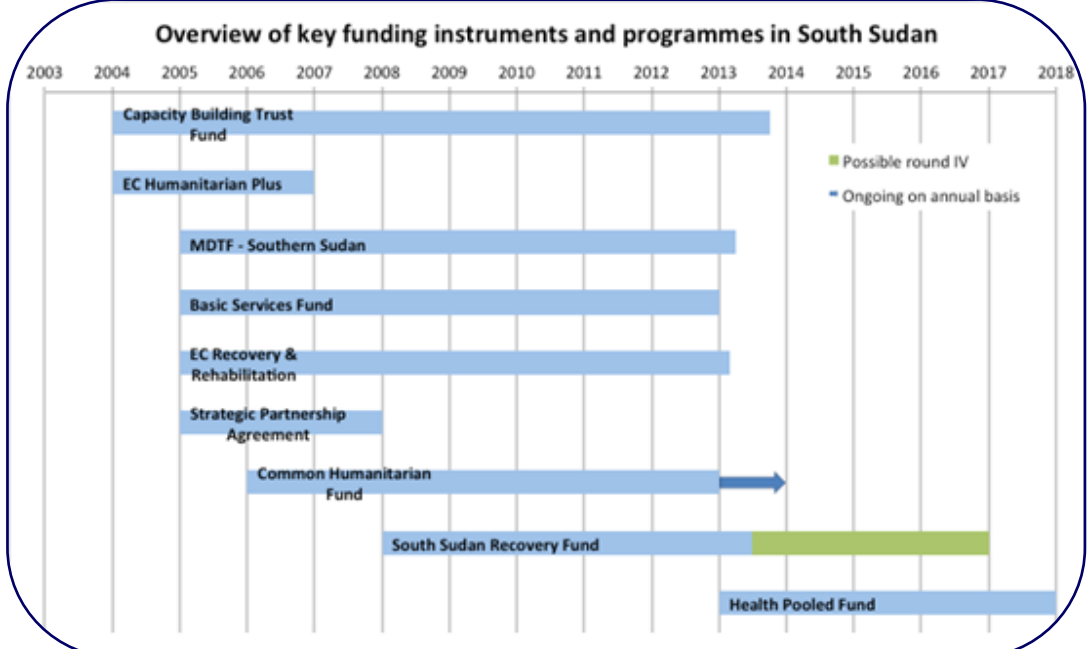
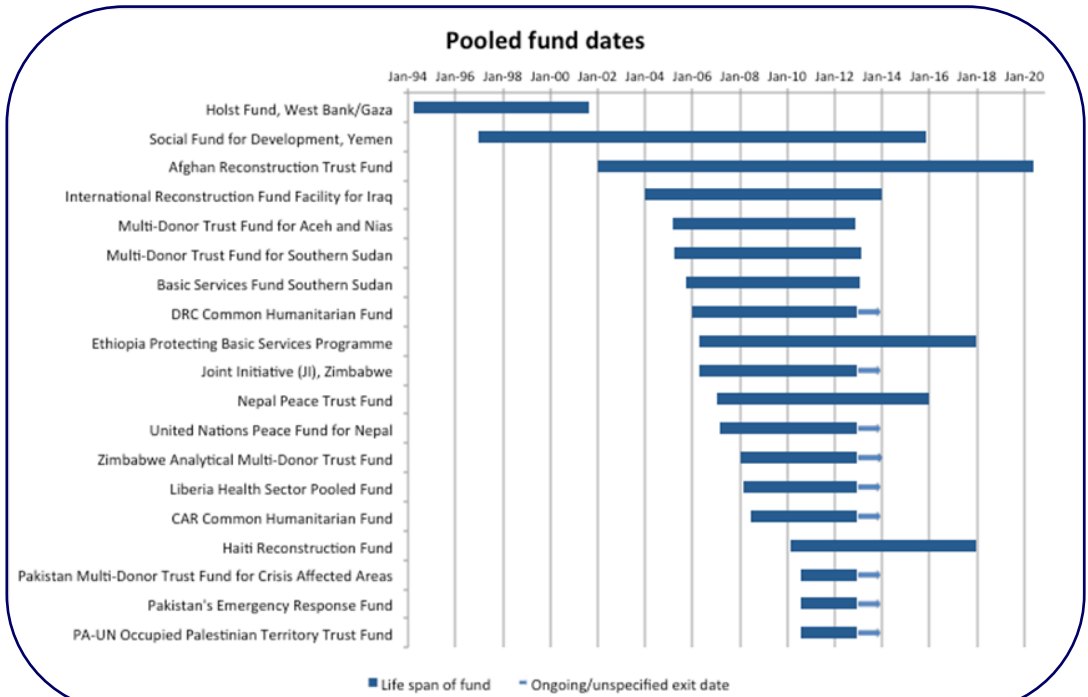


Venn diagram illustrating the scope of research.

In the end, we settled on 18 case studies drawn from across Asia, the Middle East, Africa and the Americas, but even then we found that other funds crept in and demanded comparison, like the Holst Fund set up in the mid '90s to support the newly-formed Palestinian Authority, the design of which was highly influential on the Afghanistan Reconstruction Trust Fund (ARTF) and the Multi Donor Fund (MDF) for Aceh and Nias, Indonesia. Similarly, the spaghetti-diagram of pooled funds in Southern Sudan (see graph), as was, meant that looking at the Multi Donor Trust Fund, Southern Sudan (MDTF-SS) and the Basic Services Fund (BSF) inevitably led to comparison with the small but effective Capacity Building Trust Fund (CBTF) or the Sudan Humanitarian Pooled Fund (HPF).

For each study a set of case notes was compiled, and then the fun began: we interviewed fund managers, DFID country staff, independent consultants, government, NGOs and other stakeholders to glean lessons learned from the experience of pooled funding over the past decade or so. People were, on the whole, incredibly informative, insightful and generous with their time. It was refreshing, after having had to read between the lines of endless Mid Term Reviews, to be told, "this fund was a complete nightmare, an unmitigated disaster" or to have people talk candidly about the difficulties in working with the World Bank, the United Nations, the Government, NGOs, and the donors themselves, and the ways they thought fund management could be improved.

What was interesting was hearing both, or multiple, sides of the story. Steve Commins early on articulated the principle of "triangulation, or even quadrangulation" as the basis of establishing guidance. It was both intriguing and challenging to be given such different opinions; an interview where the faults of the World Bank were laid bare and picked over ("The World Bank are so good at fiduciary risk that they are unable to spend any money") would be followed by one singing their praises ("The brand and reputation of the Bank are excellent. We were able to work in areas we'd never have got near otherwise"). Given the diversity of funds we were dealing with and the range of people we were talking to, this may not be



surprising, but actually such varied opinions could exist even within one organisation about one fund.

As another example, consider the following quotations from two independent consultants about who should deliver basic services in Southern Sudan:

"There needs to be a balance between the need to deliver services against building capacity, and some prioritisation and sequencing. Studies suggest that citizens in Southern Sudan didn't care about who provided services as long as they were provided. There is no evidence that state provision of basic services is prerequisite to peace-building." (Interview, consultant)

"Visibility is important – who is seen to be delivering the services. No-one views improved services as a peace dividend if they just see some NGOs digging more wells, as they have done before." (Interview, consultant)

Unpacking these sort of tensions took time – is the difference in viewpoint due to a different sector focus, for example, or even due to the change in the country's context occurring over the couple of years between the first experience and the second?

Being able to place such controversies in the wider literature was helpful here. For example, a recent study, Ndahurutse (2012)¹ commissioned by DFID, suggests that where the government has limited capacity, it is better for the state to outsource delivery entirely, and as capacity improves, the state can provide oversight; the role of the state in coordinating and regulating the service delivery is more important, in terms of state legitimacy, than the question of who delivers.

This supported a general recommendation of the study which was to consider phasing the funding, to initially focus on service delivery but to allow transition to building capacity as the situation improved (keeping in mind that such transitions are rarely linear). This was one possible solution to the classic trade off of achieving results in the short term versus building capacity in the medium term.

Context was repeatedly cited as of key importance, and the contexts ranged widely, from situations involving governments lacking legitimacy, either in the eyes of the nation or internationally (compare the situations in Gaza, Zimbabwe, the DRC and Afghanistan), post-disaster situations (Haiti), nascent states (South Sudan), and situations where the conflict was essentially on-going (Iraq). People we interviewed were aware of the nuances of the context they were in, but were less sensitive to the idea that it was very different in other countries – approaching South Sudan as if it were like neighbouring Ethiopia would not get you very far. For this reason, no blue-

prints for optimal fund design were given in the guidance, with the focus instead on giving factors for consideration.

So, were my misgivings about pool funds banished by the end? I certainly had a lot more respect for some of the advantages of using them. It was reassuring to learn that the countries that I had experience with were seen as poor examples, whereas looking further afield, there were many successful cases. If funds are designed well to fit the context they can be highly effective, and even in cases where they have not been particularly effective, it is not always clear that an alternative would have been better – by their nature, FCASs are difficult situations to work in, and disbursing a large amount of money in an effective manner is no easy business.

A pooled fund is not a panacea, it will not automatically engage better with the government, pool risk, reduce transaction costs and align funding within an overarching strategy, but with realistic expectations, hard work and judicious and sustained support and engagement from the donors, a lot can be achieved.

“Structurally, I like the idea of pooled funds: more donors, therefore a bringing together not only of finance but also expertise; there is a greater sense of transparency, accountability and financial stewardship; more donors should mean there are more people to check the funds are spent well.”

“It should be like this, but in practice I have not found it to be so.” (Interview, two International NGO workers)

1. *Synthesis Research Report: State-Building, Peace-Building and Service Delivery in Fragile and Conflict-Affected States*, Susy Ndahurutse, November 2012