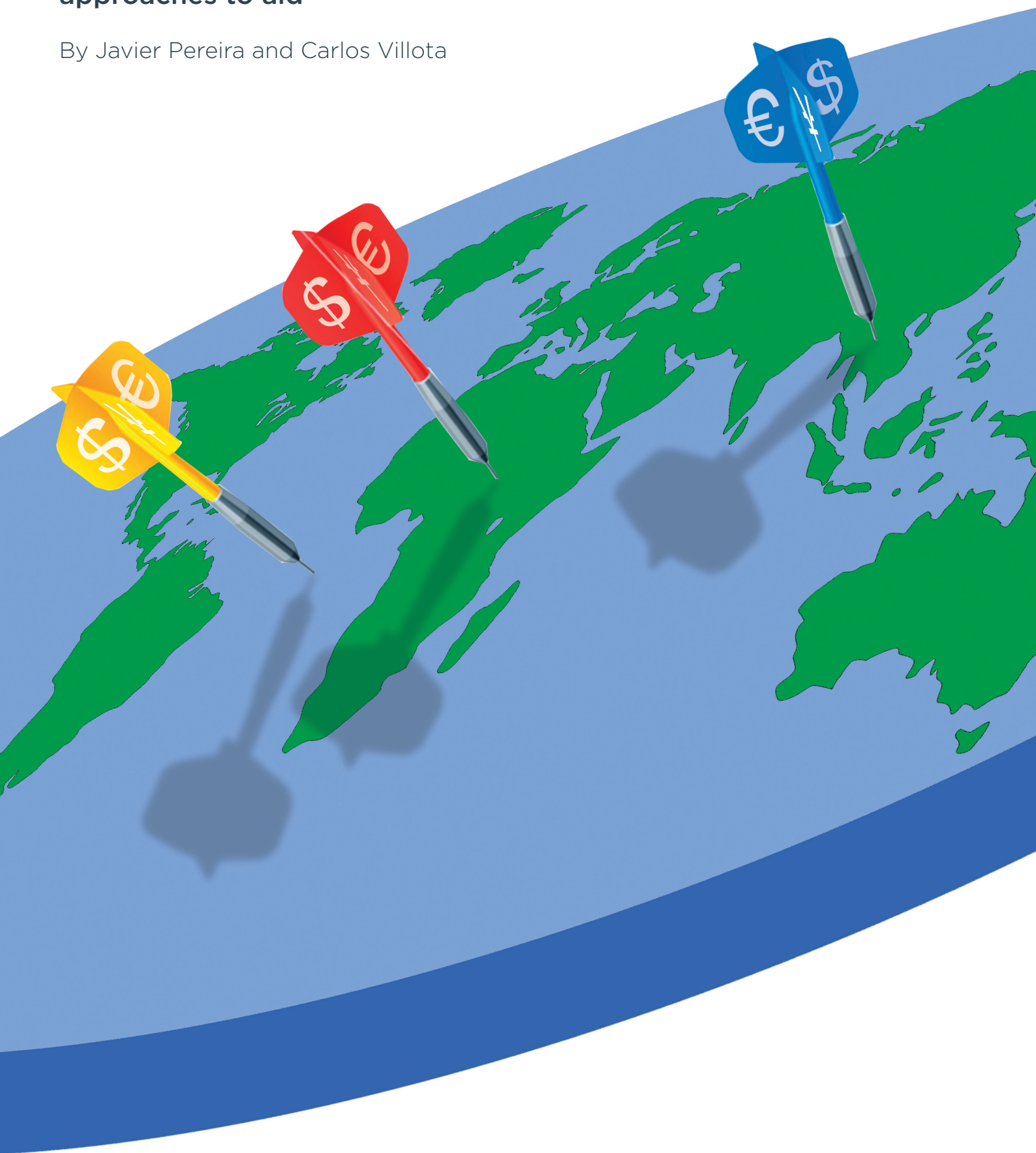


Hitting the target?

Evaluating the effectiveness of results-based
approaches to aid

By Javier Pereira and Carlos Villota



Contents

03	Executive Summary
06	Introduction
07	Chapter 1 Main results-based approaches and their evolution over time
11	Chapter 2 Results-based approaches and ownership: an awkward partnership?
15	Chapter 3 Mutual accountability: a distant goal
19	Chapter 4 Harmonisation
22	Chapter 5 Use of country systems and procurement
24	Chapter 6 Results-based approaches: what do they measure?
26	Conclusions and recommendations
28	Methodology
29	Endnotes

Acronyms

CCT	Conditional cash transfers
COD	Cash on delivery
CSOs	Civil society organisations
DEVCO	Directorate General, Development and Co-operation - EuropeAid
EC	European Commission
GAVI	GAVI Alliance (formerly Global Alliance on Vaccine and Immunisation)
GFATM	The Global Fund to Fight AIDS, Tuberculosis and Malaria
GPOBA	Global Partnership for Output-Based Aid
HSS	Health Systems Strengthening
IHP+	International Health Partnership
ISS	Immunization Services Support
MDG-C	Millennium Development Goals Contract
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
NSA	National Strategy Application
OBA	Output-based aid
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
P4P	Pay for performance
PAF	Performance Assessment Framework
PBF	Performance-based financing
PEFA	Public expenditure and financial accountability
PFM	Public financial management
PforR	Program for results
RBA	Results-based aid
SSF	Health systems strengthening program
SWAP	Sector wide approach
WB	World Bank

Acknowledgements

This report has been written by Javier Pereira and Carlos Villota.

Thank you to the experts from the following organisations who granted Eurodad the opportunity to learn more about their views on several of the issues discussed in this report:

African Development Bank; The Global Fund; the Department for International Development; Ghana Anti-corruption Coalition; European Commission-DG DEVCO; Cordaid; Norad; PWYP Tanzania; GPOBA; GAVI Uganda; European Commission-EEAS in Rwanda and Tanzania, and; Broad Branch Associates.

This report does not represent the views of these organisations or their staff, nor can their participation be seen as an endorsement of the contents herein.

Special thanks also to the following individuals for their comments and valuable inputs:

Claire Godfrey (Oxfam); Emma Seery (Oxfam); Jeroen Kwakkenbos (Eurodad); Jesse Griffiths (Eurodad); María José Romero (Eurodad); Nicola McIvor (UKAN); European Commission - DG DEVCO; and Norad.

Greig Aitken edited the report.

Aid is at a crossroads. Rich countries are faltering in their commitments to increase both the quantity and the quality of their aid. Meanwhile, despite progress in poverty reduction, today 850 million people live in hunger, in developing countries 58 per cent of jobs are vulnerable and 863 million people live in slums.

Public and political pressure on budget allocations, coupled with the genuine need to make aid more effective to tackle the global poverty crisis, have resulted in a renewed focus on results. Several donors are promoting the use of aid to reward the achievement of predetermined performance targets. Though this is a recent trend, in 2010, total disbursements for results-based approaches broke the \$5 billion barrier.

Results-based approaches make some or all funding conditional upon verification of progress. Donors like this because it allows them to point to tangible outcomes of aid expenditure, and, proponents argue, this will lead to more effective aid. But is this the case?

In this report we assess the potential of results-based approaches to deliver long-term and sustainable results by measuring the performance of different initiatives against widely agreed aid effectiveness principles. These principles - developed and agreed by all donors in four high level summits - were a response to the failure of project-based approaches that increased transaction costs, failed to have sustainable impact on recipient countries' systems and often collapsed once funders moved on. They were an important attempt to move away from donor-driven aid that tended to promote the foreign policies of donors rather than focusing on poverty reduction.

Eurodad examined the following six major results-based initiatives and assessed their performance against four key internationally agreed aid effectiveness principles: ownership; accountability and mutual accountability; harmonisation; and alignment and use of country systems. We also examined whether they had a 'broad' scope or a 'narrow' one, in terms of: how specific the objectives are; the level of funding (from national to local); and the flexibility with which the recipient can use the money.

- The European Commission's Millennium Development Goals Contract (MDG-C).
- The GAVI Alliance (GAVI) Health System Strengthening support and Immunization Services Support.*
- The Millennium Challenge Corporation's (MCC) Threshold and Country Programs.
- The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM).
- The Global Partnership for Output-Based Aid (GPOBA).

* Given the close linkages and subtle differences in policies and guidelines existing between GAVI ISS and HSS, these two initiatives have been depicted together in the tables examining their alignment with aid effectiveness principles.



One of the most important findings is that we do not know a great deal about the strengths, weaknesses and impacts of different results-based approaches. Therefore it seems reasonable to use results-based approaches with some degree of caution.

Initiatives	Ownership	Mutual accountability	Harmonisation	Use of country systems
EC MDG C	Green	Yellow	Green	Green
GAVI	Green	Yellow	Yellow	Yellow
MCC	Red	Red	Red	Red
GFATM	Yellow	Yellow	Yellow	Red
GPOBA	Red	Red	Red	Yellow

We then assigned each a traffic light score against each key principle. Green means that there is a good level of alignment with the principle, orange means average and red low.

The main findings of this research are:

- In general, **results-based approaches are not particularly good at supporting aid effectiveness principles, with the exception of the MDG-C**. However, broader approaches do appear to be better aligned with aid effectiveness principles.
- **Ownership tends to be higher when the responsibility for designing programmes falls on recipient governments**. This does not mean that donor led approaches such as the MCC cannot achieve significant degrees of ownership, but results are likely to be less consistent, have higher costs and impose a significant burden on host governments and civil society.
- **Results-based approaches tend to reinforce accountability to donors** and in doing so, undermine mutual accountability. In general, the problem is less acute with country wide initiatives and it is most pressing when working through third party service providers.
- **The level of harmonisation of results-based approaches is low because of their widespread use of parallel structures**. Donor harmonisation seems to be higher the broader the approach, with the MDG-C being the best performer.
- **Only two of the approaches examined in this report use country systems to a significant extent: MDG-C and GAVI**. Even in these cases there are significant eligibility and public financial management criteria that influence and limit the type of country systems that recipient countries can implement.

Beyond the relationship between result-based approaches and the aid effectiveness agenda, this report also yields some important lessons in other areas. First, designing good indicators is very difficult, but slightly easier the narrower the scope is. Second, information is very limited about perverse incentives and gaming. Finally, implementing results-based approaches could be expensive due to the importance of having strong monitoring and verification mechanisms. This is particularly the case of narrower approaches where several micro-outputs need to be measured.

In addition to these concerns, one of the most important findings is that there is little evidence or evaluation of the strengths, weaknesses and impacts of different results-based approaches. Therefore it seems reasonable to use results-based approaches with a degree of caution.

Eurodad does not suggest that donors should stop piloting this type of initiative, but instead that they should make sure they use aid effectiveness commitments as a key reference framework and take on board the following recommendations:

- **Do not implement new results-based approaches** unless they respond to the demands of recipient country governments in consultation with civil society and parliaments, and have been designed to meet aid effectiveness principles. Broader approaches should be prioritised over narrower ones.
- **Existing approaches should be reformed**, paying particular attention to the following issues. These recommendations also apply to the design of new programmes:
 - Increase **ownership** by allowing governments to take the lead in the design and coordination of individual interventions in consultation with civil society and parliaments. When this is not possible, donors should be careful not to undermine democratic processes and country systems.
 - **Ensure eligibility criteria and fiduciary conditions are not based on controversial assumptions**, such as the ones used by the MCC and discussed in Chapter 2.
 - **Reinforce transparency, accountability – both domestic and mutual – and harmonisation** by moving coordination and monitoring structures under the umbrella of existing country led and multi-stakeholder processes.
 - **Make programmes more predictable and sustainable** by designing programmes with sufficient delay between progress assessment and disbursements. Interventions should also not create dependency on the reward.
 - **Use indicators that actually record intended results and do not create perverse incentives.**
 - **Use country systems as the default option for all public financial management and procurement procedures.** When this is not possible, donors should focus their efforts on supporting and strengthening recipient country systems, instead of using parallel systems.
 - Conduct an **aid effectiveness impact assessment** before implementing a results-based approach. The assessment should also look at long-term sustainability, apply to experimental initiatives and be made publicly available.
- Actively work to **identify and fill knowledge gaps** with reliable and consistent data. The work should focus on, but not be restricted to, the design of indicators, perverse incentives, costs, the vulnerability of recipients and beneficiaries, and the comparative performance of results-based approaches against other aid modalities.

Aid is at a crossroads. On the one hand, donor commitments to aid levels are under pressure. Aid measured in constant terms decreased by 3 per cent in 2011 compared to 2010, the first drop in several years, and the adoption of severe austerity measures across Europe – the world's biggest donor – suggests this will not be the last cut.¹ At \$133.5 billion, net official development assistance (ODA) from donor countries in 2011 represented 0.31 per cent of their combined GDP, far from the 0.7 per cent target.

On the other hand, a decade long reflection on how to make aid more effective is coming under increasing pressure and it is only slowly being translated into practice. The aid effectiveness agenda was a multilateral response to the failure of project based approaches that increased transaction costs, failed to have any sustainable impact on recipient countries' systems and often collapsed once funders moved on.² The aid effectiveness agenda also tried to move away from donor-driven aid that tended to promote the foreign policies of donors rather than focusing on poverty reduction.³ In four high level meetings, donors have recognised many of the shortcomings of how aid was delivered in the past and, together with developing countries, have committed to align aid with long term sustainable development goals. In addition to maximising the long-term developmental impact of aid, the implementation of the aid effectiveness agenda also has additional benefits, including a 30 per cent drop in administrative costs and other efficiency gains totalling close to 6 per cent of aid expenditure.⁴ Unfortunately though, faced with implementation challenges and lack of political initiative, progress on its principles and commitments has been slower than expected.⁵

Meanwhile, the problems of development remain as pervasive as ever. Despite progress in poverty reduction and a number of the Millennium Development Goals, today 850 million people live in hunger, in developing countries 58 per cent of jobs are vulnerable and 863 million people live in slums.⁶ There is growing statistical evidence too showing a slowdown in progress as a consequence of the economic crisis of 2008, although it is still too early to assess the real impact of the crisis.

More public and political pressure on budget allocations, coupled with the genuine need to improve aid effectiveness to fill the development gap, have combined to provide



In 2010, total disbursements for results-based approaches broke the \$5 billion barrier.

the impetus for a renewed focus on results. Several donors are scaling up and piloting aid modalities that reward the achievement of results that they hope will have a more demonstrable impact. The idea of using public expenditure as an incentive is not new and has already been applied to the public sector in some developed countries with mixed results. However, it only made its appearance within the sphere of development assistance in the early 2000s and its importance has grown exponentially ever since.⁷ In 2010, total disbursements for results-based approaches broke the \$5 billion barrier.

This report defines 'results-based approaches' as the transfer of ODA funds conditional on taking a measurable action or achieving a predetermined performance target.⁸ With this term we have tried to avoid using one of the many terms that have been coined and that are often understood in different ways.⁹ The definition we have adopted includes initiatives implemented at different levels: from general budget support with performance tranches, to contracting the building of infrastructure.

Results-based approaches are the subject of much debate among development practitioners. For some, it is the solution to the development conundrum and a way to ensure that aid is effective; others regard it as a donor driven agenda for times of crisis that signals the turning point to all the progress made towards programmatic aid modalities. Current evidence and research provides a more nuanced picture in which there are some encouraging signs, but also some grey areas such as design, sustainability and long term development impact compared to other modalities.

One aspect of results-based approaches that has not been frequently explored is their contribution to achieving the objectives of the aid effectiveness agenda. This is a critical question because, as seen above, the aid effectiveness agenda contains a number of guidelines and principles on how to use aid to achieve long term sustainable goals. These principles and commitments also provide a theoretical framework to evaluate whether aid modalities can have a lasting effect on

developing countries as opposed to localised and transitory effects.

This is precisely the objective of this report. It seeks to take the debate about results-based approaches, currently focused on whether they can achieve individual project objectives, back into the broader theoretical framework provided by the aid effectiveness agenda in order to assess if they are designed in ways that enable them to achieve long-term and sustainable changes. To achieve this, the report assesses how good results-based approaches are at promoting key aid effectiveness principles. In the process of researching this report, Eurodad has also looked at some complementary issues, such as design concerns and risk transfer that are important for understanding the debate and are relevant from an aid effectiveness perspective.

The report is structured as follows. Chapter 1 expands on the definition of results-based approaches and describes the sample of initiatives we have examined. Chapter 2 addresses the links between results-based approaches and country ownership, a major paradigm shift promoted in the aid effectiveness agenda. Chapter 3 explores the impact of results-based approaches on accountability mechanisms and discusses the transfer of risk to developing countries that results from the use of incentives and rewards. Chapter 4 looks at the principles of harmonisation (ie, coordination among donors). Chapter 5 examines the use of country systems with a particular focus on procurement. Chapter 6 assesses questions related to monitoring, evaluations and verification that are the basis of these types of approaches. The last chapter summarises the findings of this research and puts forward a number of recommendations for development actors.

Evidence for this report has been obtained from published evaluations, research papers, interviews with experts and officials, and documents from donor and developing countries. More information can be found in the methodology section and the references at the end of the report.

Main results-based approaches and their evolution over time

Defining 'results-based approaches'

This report focuses on results-based approaches that we have defined as the transfer of ODA funds conditional on taking a measurable action or achieving a predetermined performance target. This definition borrows heavily from a pre-existing definition for results-based financing (RBF),¹⁰ though this term includes initiatives implemented in developed and developing countries, both with and without aid funds. Since we are looking at aid effectiveness principles, we are only focusing on initiatives linking aid funds to the achievement of results.

Eurodad also decided to use this term to avoid confusion among experts and policy makers resulting from the large number of different but often overlapping concepts and definitions currently in use. For those who have followed the debate, results-based approaches also includes some of the projects defined as performance-based incentives, pay for performance (P4P) and performance-based payment. At the same time, and while limited to aid funded programmes, it is more encompassing than initiatives such as performance-based

financing (PBF), results-based aid (RBA), output-based aid (OBA), performance-based contracting, cash on delivery (COD) and conditional cash transfers (CCT).¹¹

Eurodad's definition does not include any restrictions on the use of ODA funds, the share of finance linked to performance and delivery channels, and it potentially includes all initiatives that link the disbursements of ODA funds to the achievement of a number of previously agreed targets. In order to ensure the robustness of the analysis we have excluded individual and discrete projects implemented by donors and have focused instead on multi-project initiatives, defined as an aid programme, that: i) comprises more than one project; ii) has a clear set of objectives, guidelines and policies for all its projects, and; iii) have been in existence for a sufficient number of years so as to allow monitoring and evaluation systems to start yielding information.

After applying these filters to all initiatives using results-based approaches and funded with aid money, the following initiatives were selected (see Table 1): the European Commission's Millennium Development Goals Contract (MDG-C); the Threshold and Country Programs of the Millennium

Challenge Corporation (MCC); the GAVI Alliance (GAVI) Health System Strengthening support (HSS) and Immunization Services Support (ISS); the Global Partnership for Output-Based Aid (GPOBA); and the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM).¹² Given the close linkages and subtle differences in policies and guidelines existing between GAVI ISS and HSS, these initiatives have been depicted together in the tables examining their alignment with aid effectiveness principles.

Although there are no consistent global figures for individual figures, it is safe to say that these six initiatives aggregate most of the funding for results-based approaches using aid money. After applying the filters, a literature review revealed that, in addition to discrete projects, only a recently introduced approach has been excluded (see box on COD), for which funding – and evidence – is anecdotal compared to the aggregated funding of the six initiatives in this report. For the same reason, the selected initiatives also represent a good sample of all potentially different approaches, covering a number of different sectors at different scales, from narrow and local projects to broad national budget support programmes. Our definition has also excluded the Health

Cash on delivery and Programme for Results: two new results-based approaches

Cash on delivery (COD) is a new approach to aid delivery developed by The Center for Global Development that takes even further the concept of disbursement against results. In COD donors do not implement projects or programs, but simply offer to pay recipient governments a fixed amount for each additional unit of progress toward a commonly agreed goal,¹⁵ such as \$200 for each child above a certain threshold who takes a standardised test at the end of primary school.

The Center for Global Development¹⁶ argues that COD is the way of making aid more effective and achieving the goals set out in the Paris Declaration

and the Accra Agenda for Action. COD is supposed to focus on country ownership, increase predictability, reinforce accountability and raise the harmonisation of foreign assistance approaches. However, COD also has its critics, who raise some concerns about: the approach not taking into account the social and political reality in recipient countries; the difficulty of setting the right target; uncertainty about poor performers and particularly the poorest countries who might find it particularly difficult to make progress by themselves, and; its potential distorting impact on national budget allocation.¹⁷

Although this debate has been going on for some time, there is simply not enough evidence to make an objective evaluation of this program. For instance, to date there is only one COD project currently being implemented by Dfid in Ethiopia.¹⁸

This is the reason why COD has not been included in this report.

On January 24 2012, the World Bank's Board of Executive Directors approved the Program for Results (PforR) financing instrument. PforR links the disbursement of funds directly to the delivery of defined results. It focuses on funding programmes at the sector or subsector level and complements other instruments used by the World Bank: project lending (project level) and policy lending (country policy processes).

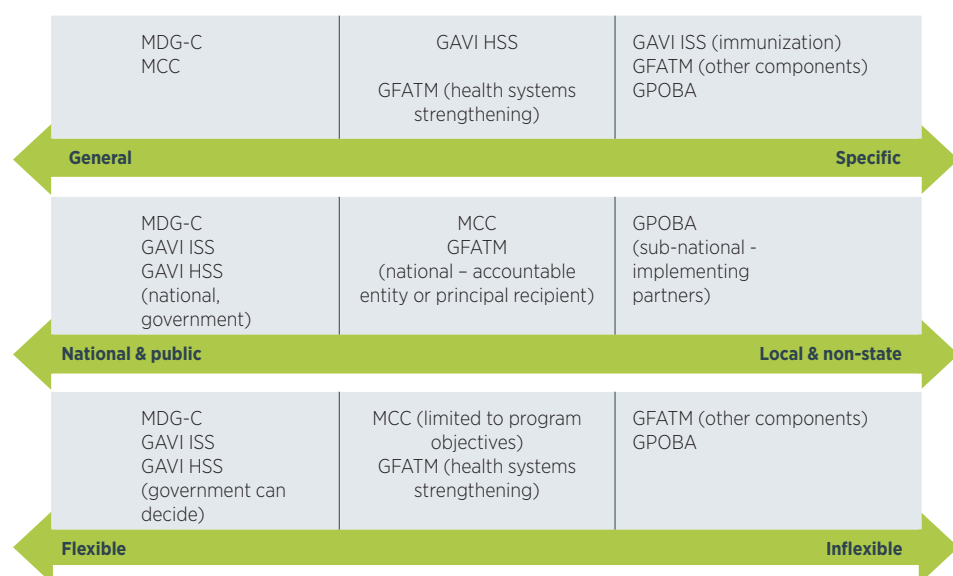
The first two PforR projects were approved by the World Bank in June this year and are to be implemented in Morocco and Nepal. Unfortunately, little evidence and information regarding its implementation is available and Eurodad has not been able to examine this new initiative for this report.

Table 1. Main features of the results-based approaches examined in this report

	Description	Donor	Target sectors	Payment	Timeline	Recipient of payment and level	Use results-based funds
GPOBA	Windows 1 and 2 evaluation and knowledge exchange. Window 3 links the payment of aid to the delivery of "outputs" like connection to electricity grids, water and sanitation systems, or healthcare services	Multilateral, World Bank	Projects in Infrastructure (mainly energy, water and transport), health and education	Service delivery is contracted out to a third party (usually private sector) that receives a subsidy to complement or replace user fees	Varies	Third party – providers. Mostly local and regional level	Subsidies for service providers. Can also complement wages
MDG-C	Form of general budget support that links the disbursement of a performance tranche to progress on MDG related indicators	European Commission	Multisector	Variable tranche of up to 30 per cent: a) At least 15 per cent MDG-based tranche, b) up to 15 per cent annual performance tranche, linked to implementation of PRSP, progress with PFM improvements, and maintenance of macroeconomic stability	6 years	Government, national level	Flexible, in budget
GAVI ISS	Aims at increasing routine immunization. DTP3 immunization rate is used as a proxy	Multilateral, vertical Fund	Health immunisation	Two years of initial funding. Subsequently, countries receive funding based on the additional number of children receiving immunisation. The amount of funding was equal to \$20 per extra child immunised above the number previously reached	2 years minimum	Government, national level	Routine immunisation or other health priorities
GAVI HSS	The objective is to increase immunisation coverage and maternal and child health by targeting the bottlenecks in the health sector	Multilateral, Vertical Fund	Health immunisation and maternal and child health	Annual budgets are approved. Disbursements are made every year on the basis of an annual progress report	1 to 5 years. Average 3.6 years		Health sector's bottlenecks (human resources, equipment, drugs, etc.)
MCC	Country compacts: multiyear agreements for eligible countries with the overall goal of reducing poverty and promoting development Threshold programmes: smaller programmes focusing on more specific reforms and usually aimed at making countries eligible for compact programmes	Bilateral, US	Multisector One sector (most common) or more	Annual budgets are approved. Disbursements are made every year on the basis of an annual progress report	Usually 5 years Usually 3 years	Accountable entity, national level	Linked to the compacts' goals Linked to the programme's goals
GAFTM	Grants, one funding line per principal recipient and per illness plus one for cross-cutting issues Several projects per country	Vertical Fund	Health sector, 3 illnesses and one broader funding line	The principal recipient reports on the progress to date and requests a disbursement for the next period of implementation. Reports are reviews by a Local Agent recognised by the fund that verifies the content and recommends future disbursements. Disbursement and reporting periods can be 3, 6 or 12 months	5 years in two phases	Principal recipients can be national	Funding for projects in one of the four areas of work

Elaborated by Eurodad using different sources¹⁵

Figure 1. Main features of results-based approaches examined in this research



Results Innovation Trust Fund (HRITF). HRITF funding is not linked to results; instead it is used to support governments in designing and implementing results-based approaches in the health sector. Nonetheless, the HRITF is briefly discussed in the box at the end of Chapter 5.

Eurodad has classified all seven different approaches according to their scope. The distinction between narrow and broad approaches – more precisely, a continuous gradient – is an important one in this report and will be used on several occasions. Although a more detailed explanation is available in the methodology section, the gradation is based on three main criteria:

- i) The degree of specificity of the objectives, that can range from general objectives spanning several sectors (eg, poverty reduction and strengthening country systems) to very specific (fighting a particular illness or building a road), all the way through sector-wide initiatives (based on column “target sectors” in Table 1).
- ii) The level of funding, that can range from national programmes, in which funds are usually channelled through the government, to local projects using non-state actors (second column from the end, Table 1).

- iii) The flexibility with which the recipient can use the money (last column). Flexible approaches give the recipient total liberty to spend the funding as they seem fit (eg, budget support), while non-flexible ones earmark funds for very specific expenditures (eg, paying grid connection fees).

The distribution of all six approaches on the basis of these criteria is depicted in Figure 1. For greater ease, approaches have been divided into three groups which share common characteristics. On some occasions, particular components, such as the GFATM’s Health Strengthening Support, have been classified independently to ensure consistency. In general, the broader the approach the more times it appears on the left of the table. Based on the position of the approaches in each of the three criteria, it is possible to classify them in relation to each other (see methodology). From broader to narrower, the classification would run as follows: MDG-C, GAVI HSS, GAVI ISS, MCC, GFATM and GPOBA.

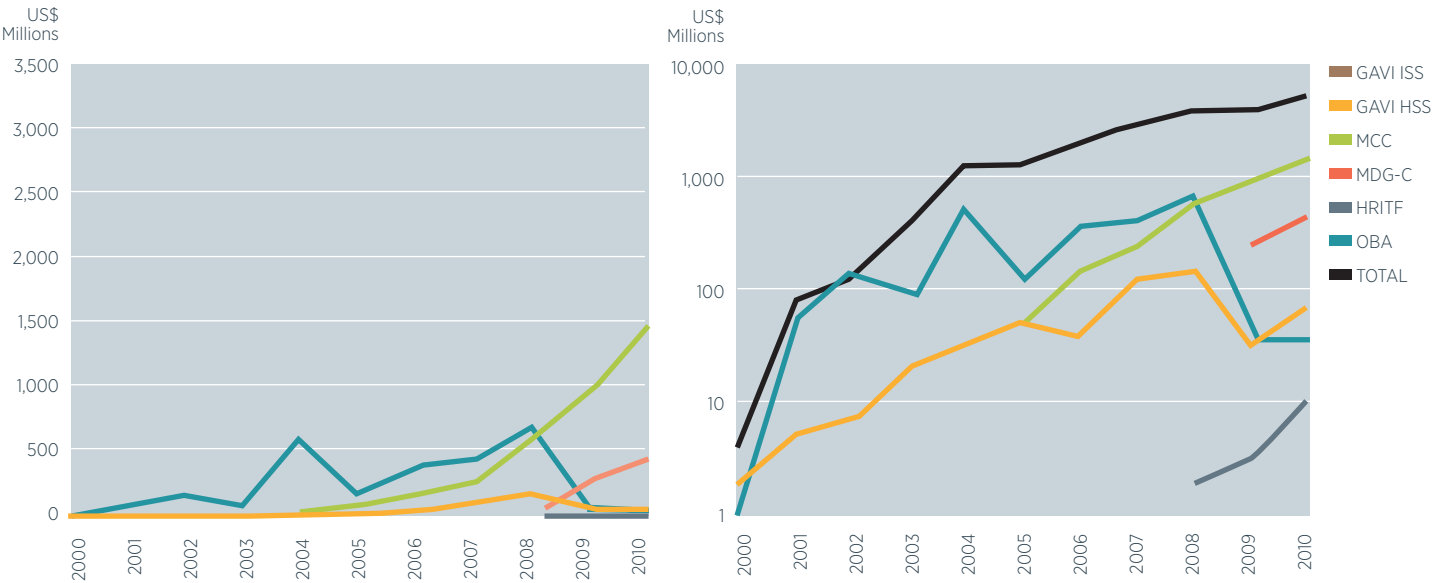
Results-based approaches as ODA flows

Although there are some earlier examples, it is reasonable to say that results-based approaches to aid delivery were introduced

in the early 2000s. Graph 1 shows recorded results-based ODA flows for the period 2000-2010. It contains information on all the initiatives examined in this report. In addition, it also contains information for output-based aid (OBA) initiatives which are not part of GPOBA. These are mainly projects related to infrastructure and social services for the poor, implemented by the World Bank (WB) and have been included here because of their importance in the early 2000s; in fact some of them date back to the early 1990s. However, we have not looked into them in later stages of the research because they are a relatively loose group of projects that do not follow a systematic approach such as the one used in GPOBA. For similar reasons, we have only looked at the MDG-C because it is the only one that explicitly ties budget support to results as defined in this research.

Figures indicate that results-based approaches did not really start gaining momentum until 2003, when total funding breached the threshold of \$500 million. However, in the last four years they have picked up with the introduction of country level initiatives such as the US’s Millennium Challenge Corporation (MCC) and the EC’s MDG-C, coupled with the steady growth of the GFATM. In 2010, total aggregated funding was just over \$5.1 billion.

Graph 1. Disbursement of results-based approaches 2000-2010 in total amount and log-scale ¹⁴



Although all approaches include money for evaluations and impact assessments, it is important to highlight that this component is quite significant in the case of GPOBA. This initiative aims not only at implementing a number of pilots, but also at conducting research and gathering and disseminating information on results-based approaches. For example, out of the \$30 million of fund use in 2011, approximately \$1.5 million and \$0.9 million respectively went to fund a centre of expertise and dissemination activities.

Graph 2 illustrates the distribution of funding by sector within the different approaches for

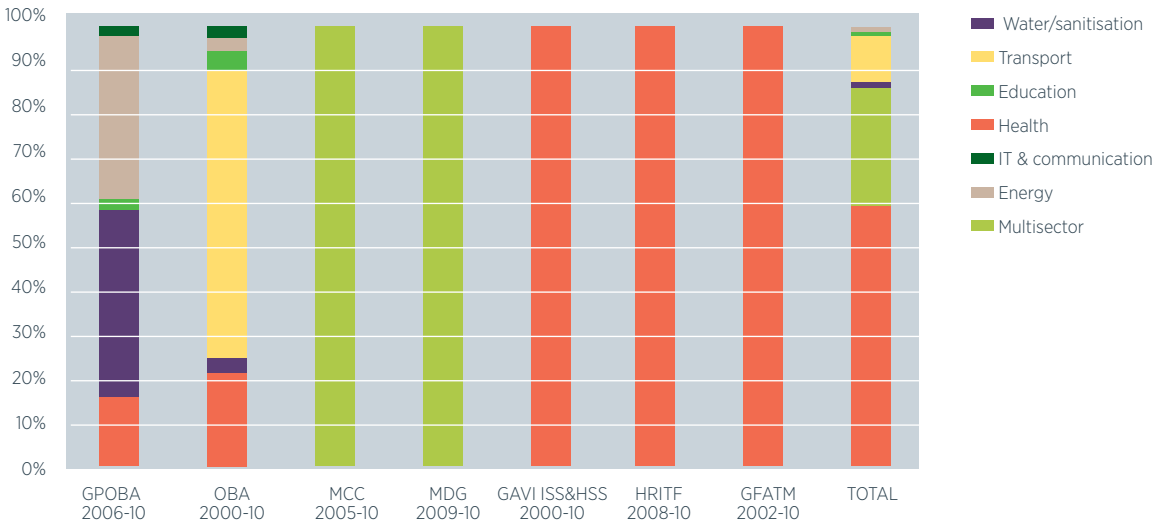
the period 2000-2010 or the period since the initiative was introduced. Numbers indicate total funding for the period in \$million. The label 'multisector' comprises initiatives such as budget support or similar in which money cannot be easily attributed to specific sectors.

It is clear from the graph that the health sector, and the GFATM in particular, dominate the sample of results-based approaches used in this research with close to 60 per cent of all aggregated funding. Multi-sector approaches come second with 27 per cent of accumulated funding. Other sectors remain

more or less marginal, with the exception of infrastructure, although as mentioned earlier, OBA will not be explored in detail.

This picture shows the two main different approaches to delivering results-based development assistance. On the one hand, there is a group of health sector initiatives dominated by vertical funds. On the other hand, there is a set of multi-sector and more flexible initiatives with a wider development mandate. In comparison to these major approaches, GPOBA is relatively small and, as mentioned above, has a more academic and exploratory nature.

Graph 2. Distribution of results-based funding per sector



Results-based approaches and ownership: an awkward partnership?

This section assesses the level of country ownership by looking at how results-based approaches are designed. The analysis concludes that approaches that transfer to recipient governments a greater responsibility during the design of the programme are likely to achieve a higher degree of ownership. There also seems to be a correlation between the scope of different approaches and the level of country ownership. A number of approaches also have strong eligibility criteria that can undermine, in some circumstances, the level of ownership.

Ownership:

EC MDG C	Responsibility for designing the programs is directly transferred to the partner country government. Eligibility criteria
GAVI	Responsibility for designing the programs is directly transferred to the partner country government. Some guidelines apply
MCC	External team together with government. Strict eligibility criteria
GFATM	A country coordination mechanism (parallel public private partnership) is responsible for the design
GPOBA	No clear guidelines exist

■ good
 ■ average
 ■ low

Country ownership is key. Developing country governments will take stronger leadership of their own development policies, and will engage with their parliaments and citizens in shaping those policies. Donors will support them by respecting countries' priorities, investing in their human resources and institutions, making greater use of their systems to deliver aid, and increasing the predictability of aid flows.

Accra Agenda for Action

The idea behind the concept of ownership is that aid can only be truly effective when developing countries – meaning government, parliament and civil society – are in control of development processes. The role of donors is therefore to make sure that their development assistance aligns their support with country owned processes and strengthens recipient countries' systems.

Ownership is important in the implementation of results-based approaches, but the relationship is complex. A comprehensive evaluation of results-based approaches in the health sector carried out in 2009 concluded that "country ownership at national and sub-national levels are essential

to good design, effective implementation, and sustainability of RBF [results-based finance] elements."¹⁹ While most of these arguments are shared with other aid modalities, the point about sustainability is particularly sensitive in the case of results-based approaches due to some of their features.

At the heart of results-based approaches is the idea of providing an incentive to promote a certain outcome. By definition, results-based approaches are designed with a deadline in mind and at some point in the future the incentive will cease to be provided. Ensuring that there is strong ownership of the programmes is the only way to guarantee

that the impact does not revert once the incentive is removed and that the programme is sustainable in the long term. At the same time, there is a somewhat contradictory relation between the concept of ownership and results-based approaches. In general, when there is real ownership, incentives are less likely to be required. The reason for this is that programmes responding to national strategies and beneficiaries' needs are likely to have significant stakeholder support. Taking these two arguments together, a contradiction emerges: results-based approaches require ownership to be sustainable in the long-term, but the need for an incentive decreases as the level of ownership increases.

Another particularity is that several projects rely on non-governmental implementing partners (donors, NGOs, private sector, etc.). For instance, out of the 32 GPOBA subsidy related projects for which contracts are available, a total of 15 of them were signed between the donor and a third party service provider.²⁰ In the remaining 17, the contract was signed by the government or a company directly controlled by it. This introduces an additional layer between donors and beneficiaries and reduces the space available

for governments to ensure coordination and provide strategic guidance. In these cases, careful planning and design are required in order to ensure that projects respond to national priorities.

Programme design: donors in the driver's seat?

In order to assess the level of country ownership, this report looks at how results-based approaches are designed. The reason for this is that the most important features concerning aid effectiveness are decided during this phase, including alignment with national priorities, objectives and indicators, civil society participation and the use of country systems. Although aid programmes can be modified during their implementation, in practice the amount of flexibility diminishes due to constraints on both the donor and recipient sides (signed contracts, funding lines, etc.). In addition, modifications are particularly challenging and expensive in the case of some results-based approaches due to the complexity of monitoring, evaluation and verification systems that require detailed planning and take time to deploy.

The MDG-C and the two GAVI initiatives examined in this report transfer most of the responsibility for deciding how to use the funds and implementing the program directly to the government. Although a certain level of dialogue and negotiations exists, the government usually implements the intervention on the basis of its own national strategies. In the case of the MDG-C, the government also has to consider the framework provided by the performance assessment framework (PAF). GAVI also request governments to comply with a number of guidelines, which are more detailed in the case of ISS support.

Relying on governments, whenever possible, goes a long way to ensure more sustainable development outcomes when compared to donor leadership. As recognised by the OECD and the UN, a “donor-driven aid programme diminishes the accountability of developing governments to citizens and their elected representatives. Citizens stop demanding an adequate level of services from their own government, instead looking to donors. Governments feel more accountable to donors than to their own citizens. And

Why parallel systems should be avoided

“...ignoring governments and creating parallel systems is not the long-term solution to corruption nor a sustainable path to development. Should a farmer in Malawi have to rely on an NGO for health and education? Like you and me, she wants justice – she wants her rights and that of her children realised – and she’ll only get that in the long-term from good government.”²³

funding bypasses the scrutiny and approval of the national budget, limiting the ability of parliaments in developing countries to hold their own governments accountable.”²¹

The GFATM's approach differs slightly in the sense that the design is the responsibility of the country coordinating mechanism (CCM), a parallel public-private partnership including multi-stakeholder representation. Although the approach used by the GFATM has proved successful in ensuring broad participation, creating parallel systems has resulted in increased administrative burden and such systems are not very supportive of ownership. At the same time, they also create an obstacle for the development of democratic processes in developing countries (see box). The use of parallel systems, together with the weight of the funding and the specific mandate of GFATM, has sometimes resulted in the “distortion of recipient countries' national policies, notably through distracting governments from coordinated efforts to strengthen health systems and re-verticalization of planning”.²²

The most common practice, however, is to assemble a team of experts who are responsible for designing the project. In the case of the MCC, the team is explicitly requested to design the programme in coordination with the government. This approach has been successful in several countries, where it has included a significant number of stakeholders. Nonetheless, it has also been criticised because the MCC has sometimes relied on external firms to manage a process where as private sector actors, they may have different interests and concerns than those of donors or recipient countries.²⁵ In the case of GPOBA, no clear

guidelines exist and it is therefore difficult to ensure ownership is consistently integrated during the design of the programme. In addition, the task team leader is often not based in the developing country where the project is being implemented. This can undermine dialogue and coordination with other donors and government officials, as highlighted in an evaluation conducted by Norad on the HRITF.²⁶

Even if using an external team to design results-based approaches can ensure a significant degree of ownership on some occasions, it often proves to be the most challenging approach. The main problem is the punctual nature of the process that not only runs in parallel to other initiatives (see paragraph on the GFATM above), but also implies that all consultation and dialogue structures have to be created and subsequently dissolved. It also requires identifying stakeholders, who in turn have to build alliances and develop their own engagement strategies. This can be a challenge for government official and civil society participation, particularly in countries with capacity constraints on either side.

Meaningful engagement is particularly important in the case of results-based approaches because they rely more heavily on the use of indicators and statistics when compared to other aid modalities. In many cases, particularly when they target beneficiaries directly either through vouchers or user fees, they also need to be easy to understand for beneficiaries if they are to be effective. As recognised in a review of the WB's experience with results-based finance, the “involvement of all relevant stakeholders in the design of the RBF



Strong ownership of the programmes is the only way to guarantee that the impact does not revert once the incentive is removed



Where there is no political support it is doubtful that schemes could function effectively at all.

scheme helps to mitigate resistance and facilitate understanding and communication of the mechanism ... A good communications strategy is essential so that all relevant actors understand the incentive scheme and performance-based contracts.”²⁷

Beyond design, genuine demand also matters

While participation in the design process is important, it is not enough to ensure ownership. A second, but equally important requirement is to make sure that there is a genuine demand and commitment to results-based approaches. As recognised in a report prepared for DfID, “where there is no political support it is doubtful that schemes could function effectively at all.”²⁸ There are countries like Rwanda where the government is very keen on using a results-approach in the health sector and where a pilot using this type of approach served as inspiration for a national and publicly funded health programme based on results.²⁹ But there are also countries such as Uganda where contradictory government policies have undermined the implementation of a results-based approach in the health sector.³⁰

Moreover, support has to exist at all levels. A WB evaluation of a similar initiative in Indonesia found that “lack of ownership at the provincial level was detrimental to project implementation”,³¹ as the project failed to convince local authorities. Building on the same example, the WB comments that “it is much easier to implement externally financed pilots at the local level, than to convince local governments to take up and sustain these initiatives after project completion.”³² However, this cannot be an excuse as a project can hardly be considered to be effective if its impact is not sustainable in the long term.

Who is really driving the agenda?

Finally, at a higher level, there are concerns about the results agenda being driven by donors. It is true that some developing countries, such as Rwanda, are particularly keen on using results-based approaches. The Rwandan government is currently implementing the idea within the country’s public administration sector. However, most donors are taking steps towards results with their own domestic accountability in mind. DfID, for instance, released its results framework in autumn 2011, a year after the arrival in power of a new UK government, thus clearly responding to a new push for results taking place across all the UK’s public administration sector.

The EC is also continuing to work on results indicators being recorded in its Common RELEX Information System (CRIS) database. According to the latest review of roles within the EuropeAid Development and Cooperation Directorate-General (DG DEVCO), one of the main roles of several thematic units within DG DEVCO is “supporting the development and use of indicators assisting EU and other donors to account for results of overall development cooperation efforts.”³³

Although mutual accountability may be playing a role in the increasing use of results, in general the focus on these approaches seems to have intensified in line with domestic demands for accountability in donor countries. A survey of 1,210 donor and NGO workers conducted in 2011 highlighted greater pressure to demonstrate results as the most significant trend in the last few years.³⁴ Most of the people with whom Eurodad discussed the origin of results-based approaches shared similar views. In many cases the shift towards results has

followed the election of new governments that, in the context of the economic crisis, found it increasingly difficult to continue supporting aid programmes with no clear attribution of results.

Eligibility criteria undermine country ownership

Ownership can often be undermined even before the start of the design phase. Several donors use eligibility criteria to determine the countries that can be selected to implement a project. Eligibility criteria are common in results-based approaches, but they pose a bigger problem with initiatives implemented at the national level. In such cases, eligibility criteria target high level national policies, processes and performance across a number of issues. When coupled with the significant financial resources of most national initiatives (eg, the MDG-C), this puts a lot of pressure on developing countries to make reforms in order to ensure good performance.

The MDG-C and the MCC are good case studies. They both have a significant level of dialogue with government and civil society during the design process. However, they are preceded by a number of eligibility criteria that can sometimes limit the flexibility of the process and have a negative impact in terms of ownership.

Of these two approaches, the MCC applies the most restrictive set of eligibility criteria for developing countries. They include inflation, budget balance, or the degree of the country’s openness to international trade.

Taking the latter indicator for instance, such an indicator automatically presupposes that trade openness is good for developing countries; yet this is an issue that has been heavily contested and openly rebutted by many leading economists.³⁵ Moreover, the



Out of the 32 GPOBA subsidy related projects for which contracts are available, a total of 15 of them were signed between the donor and a third party service provider.

MCC criteria are not based on recipient countries' development strategies, nor have they been developed through a consultative process. Moreover, when it comes to the case of trade openness, this particular indicator has been developed by the Heritage Foundation, an organisation whose mission is "to formulate and promote conservative public policies based on the principles of free enterprise, limited government, individual freedom, traditional American values, and a strong national defense."³⁶ When this type of eligibility criteria is used, donors are indirectly encouraging developing countries to adopt specific policies or political stances in areas such as economy and trade where there is no agreement that such policies can contribute to sustainable development.

The MDG-C does not have its own indicators, but requires the existence of a performance assessment framework (PAF). This is basically a set of criteria based on national development strategies and agreed by donors and recipient country governments – it is generally used by budget support donors to assess and monitor progress. Once implemented, the MDG-C is also

monitored on the basis of the existing PAF. Although this approach is much more in line with the principle of ownership than the MCC, in some cases the PAFs include some contested actions and indicators, in addition to more traditional ones such as mortality rates, prevalence rates or length of new roads. For instance Rwanda's PAF measures the improvement of the investment climate through the WB's Doing Business report. This particular report is very controversial among developing countries and CSOs (see the section on procurement in Chapter 2). It also includes other controversial measures such as reviewing the "taxation of petroleum products to improve incentives for fuel traders and stimulate business".³⁷ In Tanzania, the 2001 PAF also includes maximum inflation and fiscal deficit targets extracted from the IMF's Policy Support Instrument.³⁸

Several of the eligibility criteria described in this section are thus not very different from the heavily criticised economic policy conditions traditionally imposed by the IMF and the WB in structural adjustment programmes. As Eurodad has shown, these reforms are generally not related

to development or poverty reduction targets, or indeed grounded on sound and internationally agreed principles or evidence.³⁹

Although not directly related to national economic policies, all approaches examined in this research do have a set of public management and procurement requirements. This is usually used by donors to manage fiduciary risks, but it can sometimes limit the capacity of government to use national systems in a development friendly manner. As this question is closely related to the use of country systems it is discussed in Chapter 3.

Finally, the use of eligibility criteria also has important implications in the analysis of results-based approaches. When donors use these criteria they are automatically selecting the best performing countries for implementation, particularly in the case of the MDG C and the MCC country compacts. This introduces a clear bias that researchers should take into account when assessing the effectiveness of results-based approaches.



Criteria described in this section are thus not very different from the heavily criticised economic policy conditions traditionally imposed by the IMF and the WB in structural adjustment programmes

Mutual accountability: a distant goal

The nature of results-based approaches tends to increase accountability to donors. The assessment of mutual accountability is therefore mainly based on the existence of mechanisms to hold donors to account. Transparency and multi-stakeholder dialogue structures have also been evaluated in this section. The analysis shows that only the MDG-C and GAVI perform relatively well across all three areas. In all cases, however, mutual accountability systems are weak and have little impact in practice. Although not included in the assessment, this section also considers the transfer of risk to developing countries resulting from the use of results-based approaches.

Mutual accountability:

EC MDG C	Performance assessed through donor PAFs, fair transparency, multi-stakeholder mechanisms
GAVI	Country performance assessed through IHP+, fair transparency, multi-stakeholder mechanisms
MCC	No mutual accountability mechanisms, fair transparency, insufficient multi-stakeholder dialogue
GFATM	Country performance assessed through IHP+, fair transparency, insufficient multi-stakeholder dialogue
GPOBA	There are no mutual accountability mechanisms, transparency difficult to assess, poor dialogue

■ good ■ average ■ low

A major priority for partner countries and donors is to enhance mutual accountability and transparency in the use of development resources. This also helps strengthen public support for national policies and development assistance.

Paris Declaration

Results-based approaches tend to strengthen the accountability of recipient countries towards donors. Instead of adjusting future aid disbursements, the ability to withhold or not disburse part of the funding gives donor a stronger and more immediate bargaining power that increases the power imbalance that has traditionally defined aid relationships. This suggests that mutual accountability is an area where particular efforts are needed in order to ensure that results-based approaches comply with the principles of the aid effectiveness agenda.

DfID defines mutual accountability as the relationship between “two or more parties [who] have shared development goals, in which each has legitimate claims the other is responsible for fulfilling and where each may be required to explain how they have

discharged their responsibilities, and be sanctioned if they fail to deliver.”⁴⁰ In addition to a horizontal and reciprocal relationship between donors and recipient countries, this definition implies the existence of mutually agreed mechanisms for monitoring and evaluation, as well as for sanctioning/rewarding non-compliance/compliance. Before looking into it more deeply, however, it is important to start by looking at the foundations of accountability: the existence of multi-stakeholder dialogue and coordination structures, and transparency.

The foundations: multi-stakeholder dialogue and transparency

While dialogue and coordination structures are common in many countries they are often present in very high numbers, making

it a challenge for effective coordination and participation. Research conducted by Eurodad in the past has highlighted that it is common to have several structures including consultative, working and sub working groups that place a significant burden on already stretched administrations and reduce the time available for engaging with civil society.⁴¹ In most cases, this is the result of donors wanting to scrutinise recipient countries policies in different areas.

The aid effectiveness agenda makes a strong case for the streamlining and simplification of multi-stakeholder coordination structures. The idea is that the smaller number of fora, the more coordination and better efficiency there is in the use of human and material resources. In turn this should lead to more meaningful participation and greater accountability at all levels.

It is difficult to assess how these structures work in practice without making detailed analysis of the country context. Nonetheless, it is possible to examine the extent to which different approaches support better coordination and more participatory dialogue by looking at the type of coordination mechanisms they adopt.

In general, we have found that broader initiatives tend to use higher level coordination and dialogue structures (see Table 3). National approaches usually rely on national structures such as “development partners groups” (MDG-C) or sector working groups (GAVI ISS and HSS). The MCC and GFATM sometimes participate in these processes, but this is not always the case and they often have their own dialogue mechanisms that tend to duplicate efforts, undermine coordination and participation and, by extension, ownership. GPOBA does not have a formal approach to multi-stakeholder coordination and dialogue. Participation usually depends on the country team and the task team leader which, as seen in the previous chapter, is sometimes not even based in the country.

In order to foster domestic and mutual accountability, meaningful multi-stakeholder dialogue also requires transparency so that all development actors, including civil society, can contribute to the process on an equal footing and in an informed manner. Usually donors ensure that enough information is made available so that they can properly ensure money is being used as intended. However, for sufficient accountability to exist donors also have to share information. In order to assess donor transparency, we have used Publish What You Fund’s *Transparency Index* for the relevant donors. The index looks at 43 different indicators. It is compiled by civil society experts and usually verified by donor officials.⁴² The overall score of the EC’s Development and Cooperation Directorate General, which is in charge of the MDG-C, has been used to measure the level of transparency of this initiative. Unfortunately there is no information available for GPOBA, but it is discussed below.

Graph 3 shows that all donors for whom

information is available are among the top ten donors evaluated by PWYF, with the exception of GAVI which ranks number thirteen. Nonetheless, most of them still have plenty of room for improvement in areas such as flow types, forward expending plans or contract documents.⁴³

Based on Eurodad’s research for this report, the transparency of GPOBA is likely to be lower than the one recorded for the World Bank’s International Development Association (IDA), which manages GPOBA financial resources and provides 86 per cent of its funding.⁴⁴ WB-IDA is currently the second most transparent donor with a score of 88 per cent. However, while information on GPOBA projects is generally available, including grant agreements, it is often limited. For instance, only a handful of projects described on GPOBA’s website are traceable within the WB’s database of projects.

Accountability mechanisms

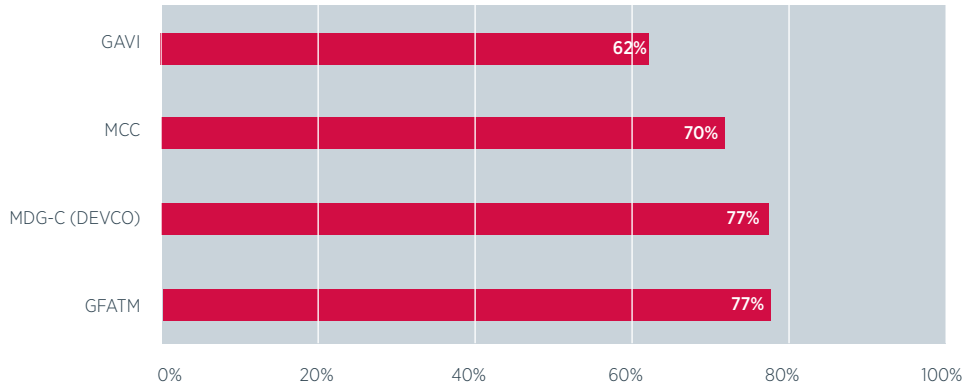
As mentioned above, mutual accountability requires mutually agreed mechanisms for monitoring and evaluation, as well as for sanctioning/rewarding compliance. To begin with, Eurodad examined the nature of monitoring and evaluation mechanisms. Table 3 (see Chapter 4) shows that most results-based approaches evaluated in this report use mechanisms that have been designed by donors. Having mechanisms devised by donors is characteristic of the one-sided relationship that has dominated the aid process for many years and that not only undermines mutual accountability but also weakens other aid effectiveness principles such as ownership. The only exceptions are the MDG-C, that uses the recipient country’s PAF, and GAVI, that is a member of the International Health

Partnership (IHP+). However, although the IHP+ is an international multi-stakeholder health initiative and has managed to promote the integration of aid effectiveness principles in the health sector, it is not clear that this initiative has actually empowered recipient countries.⁴⁵

In the next stage, Eurodad examined the existence of sanctions for lack of compliance by donors. Such mechanisms have never been very strong and, when they exist, they are usually based on peer pressure rather than actual sanctions. After examining official documents and contracts, Eurodad has found that only the MDG-C, GAVI and GFATM include some mechanisms to hold donors to account.

In the first case, donors are held accountable through annual donor performance assessments conducted within the framework of the PAF. GAVI and GFATM’s performance is assessed via their membership of the IHP+ initiative. However, this tool is unlikely to incentivise change as it does not provide information on a country-by-country basis, focuses on top level aid effectiveness principles without entering into a detailed discussion, and only indicates whether progress is being made or not without providing any additional details or recommendations.⁴⁶ In all other cases, Eurodad has been unable to find indicators or formal measures to ensure that donors can be held accountable for their performance. In some cases there can be punctual exemptions to this. Donors may participate, for instance, in national or sector coordination structures like the PAF. However, it is the lack of a formal and systematic implementation of the principle of mutual accountability, along with the weaknesses of existing measures, that is worth highlighting.

Graph 3. Level of transparency according to PWYF’s Transparency Index 2012



Progress requires committed and predictable donors: an example from Uganda

In many developing countries, including Uganda, an important share of the national health and education budget is funded by donors. In order to implement national policies successfully, governments require predictable and long term funding to provide infrastructure and sustain the effort of training, recruitment and retention of large numbers of new workers.

Uganda announced a new policy of universal primary education (UPE) in 1997 and led a campaign to promote education for girls as well as boys. To reach UPE, the government introduced free schooling for up to four children per household, teachers were given improved training, and their salaries were increased dramatically, from

about \$8 to \$72 per month. The curriculum was changed, for example to teach about HIV and AIDS; the textbook monopoly was replaced by liberalised procurement; and the government earmarked three per cent of the recurrent budget for books and materials.

Challenges certainly remain to improve quality and teacher to pupil ratios, but in the late 1990s, research showed that primary-school enrolments doubled, and by 2000 the net enrolment rate rose from 54 per cent to over 90 per cent. To finance the UPE effort, the government increased education budgets sharply, raising education's share of the national budget from 22 per cent to 31 per cent in 1999, much of which is provided by donors.

Source: Oxfam (2007) *Paying for People. Financing the skilled workers needed to deliver health and education services for all*. Oxfam Briefing Paper 98

Results-based approaches and risk transfer: is it worth it?

One of the main features of results-based approaches is that they transfer a significant share of the risk that has been traditionally borne by donors to developing countries. By linking disbursements and results, some people believe results-based approaches help to ensure money is well spent and to reduce fiduciary risks. However, there is little evidence to support this claim.⁴⁷ First, several approaches apply the same or very similar monitoring and evaluation mechanisms and anti-corruption safeguards as other aid modalities (eg, MDG-C and general budget support). Second, when this is not the case, such as in approaches focusing on user fees or payments to service providers, monitoring and evaluations systems are very complex and have to deal with a significant number of individual payments or events triggering payments. As described in Chapter 6, this makes some forms of results-based approaches prone to cheating and gaming that can result in the misuse or misappropriation of funds.

Linking disbursements and results, however, can have important consequences on the implementation of individual programmes. A government or a given facility implementing these types of programmes – picture a school, for example – could see their funding oscillate in line with performance indicators. The impact of such an event depends on the terms of every individual agreement and is likely to be more significant the higher the variable component.

There are three main issues which donors need to pay especial attention to when designing a programme in order to minimise detrimental effects: predictability, vulnerability to changes in funding and long term sustainability. These issues are crucial for any aid programme, but they are particularly relevant in results-based approaches given the direct link between disbursements and performance.

Predictability

Fighting poverty and improving living conditions requires long term commitment and clear strategies. Without predictability, developing countries would not be able to plan and this is the reason why, in Accra, donors committed to provide “regular and timely information on their rolling three-to five-year forward expenditure and/or implementation plans, with at least indicative resource allocations”.⁴⁸ Results-based approaches, however, are based on the existence of a variable or performance payment that is difficult, though not impossible, to reconcile with the concept of predictability.

Predictability has two main components: duration of the programme and actual disbursement predictability. The first component is important because it allows the government to have an idea of future inflows and helps it to develop balanced, longer-term strategies. Table 1 (Chapter 2) shows that several results-based approaches tend to have a minimum or average length of three or more years, which is in line with the commitment made in Accra. Particularly

relevant are the cases of the MDG-C (six years), the MCC country compacts (five years) and the GFATM (2+3 years approach). GPOBA projects do not have a minimum or maximum length. Eurodad has examined the length of several individual GPOBA projects as part of this research and they are usually in the range of 3–4 years, but the closing date is not always indicated.⁴⁹

Disbursement predictability, the second component, is crucial for budget planning and to prevent budget shortfalls or underspending. This is an area where results-based approaches can be particularly challenging. In order to ensure that results and performance payments do not have a negative impact, agreements need to consider the lag between the review of the indicators, the funding decisions and the implementation of such decisions.

The MDG contracts are reviewed in advance of the budget process, so that any changes can be taken into account in the budget process for the coming years. For instance, our interviews revealed that the MDG-C in Rwanda is reviewed in September, and disbursements are made effective in July, which gives the government plenty of time to make any necessary adjustments. The MDG-C also emphasises dialogue when there are performance problems instead of immediate suspension or delay in disbursements as is the case with most budget support.⁵⁰ The MCC Country compacts, however, require the submission of a Quarterly Disbursement Request, including a report recording progress against the targets. Disbursements are “contingent on the quarterly package being satisfactory to MCC in form and substance.”⁵¹ It is clear that this approach creates a much less predictable and potentially dangerous scenario for developing countries.

GAVI ISS deposits, on the basis of an annual request, \$20 in a government account per every additional child immunised above the number previously reached. In this sense, funds complement existing programmes and therefore are unlikely to have a significant impact. Nonetheless, the additionality of the funding together with a lack of clear incentives and plans to spend the money may explain why only 47 per cent of all GAVI ISS funds are spent in the first year, and why this only reaches a relatively low 75 per cent after five years.⁵² GAVI HSS disburses the funds upfront and assesses their use on an annual basis against a set of agreed indicators. The results are used to adjust allocations for subsequent years.⁵³ HSS funding is usually predictable because progress is monitored using quarterly indicators and, by the end of the year, it is possible to have a clear picture of the overall progress.



While preventing corruption is important, in most cases complex and lengthy solutions are required to tackle the problem. A sudden interruption of the funding usually has a significant and disproportionate impact on poor people.

The GFATM uses a similar approach to GAVI HSS. Progress is recorded and reported by the principal recipient. The report is then verified by the local who recommends future disbursements to the GFATM. Reporting and disbursements are made on a quarterly, semi-annual or annual basis, depending on the grant agreement. Given the existence of very short reporting intervals and the lack of coordination with the budget cycles, the GFATM is very challenging in terms of predictability. The latest revision of GFATM's strategy recognises this as one of its main challenges and makes it one of its priorities.⁵⁴

Programmes focusing on service providers or which look at user fees, such as GPOBA and some health initiatives, are not very vulnerable to these type of problems as they mainly try to reduce the access gap to specific services (eg, drinking water, sanitation, etc.). Moreover, their diversity and very recent introduction mean that there is very little evidence available.

Vulnerability

Another design aspect that should be carefully considered is the potential vulnerability of recipients that could result from an excessive dependency on the performance based payment. There are different approaches to manage this problem. First, it is possible to keep the variable tranche relatively small so that the impact of changes is kept to a minimum. The MDG-C does this by limiting the size of its performance tranche to 30 per cent. This approach is combined, as mentioned above, with measures to soften the lack of predictability, such as a lag between decisions and the actual disbursement date so that the impact is minimised.

Second, donors often fund existing programmes (less dependent on donor funding) and use the performance payment to incentivise the government or the

implementing agent to improve performance, target specific groups or reach into specific areas. DfID, for instance, is implementing a programme in Ethiopia that rewards the government per every child passing exams with a certain grade above a certain threshold. The reward is higher for girls and children in rural areas, with the intention of motivating the government to focus on areas where progress is more difficult. Once results are verified, there are no conditions attached to the funds and they simply become part of the national budget. A similar, although more targeted and restricted approach in terms of target sectors, activities and use of funds also lies behind GAVI ISS and some of the GPOBA programmes. GAVI ISS, for instance, is used to complement government immunisation efforts, while GPOBA projects try to increase the coverage of existing service providers.

Large programmes with a heavy reliance on results such as the MCC pose a more significant risk in this regard. Nonetheless, the lack of ownership and use of country systems of this particular initiative tend to make it less vulnerable to external shocks such as corruption scandals, which have sometimes led donors to suspend disbursements through instruments that use country systems such as budget support.⁵⁵ Both GFATM and GAVI HSS also increase vulnerability as they do not provide for a significant lag between reporting and disbursements, and decisions are made on future funding levels. In addition, GAVI HSS and ISS can be halted immediately if corruption is detected, although other streams of funding from GAVI are continued.⁵⁶ While preventing corruption is important, in most cases complex and lengthy solutions are required to tackle the problem. A sudden interruption of the funding usually has a significant and disproportionate impact on poor people. A report by Action for Global Health describes how a corruption scandal in Zambia resulted in a major reduction of health services

provided by hospitals.⁵⁷

Long-term sustainability

Finally, it is also important to consider the long-term sustainability of results-based approaches. This is particularly important in the case of service delivery. Results-based approaches are a way to incentivise performance through payments. As a consequence, funding is the only way to keep them going in the long-term. As Norad has pointed out, "the issue of financial sustainability is closely linked to the issue of attracting additional resources".⁵⁸ This is particularly relevant for projects that focus on access to services and slightly less relevant for initiatives that focus on health system strengthening (GAVI ISS and HSS) or broader goals (MDG-C, MCC country compacts).

Ensuring financial sustainability requires considering two questions when designing results-based approaches. First, is there interest in continuing support among donors? And second, is the government interested in the programme and can it ultimately take it over? An evaluation of results-based mechanisms conducted by Norad summarises these questions very well: "Prospects for sustainability are likely to be best if the issue is considered during the design process, the approach is integrated with national planning processes [...] This will require engagement with all potential funders at an early stage and throughout the design process. Whilst Finance Ministries are the main funders in many countries, donors are likely to play a key funding role in some countries for some time to come. This is why sustainability of the RBF requires a proactive engagement strategy right from day one."

Norad therefore links the question of long-term sustainability directly to the level of country ownership and harmonisation. Both elements are discussed in detail in different chapters of this report (chapters 2 and 4).

In order to assess the level of harmonisation, this section looks at the existence of and participation in joint initiatives and structures. In accordance with the aid effectiveness principles, donor harmonisation should build on the alignment with developing countries’ policies and systems. Although some of this information, such as participation in donor coordination structures and the use of common monitoring arrangements, has been discussed in previous sections, we now look at it in a much more detailed and comprehensive way, including management and disbursement arrangements. The level of harmonisation seems to be related to the existence of parallel systems with national and broader approaches performing better, although performance is mixed within this group.

Harmonisation

EC MDG C	High levels of harmonisation and integration in government processes and systems
GAVI	Some progress, but still tends to use its own channels to provide funding and independent monitoring mechanisms
MCC	It has its own channels for disbursement and independently agreed monitoring mechanisms
GFATM	Some progress, but still relies on parallel mechanisms
GPOBA	Its restricted and experimental nature means that not many efforts are made to harmonise existing projects

good average low

Harmonisation is all the more crucial in the absence of strong government leadership. It should focus on upstream analysis, joint assessments, joint strategies, co-ordination of political engagement; and practical initiatives such as the establishment of joint donor offices.

Paris Declaration

Lack of harmonisation among donors is a common feature of development assistance. When researching this report, Eurodad looked at the list of recipient countries of the 24 bilateral OECD DAC donors and found that in 2010 there was an average of 18 donors in every recipient country. If multilateral donors are included, the figure is likely to be greater than the 30 donors per country estimated in 2006.⁵⁹ On top of this, within every recipient country, donors also tend to work in several sectors. A report released in 2011 looked at the number of donors per sector in developing countries and showed that, on average, there are almost ten donors active in every one of the 12 sectors they looked at.⁶⁰

From an aid effectiveness perspective, making sure that donors are well coordinated and that their activities complement and do not duplicate each other’s efforts or impose high transaction costs on recipients is therefore essential to ensure that aid is effective. This is known as harmonisation, a concept enshrined in the Rome Declaration on Harmonisation,⁶¹ the foundation of the aid effectiveness agenda. In subsequent meetings in Paris, Accra and Busan, the commitments were extended to include things such as common planning, funding, disbursement, monitoring and evaluation, and reporting procedures. Harmonised donors help to increase impact by improving

coordination, especially when they are accompanied by greater country ownership, and by avoiding having orphan sectors or regions. In addition, it also reduces the administrative burden on recipient governments by streamlining processes and relationships with donors.

In most developing countries, harmonisation has led to the introduction of more effective donor coordination structures. Donors have tended to create “development partners groups” that engage formally with the government through “joint assistance strategies”. In most cases, these structures include sector working groups to coordinate donor activities at sector level. When it comes to aid modalities, increasing harmonisation has also been one of the main drivers of aid modalities such as budget support, sector budget support and pooled funds, that make general, sector, or programme specific contributions that are included in recipient countries’ budgets.

According to the commitments in the aid effectiveness agenda, donors should not only harmonise their actions, but also align



The MDG-C is worth highlighting due to its high level of harmonisation and its integration in government processes and systems.

them with developing countries' policies and procedures. Although the latter aspect is usually considered under the principle of alignment, Eurodad has also assessed in this section whether the different initiatives allow harmonisation to happen around country policies and procedures.

The level of harmonisation has been assessed on the basis of the policy documents and operating principles of different initiatives as well as several project documents. The information, as well as the range of initiatives,

processes and structures we have looked at is summarised in Table 3.

There are important differences in harmonisation levels depending on the approach taken. The MDG-C is worth highlighting due to its high level of harmonisation and its integration in government processes and systems. Coordination is ensured at the highest level through multi-donor budget support groups, resources are channelled through the country's budget and there are

common monitoring arrangements based on national strategies, usually known as performance assessment frameworks (PAFs). This contrasts with the MCC, a similar approach in terms of objectives and level of implementation, but much less harmonised. The Millennium Challenge Corporation sometimes participates in national or sector level coordination groups – for instance in Ghana, Mozambique, Namibia, and Tanzania – but this is not always the case.⁶³ In addition, it has its own channels for disbursement (Millennium Challenge Accounts) and

Table 3. Results-based approaches, harmonisation and the use of country systems

Instrument	Coordination structures	Planning/Design	Programme management	Type of funding	Monitoring and evaluation system	Procurement
MDG-C	Top level, Development Partners Group or equivalent	Government	Government	Budget support	Based on PAF which is agreed with government and other donors	Country systems
MCC	Present in a few SWAP and JAS, participates in donor meetings when it is a major sector player	A team is sent to design the compact in collaboration with the government	Best case a PIU within a Ministry, sometimes corporations or foundations	Transfer to accountable entity	Independent. After a Compact is signed, the partner country's Accountable Entity and MCC finalise an M&E Plan that provides the framework for monitoring and evaluating activities	MCC Procurement guidelines. No local preferences allowed
GAVI HSS	Works through partners such as UNICEF and WHO. Integrated in HSFP sometimes participates in SWAPs or similar structures	Eligible countries design and submit proposals to GAVI through Immunisation Coordinantion Committee (ICC)	Government	Through Health Systems Funding Platform. Can be budget support. eg Uganda	Independent, uses Independent Review Committees to review applications and progress reports	Country procurement systems
GAVI ISS	Not defined, works through partners such as UNICEF and WHO			Separate government account. Funds can also contribute to a SWAP		Country procurement systems, but GAVI expects that most countries will procure vaccine and injection supplies through UNICEF
GPOBA	Not defined, depend on WB's country team programs and activities	Designed by WB team	WB team	Funds are transferred to an implementing partner	Not defined. Designed by the WB	WB procurement guidelines. 15 per cent local preference margin for goods and 7.5 per cent for works under certain circumstances
GFATM	Country coordination mechanisms (CCM). Funding for health systems strengthening is part of the HSFP and can be integrated in SWAPs	Usually designed by the CCM according to existing guidelines	Principal recipient (project implementer)	Funds are transferred to the principal recipient	Principal recipients develop M&E plan according to the GFATM's guidelines	Systems of principal recipient or other (contracted). No preferences allowed

Elaborated by Eurodad using different sources⁶²

Harmonisation matters

An evaluation of GFATM in Ethiopia, funded by USAID and conducted by Partners for Health Reformplus, highlights some of the impacts when donors fail to harmonise their programmes.⁷⁰ An anonymous source commenting on the training programmes stated that: “The training opportunities are good, but lack harmonisation and do not fit into our program of capacity building. In this way they affect our services. Different organizations organize training and ask us to send staff, but sometimes we are forced to defer such opportunities because that affects our services. This creates conflict of interest as well. The trainings have to be in alignment with our capacity-building program. At present they are too much training to meet the requests for participants.”

Another example also involving GFATM shows that, when there is enough political will, it is possible to achieve harmonisation of aid and reinforce country systems. In Nepal, the GFATM and other leading donors have joined the Joint Financing Arrangement (JFA) and committed to channel their support through the country's new national health plan accordingly. By harmonising donor support around the national strategy, the Government of Nepal not only wants to accelerate progress towards its health goals, but also create a sustainable system for the future. Rameshore Khanal, Secretary at the ministry of finance said: *“It is our strong belief that the strengthening of our own systems is, even when it would take time, in the end the best value for aid money”*.⁷¹

together with one voice. Ultimately, donors are in control of the aid funds and this gives them an influence that, directly or indirectly, recipient countries find hard to counter.

In addition, according to information gathered during the interviews, GAVI is currently working on a single funding window based on results, but the details are still being worked out and the operational principles are unlikely to be approved before mid-2013.

As recognised in the GFATM's strategy, the “alignment of grant management arrangements to national systems, procedures and institutions is currently possible and encouraged, but in practice there is still significant use of parallel mechanisms.”⁶⁷ The fund has tried to address this problem by introducing the “Single Stream of Funding per Principal Recipient per disease or cross-cutting health systems strengthening program” (SSF). However, the number of grants in every country is still very high, with countries such as Tanzania, Uganda and Ghana having eight grants each. Rwanda, the other country we looked at in this research, has five grants in total.⁶⁸ The GFATM is also part of the IHP+ and the HSFP (see the paragraph on GAVI above) and is piloting an interesting initiative aimed at supporting national strategies instead of more specific projects: the National Strategy Application (NSA). It has been designed to increase harmonisation and ownership but it still represents a relatively small share of the funding and there is not yet enough information to examine the initiative in sufficient depth.

Assessing the harmonisation level of GPOBA is significantly more difficult due to the lack of individual policies governing the instrument. In general it is up to the WB country office to coordinate with other donors, but it seems that the more restricted and experimental nature of GPOBA projects means that not many efforts have been made to harmonise existing projects. To date, GPOBA has focused on relatively small scale projects and significant harmonisation efforts might not have been necessary. Yet as recognised in a review conducted by IDA, harmonisation is likely to be a challenge when scaling up output-based aid projects.⁶⁹

independently agreed monitoring mechanisms. The MCC usually requires that “wherever possible, MCC program activities are reflected in budget documents of the recipient country”,⁶⁴ but this is very different from actual channelling of the funds through the government's budget because it does not provide the same level of flexibility.

The current degree of harmonisation of GAVI's ISS and HSS programmes is difficult to measure. On the one hand, GAVI programmes examined in this report use independent monitoring mechanisms, which have a negative impact on harmonisation. In addition, GAVI ISS uses independent accounts for disbursements and tracking of the funds, although there are also examples of funding being integrated in health sector wide approaches (SWAPs). An evaluation released in 2009 on GAVI's HSS that looked at a wider set of criteria pointed out that this initiative “increases demands on institutional coordination at country level”, unlike other donors which use country systems and processes, and concluded that there is an overall “lack of harmonisation with other donors' systems.”⁶⁵ GAVI's ISS initiative faces similar challenges given that it has a narrower

scope than the HSS and is less flexible in terms of goals and funding arrangements.

On the other hand, recent developments indicate GAVI might be moving in the right direction. GAVI is a member of the International Health Partnership (IHP+, launched in 2007), which is a multi-stakeholder process aiming at mainstreaming aid effectiveness principles in the health sector. GAVI is also a member of the Health Systems Funding Platform (HSFP) that aims to harmonise HSS support from GAVI, the Global Fund and the WB. Unfortunately, it is too early to evaluate these initiatives. The main outcome of the HSFP to date has been the development of a common application format for GAVI and the GFATM.

Some critical voices have claimed that the partnership model promoted by the IHP+ “will reduce the participation of developing countries in policy making by shifting the balance of power towards the ‘consortium of donors acting in unison’ and thus could result in an inherent contradiction in the partnership.”⁶⁶ The reason for this is that even if representation is balanced, it is often difficult to oppose donors when they act

“

GPOBA has focused on relatively small scale projects and significant harmonisation efforts might not have been necessary. Yet as recognised in a review conducted by IDA, harmonisation is likely to be a challenge when scaling up output-based aid projects.

Use of country systems and procurement

This section looks at the use of developing countries’ procurement systems as a proxy for the use of country systems. The analysis shows that only the two broadest initiatives rely on or allow developing countries to use their own procurement systems. More importantly, the analysis also reveals that several approaches used stringent procurement guidelines that strongly restrict the capacity of developing countries to use procurement systems as a developmental tool.

Use of country systems

EC MDG C	Use country procurement systems
GAVI	Use country procurement systems. Nevertheless, vaccinations are expected to be procured through UNICEF
MCC	Follow MCC procurement guidelines. No preferences are allowed
GFATM	Can use systems of principal recipient under strict conditions. No preferences allowed
GPOBA	Follows World Bank procurement guidelines

good average low

Using a country’s own institutions and systems ... increases aid effectiveness by strengthening the partner country’s sustainable capacity to develop, implement and account for its policies to its citizens and parliament.

Paris Declaration

Although the use of country systems is usually included under the principle of alignment, previous sections have already explored some of its components such as the use of national strategies. Following the example of the indicators devised by the OECD to monitor progress on the implementation of the aid effectiveness agenda, Eurodad focuses on the use of country procurement systems as a proxy to evaluate the use of country systems.

The use of country procurement systems is a good indicator of donor commitment to country systems because they are an important developmental tool. Eurodad research has shown that around \$69 billion of ODA (over 50 per cent of all aid flows) is spent on procuring goods and services.⁷² In addition to this, country procurement systems also channel a significant amount of developing countries’ budgets. In general, country procurement systems are more accessible to local firms and companies, which often find it hard to compete with

other firms when tenders are done by donors. Language requirements and the need to comply with a different set of guidelines in each case make it very difficult for local firms to successfully bid for projects. This is usually known as “informally tied aid”. The bias that donors have towards firms from their own countries has been highlighted by Eurodad research that found that most contracts tendered by donors are awarded to companies from donor countries.⁷³

When donors use developing countries’ procurement systems, they do not only make it easier for local companies to tender, but they also help strengthen the system and reduce transaction costs by reducing the number of parallel implementation systems. In addition, developing countries’ procurement can also be designed in ways that target marginal groups or try to increase the developmental impact of aid. For example, the International Labour Organization promotes labour-based construction projects that create income

opportunities for the local poor in project areas and has estimated that this approach generates 20 times more jobs.⁷⁴ A similar approach could be even more effective if implemented directly by developing countries by allocating a higher score to local firms or those using local labour. More flexible procurement systems could be used by developing countries to capture a double dividend from aid flows.

Out of the different initiatives we have looked at, only the MDG-C entirely relies on country procurement systems (see Table 3). GAVI, although it has its own procurement policies, does not apply them to the ISS and HSS programmes. Nonetheless, it expects ISS partner countries to use UNICEF procurement systems for vaccines. The rationale for this is that they want to generate a high volume of demand, drive down prices and boost innovation.⁷⁵ The GFATM also allows the use of the procurement systems of the principal recipient – which can be the government of a developing country – but they need to get formal consent from the GFATM and comply with several conditions regarding quality standards, prices and competitive bidding.⁷⁶

Similarly, the MCC has a very stringent set of procurement rules that apply to the procurement of goods, services or consultants funded with MCC money.⁷⁷ These guidelines rule out, among other things, the possibility of applying preference margins

for local firms or smallholders. GPOBA is subject to the WB procurement guidelines.⁷⁸ Although the WB guidelines do allow small preference margins (see Table 3), they usually impose a heavy burden when it comes to contractual, technical and publicity requirements, making it very burdensome for local companies to successfully bid for contracts – as shown by recent Eurodad research which found that 67 per cent of WB-financed contracts (in amount) went to firms from just ten countries.⁷⁹

While using country procurement systems is an important part of the process, this is not enough to transform them into effective development tools. Both the MDG-C and GAVI ISS and HSS programmes allow developing countries to use their own systems. This is a significant leap compared with the other results-based approaches, but they are not very good at promoting procurement systems as developmental tools. Understandably, donors want to make sure country procurement systems are sound and effective. This is usually done through evaluations that look at whether existing checks and balances, regulations and anti-corruption measures are in line with international standards. The MDG-C, for instance, requires developing countries to conduct a Public Expenditure and

Financial Accountability (PEFA) assessment every two to three years.⁸⁰ Similarly, GAVI requires an assessment of public financial management systems before the signing of a HSS or ISS agreement. In addition to PEFA, GAVI also uses the WB Country Financial Accountability Assessment (CFAA),⁸¹ though this is not particularly relevant from a procurement perspective.

Although PEFA looks at some crucial questions required for having sound procurement systems, it has been criticised, together with other similar tools, for going one step too far. In general, these tools are designed in a way that assigns higher scores to fully liberalised country procurement systems.⁸² The consequence is that developing country procurement systems are aligned with “internationally agreed best

practices” as defined by donors. This tends to make it ill fitted to respond to developing countries’ needs and prevents them from using procurement as a developmental tool. Some exemptions exist, but they are few. For instance, Namibia uses targeted procurement to overcome ethnic inequities inherited from the Apartheid era.

Although it may seem that the donor influence on procurement systems through financial management evaluation mechanisms is very light, the truth is that developing countries face tremendous pressure to comply with it. The pressure increases in line with the funding and it is very hard for developing countries to take a bold stance when tens of millions of euros are at stake.



Although it may seem that the donor influence on procurement systems through ... evaluation mechanisms is very light, the truth is that developing countries face tremendous pressure to comply with it.

The Health Results Innovation Trust Fund

The Health Results Innovation Trust Fund (HRITF) is an initiative managed by the World Bank and supported by the governments of Norway and the United Kingdom. HRITF focuses on results-based approaches to achieve maternal and child health outcomes and has four main objectives: support the design, implementation, monitoring and evaluation of results-based mechanisms; develop and disseminate the evidence on results-based mechanisms; build country institutional capacity to scale up, and; sustain these mechanisms and attract additional financing to the health sector.⁸³

To date, total commitments to the HRITF are \$550 million up to 2022. Out of this amount, approximately \$429 million has been set aside for pilot country grants. The remaining funds will be used to support several knowledge and learning grants, impact evaluations and dissemination activities.⁸⁴ Both the funding and the number of pilots are likely to be increased in the coming years.

The HRITF has not been included among the other initiatives in this report because, even if funding can be linked to results, it is mainly used to support governments in piloting results-based approaches in the health sector. The

mode of engagement also somewhat different compared to other approaches as funding is provided for a maximum of two rounds after which other donors, the government or, most likely a combination of both, are supposed to continue financial support. However Eurodad considers it an interesting example and has thus examined the performance of HRITF against some of the analysis variables used in this report.

The level of ownership of HRITF programmes is mixed. While HRITF funds perform well when it comes to ensuring government ownership, no guidelines have been found on how to ensure the participation of other stakeholders in the process, such as national parliaments and CSOs. This could mean that ensuring real ownership is left to the discretion of the WB country and design teams. An evaluation conducted by Norad shows that these teams are sometimes based abroad and the level of participation is sometimes insufficient, thereby complicating the coordination process. For the same reasons some HRITF projects are not harmonised with the activities of other donors. According to Norad, “there have been isolated cases where the TF [HRITF] has worked with other donors to harmonise resource flows.”⁸⁵

The transparency of HRITF projects is insufficient. There is very little consistent

information available on HRITF, to the point that it is hard to find out detailed information about its pilot projects in several countries. The only list of countries where pilot projects are currently being implemented was found in its annual report to donors, but it does not include project titles or descriptions.⁸⁶ Eurodad has also been unable to track individual projects in the OECD or the WB databases. It seems that the problem is not that information is unavailable, but that it is very difficult to find. According to information provided by the HRITF, the Trust Fund’s projects are included in the WB database, but they are not labelled as HRITF and they are integrated as part of the reporting of bigger International Development Association operations to which they are linked. Following the Norad evaluation report, the website is currently being updated to provide information on the projects as well as evaluation results where applicable. As discussed in this report, transparency is one of the pillars of accountability.

At the country level, however, HRITF could contribute to the achievement of a higher level of domestic accountability because the programme is implemented under the initiative of the government. Having political support also suggests that HRITF programmes are more likely to be more sustainable in the long-term.

Results-based approaches: what do they measure

The use of results-based approaches depends on the possibility of identifying outputs or outcomes that can be measured and quantified through indicators.⁸⁷ The use of measurement indicators makes monitoring and verification tools a crucial component of results-based approaches. This chapter examines the relation between these tools and the objectives of different programs, as well as some of the concerns and challenges that arise in the process. We have focused on disbursements indicators. Although sometimes other indicators are monitored, they have a much more limited impact during project implementation.

The information for the different approaches examined in this report is summarised in Table 4. The table also includes information on the nature of the indicators. Based on existing literature, Eurodad has defined a quantitative indicator as an indicator measuring quantities or amounts (eg, children treated, of health expenditure per capita), whereas a qualitative indicators looks at people's judgments or perceptions about a subject (eg, level of satisfaction with treatment or an index which measures freedom of information).⁸⁸ Some of the initiatives also use indicators that focus on a particular process, such as passing a law or conducting a number of consultations, but do not look into its qualitative aspects. Although these indicators could be considered as quantitative, we have labelled them as "procedural indicators" because their importance derives not so much from the number involved, but from the fact that a process takes place.

Table 4 shows that there are three main groups when it comes to the use of indicators. These groups are closely related to the scope of the initiative as described in the introduction. Narrower approaches, such as GPOBA, are the only ones that include qualitative indicators in some of their projects

in addition to quantitative information. These indicators are usually in the form of beneficiaries' satisfaction. For instance, a GPOBA project to increase access to piped water in Vietnam makes part of the payment conditional upon six months of satisfactory service delivery.⁸⁹

A second group is made up of sector wide initiatives, such as GAVI and GFATM, that only include quantitative indicators in their monitoring framework. This is worth noting, as both of these initiatives contain specific programmes aimed at strengthening national health systems that are susceptible to be measured through qualitative means. This is the case with activities such as training or increasing the quality of services that are nonetheless measured with indicators such as DTP3 coverage (GAVI) and the number of people trained (GFATM). The third and last group includes the MDG-C and MCC that include quantitative and procedural indicators designed to measure results across all the different sectors they target. They usually adopt very general indicators, such as infant or maternity mortality rates, number of projects, number of jobs created, etc. Progress in complex areas such as civil liberties or democracy is measured through procedural indicators such as number of consultations or laws or action plans approved.

When looking at the content of the indicators themselves, they tend to be more specific and better defined in the case of narrower approaches. Qualitative indicators are also restricted to narrow approaches. Interestingly, we usually find detailed and/or qualitative indicators in a limited number of sectors and types of activities. Looking at Graph 2, these indicators are usually found in the health sector and a few other areas such as energy, water and sanitation that are easier to monitor through indicators (eg, the number of and level of satisfaction

with grid connections). The reason for this is that several of these projects are usually limited to a relatively small region or area. This makes it possible to gather data, both quantitative and qualitative, directly from the beneficiaries through more reliable methods such as surveys.

In comparison, the MDG-C, the MCC or country-wide approaches in the health sector tend to rely on quantitative or procedural indicators even when they try to achieve objectives that are difficult to measure such as strengthening country systems, reducing corruption or building capacity in the health sector. Using these types of indicators to monitor progress can result in inaccurate and subjective evaluations. For instance, measuring progress on fighting corruption by introducing an anti-corruption law and implementing subsequent reforms in Ghana is far from being an effective indicator.⁹⁰ Despite being an important step, passing a law does not mean it will be implemented and developed through adequate regulations. In addition to being a weak indicator, it is also subjective, because it ultimately relies on the judgement of donor representatives as to what a 'good' law is.

Another problem with these types of indicators, which as discussed before are also applied to the economic reforming of public management systems, is that unlike building infrastructure or increasing access to services progress may never be implemented or it can be reversed almost immediately by the government once the incentive disappears and should the government want to do so. This is one of the reasons why strong country ownership involving not only the national government, but also civil society and the national parliament is essential to guarantee that aid has a longstanding and sustainable impact.



There are plenty of examples in developed and developing countries that show that implementing qualitative indicators at a national level is challenging but possible. Tanzania, for instance, has included in its assessment framework an indicator that measures "citizen satisfaction with their government services.

Table 4. Disbursement indicators by approach and type

	Disbursement indicators	Type
GAFTM	Mostly based on number of people receiving treatment or benefiting from health services. Also number of condoms or mosquito treated nets delivered. In case of health services strengthening, the number of people trained	Quantitative
GAVI ISS	The number of immunised children	Quantitative
GAVI HSS	Three indicators: DTP3 coverage, drop-out rate and equity in immunisation coverage	Quantitative
GPOBA	Payments are linked to the delivery of “outputs” like connection to electricity grids, water and sanitation systems, or healthcare services. Some projects also look at the level of satisfaction with services	Quantitative and qualitative
MDG C	There is variable tranche of up to 30 per cent; ⁹³ where at least 15 per cent is used to reward improvements at concrete and narrow quantitative indicators (results, notably in health, education, and water); but also there is an up to 15 per cent annual performance tranche, linked to quantitative indicators and to the implementation of PRSP, progress with PFM improvements, and the maintenance of macroeconomic stability. In both cases the indicators typically come from a previously jointly agreed PAF	Quantitative and procedural
MCC	Once a country is deemed eligible a monitoring and evaluation plan is created, including a number of quantitative progress indicators in the main areas of interest	Quantitative and procedural

Elaborated by Eurodad using different sources⁹⁴



The indicators themselves, they tend to be more specific and better defined in the case of narrower approaches.

The difficulty of finding and using good indicators to monitor country wide and complex processes has led some experts to affirm that “results-based approaches cannot be implemented equally well in all sectors”.⁹¹ While this may be true in some cases, there are plenty of examples in developed and developing countries that show that implementing qualitative indicators at a national level is challenging but possible. Tanzania, for instance, has included in its assessment framework an indicator that measures “citizen satisfaction with their government services”.⁹² Citizen satisfaction and other similar qualitative indicators are also consistently recorded by the statistical offices of many countries across the world, including the United States and most of Europe. The benefits of developing and using qualitative indicators are worth the effort. They not only improve monitoring, but they also empower citizens and contribute to increasing the accountability of governments, thereby reinforcing democratic processes.

Concerns about perverse incentives and high costs

The intensive use of monitoring, evaluation and verification tools in results-based approaches, particularly the narrower ones, has raised a number of technical and conceptual concerns. Although several of them are outside the scope of this report,

there are two which are worth examining from an aid effectiveness perspective.

The first is the existence of perverse incentives and gaming motivated by the use of disbursements indicators. These two concepts refer to behaviours such as: the neglect of other services or aspects and the prioritisation of those which are linked to disbursements; the temptation to falsify reports; or the focus on quantity rather than quality. A well-known example of a perverse incentive is a results approach in the health sector that resulted in a significant increase in the fertility rate because it rewarded pregnant women.⁹⁵ The vulnerability of results-based approaches to this type of behaviour tends to be higher the narrower the scope. In general, it is more difficult to manipulate national statistics used to measure things such as health expenditure per capita or immunization rates than consultation data in a given local facility. Although further research is needed to assess the real extent of the problem, something that may not be possible for some years, this problem highlights the complexity of designing and implementing results-based approaches and the importance and challenges resulting from the need to verify significant amounts of low level data.

This brings us to the second issue: monitoring and verification requirements

have an important impact in terms of costs. For instance, one of the interviewees for this report stated that an HRITF project in Rwanda entails the visit of five experts to each facility every month in order to monitor and validate the indicators, resulting in a significant expense. Costs are likely to decrease the broader the approach taken and the more aligned indicators are with country information management and statistical systems. Existing literature is usually vague when it comes to costs due to the multiplicity of designs and the fact that data usually belong to pilot projects, and these tend to have higher monitoring and evaluations costs. Nonetheless, an evaluation of a number of approaches in the health sector suggests that the “costs of the administration of PBF vary between 15 per cent and 30 per cent of the per capita health expenditure.”⁹⁶ Even if we take the low end of the estimate, this is a large figure when compared with other aid modalities. Recent estimates suggest that average administrative costs for OECD DAC donors are currently around seven per cent.⁹⁷

Cost-effectiveness is precisely one of the arguments donors use to support the use of results-based approaches, but as we have seen there is little evidence to support this claim. Moreover, there are no robust studies comparing the cost-effectiveness of results-based approaches compared to other aid modalities.⁹⁸ Some research projects are underway on this topic, but data will take some time to emerge. For instance, DfID is implementing a pilot results project in northern Uganda along a control group in order to empirically contrast this point.⁹⁹ Unfortunately, the question is likely to remain unresolved for some time to come.

Conclusions and recommendations

Results-based approaches have been the subject of international debate for a few years, but the discussion has mainly been restricted to the question of value for money. This report has tried to take the debate out of this confined space and frame it within a broader development framework.

Eurodad has assessed whether results-based approaches, independent of how innovative they are, do actually contribute to achieve the principles of the aid effectiveness agenda. This is a crucial question and a real test of character as the aid effectiveness agenda is designed to ensure long-term development impact and resulted from an international multi-stakeholder process that tried to find solutions to pervasive problems in development efforts. The current research has yielded some conclusions, raised a number of questions and detected important research gaps.

The performance of all different approaches examined in this report vis-à-vis the aid effectiveness principles is summarised in Table 5. The main conclusions are listed below. When possible we have also discussed the relevance of each of the three criteria Eurodad has used to calculate the scope of every approach.

In general, results-based approaches are not particularly good at supporting aid effectiveness principles, with the exception of the MDG-C. However, broader approaches do appear to be higher aligned with aid effectiveness principles. This suggests that broader approaches are preferable when it comes to implementing the aid effectiveness principles. The MCC is possibly the main exception, although this can be explained by the strict regulatory oversight that is generally applied to US foreign aid. The poor performance of GPOBA is mainly due to a lack of clear policy and guidelines. To some extent, this can be explained by the small amount of funding channelled through them and their experimental nature (see the Introduction). But this should not be an excuse as the lack of a formal approach makes cross-project comparison and drawing conclusions particularly difficult.

Ownership seems to be better when the responsibility for designing programmes falls on recipient governments. This does not mean that donor led approaches such as the MCC cannot achieve significant degrees of ownership, but results are likely to be less consistent, have higher costs and impose a significant burden on host governments and civil society. Interestingly, ownership also seems to correlate with the level of funding and the type of disbursements arrangements. Both approaches implemented at a national level and via channelling money through public channels have a higher degree of ownership, while it decreases as we lean towards the local level and third party delivery.

Results-based approaches tend to reinforce accountability to donors and in doing so, undermine mutual accountability. In general, the problem is less acute with country wide initiatives and it is most pressing when working through third party service providers. Nonetheless, accountability and particularly mutual accountability is not related to any particularly kind of approach, whether narrow or broad. This makes sense as it depends on specific arrangements that are difficult to capture a priori.

The level of harmonisation of results-based approaches is low because of their widespread use of parallel structures. Donor harmonisation tends to be higher the broader the approach, with the MDG-C being the best performer. If we broke down the scope of the approach by criteria, harmonisation could be correlated with the objectives and the level of funding as, from a logical point of view, the incentives and rewards of harmonisation are higher when the programmes are implemented at the national level. Nonetheless, it is worth noting that GAVI and the GFATM are in the process of implementing new policies and modalities to increase harmonisation.

Only two of the approaches examined in this report use country systems to a significant extent: MDG-C and GAVI (both HSS and ISS). Even in these cases there are significant eligibility and public financial management criteria that

Table 5. Aid effectiveness performance

Initiatives (from broader to narrower)	Ownership	Mutual accountability	Harmonisation	Use of country systems
EC MDG C				
GAVI				
MCC				
GFATM				
GPOBA				

influence and limit the type of country systems that recipient countries can implement (eg, public procurement systems). Donor use of country systems seems to correlate directly with the flexibility of the funding. This point makes sense because only fully flexible funding is likely to be aligned and use country systems in full.

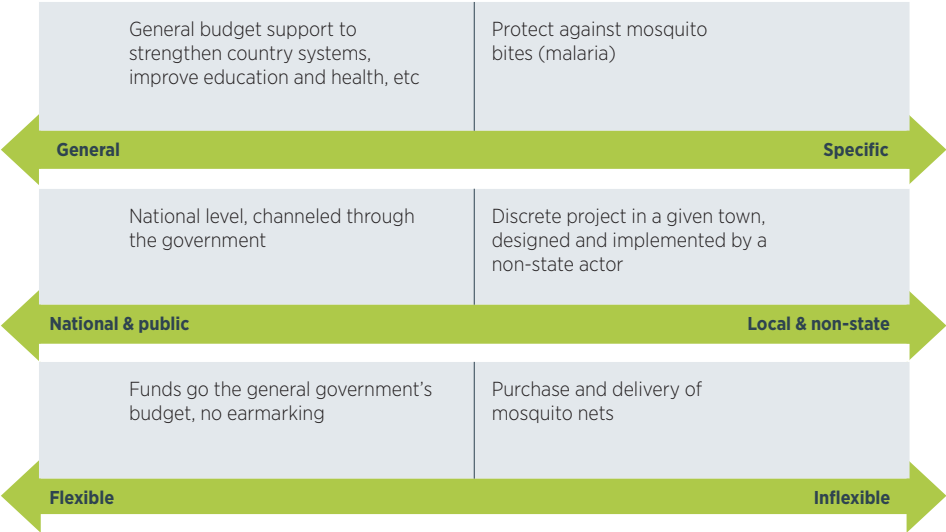
Beyond the relationship between result-based approaches and the aid effectiveness agenda, this report also yields some important lessons in other areas. First, designing good indicators is very difficult, but slightly easier the narrower the scope. In most cases, very basic quantitative indicators are used to measure complex issues such as country management systems or rule of law. This leaves the door open for subjective evaluations on the side of donors and developing countries. Second, information is very limited about perverse incentives and gaming, as well as the real

costs of results-based approaches, which are likely to be high, particularly for narrow approaches as a consequence of independent verification requirements.

Independent of the small contribution of this report to the understanding of the linkages of results-based approaches and the aid effectiveness agenda, as well as their place in development processes, there is still very little reliable information available. To make things worse, they are a very diverse group of initiatives and this report has only been able to scratch the surface. Therefore it seems reasonable to use results-based approaches but to do so cautiously. The aid effectiveness agenda should play a more important role in this regard by serving as a theoretical and reference framework to ensure that new aid modalities are an improvement over existing ones and that we do not fall back into old habits.

Recommendations to donors

- **Do not implement new results-based approaches** unless they respond to the demands of recipient country governments in consultation with civil society and parliaments, and have been designed to meet aid effectiveness principles. Broader approaches should be prioritised over narrower ones.
- **Existing approaches should be reformed**, paying particular attention to the following issues. These recommendations also apply to the design of new programmes:
 - Increase **ownership** by allowing governments to take the lead in the design and coordination of individual interventions in consultation with civil society and parliaments. When this is not possible, donors should be careful not to undermine democratic processes and country systems.
 - **Ensure eligibility criteria and fiduciary conditions are not based on controversial assumptions**, such as the ones used by the MCC and discussed in Chapter 2.
 - **Reinforce transparency, accountability – both domestic and mutual – and harmonisation** by moving coordination and monitoring structures under the umbrella of existing country led and multi-stakeholder processes.
 - **Make programmes more predictable and sustainable** by designing programmes with sufficient delay between progress assessment and disbursements. Programmes should also not create dependency on the reward.
 - **Use indicators that actually record intended results and do not create perverse incentives.**
 - **Use country systems as the default option for all public financial management and procurement procedures.** When this is not possible, donors should focus their efforts on supporting and strengthening recipient country systems, instead of using parallel systems.
 - Conduct an **aid effectiveness impact assessment** before implementing a results-based approach. The assessment should also look at long-term sustainability, apply to experimental initiatives and be made publicly available.
- **Actively work to identify and fill knowledge gaps** with reliable and consistent data. The work should focus on, but not be restricted to, the design of indicators, perverse incentives, costs, the vulnerability of recipients and beneficiaries, and the comparative performance of results-based approaches against other aid modalities.



involve some examples of general budget support in which the objectives cover a number of different areas at the highest level and the funding is provided to the central government that is then free to spend it as it wishes.

An example of a narrow approach would be a project targeting a very specific issue in a town, with clearly earmarked funds and implemented through a non-state actor (eg, a project to deliver mosquito nets to a given town implemented by a non-state actor).

The following figure tries to illustrate these examples on the basis of the three criteria. For other practical examples see Chapter 1.

The scope of the approach (broad-to-narrow) is a theoretical construct and it does not presuppose one approach is better, more desirable or more successful than another. But, as the research shows, it has some implications in relation to aid effectiveness principles.

A broad classification of the approaches examined in this research can be done by assigning difference values to each of the three groups for every one of the criteria. For instance, by assigning the values 3, 2 and 1 from left to right we get the following classification: MDG-C (9), GAVI HSS (8), GAV ISS (7), MCC (7), GAFTM (5, averaged) and GPOBA (3). This should be taken as an approximation, but it does provide an idea.

Scope (broad/narrow)

The difference between a broad and a narrow approach is continuous in the sense that any given initiative can fall anywhere along the line – we are therefore talking about the level of broadness or narrowness. Different approaches are classified in relation to one another according to three main criteria, namely:

i) The degree of specificity of the objectives that can go from general objectives spanning over several sectors (eg, poverty reduction and strengthening country systems) to very specific objectives (eg, fighting a particular illness or building a road), all the way through sector-wide initiatives.

ii) Level of funding, that can go from national programmes, in which funds are usually channelled through the government, to local projects using non-state actors.

iii) The flexibility with which the recipient can use the money. Flexible approaches give the receiving actor total liberty to spend the funding as they seem fit (eg, budget support), while non-flexible approaches earmark funds for very specific expenditure (eg, paying grid connection fees).

In general, the broader the approach, the more general the objectives and the higher the level of funding, then the more flexible the use of funds should be. The broadest approach currently being implemented

Data sources

ODA figures have been obtained from the following sources:

Approach	Source
MDG-C	OECD CRS Database
MCC	OECD CRS Database
GAVI	GAVI, disbursements by country: http://www.gavialliance.org/results/disbursements/
GFATM	GFATM grant portfolio: http://portfolio.theglobalfund.org/en/DataDownloads/Index/
GPOBA/OBA	GPOBA/OBA Data: http://www.oba-data.org/index.cfm?page=projects&pa=2
MCC	Once a country is deemed eligible a monitoring and evaluation plan is created, including a number of quantitative progress indicators in the main areas of interest.

- 1 OECD (2011) Development: Aid to developing countries falls because of global recession. Press release, 04/04/2012
- 2 See: Herfkens, E. & Bains, M. (2008) Reaching Our Development Goals, Why Does Aid Effectiveness Matter? OECD, UN, 2015 Campaign
- 3 See: Fleck, R. K. & Kilby, C. (2010) Changing aid regimes? U.S. foreign aid from the Cold War to the War on Terror. *Journal of Development Economics* 91, 185-197; and

Milner, H. V. & Tingley, D. (2010) The Choice for Multilateralism: Foreign Aid and American Foreign Policy, October 2010
- 4 Figures apply to EU donors, see: Prizzon, A. & Greenhill, R. (2012) The Aid Effectiveness Agenda: The benefits of going ahead-A commentary on the final report. ODI, London
- 5 OECD (2011) Aid Effectiveness 2005-10: Progress in Implementing the Paris Declaration. OECD, Paris
- 6 UN (2012) The Millennium Development Goals Report 2012. United Nations, New York
- 7 Some earlier examples exists, but the number of projects is anecdotic.
- 8 Eichler, R. (2006) Can "Pay-for-Performance" increase utilization by the poor and improve the quality of health services? Discussion paper for the first meeting of the Working Group on Performance-Based Incentives. Center for Global Development, Washington DC
- 9 Hennin, C. & Rozema, H. (2011) Study on Results-Based Programming and Financing, in Support of Shaping the Multi-Annual Financial Framework after 2013. European Union's Development Cooperation Programmes. IBF International Consulting
- 10 Eichler, R. (2006) Can "Pay-for-Performance" increase utilization by the poor and improve the quality of health services? Discussion paper for the first meeting of the Working Group on Performance-Based Incentives. Center for Global Development, Washington DC
- 11 For more information and definitions of all these initiatives see:

Musgrove, P. (2011) Financial and Other Rewards for Good Performance or Results: A guided Tour of concepts and Terms and a Short Glossary. World Bank, Washington DC; and

Hennin, C. & Rozema, H. (2011) Study on Results-Based Programming and Financing, in Support of Shaping the Multi-Annual Financial Framework after 2013. European Union's Development Cooperation Programmes. IBF International Consulting
- 12 GFATM is also piloting National Strategy Applications (broader support to national HIV/AIDS, tuberculosis or malaria strategies). References to the GFATM exclude this mechanism unless otherwise stated.
- 13 Based on the following documents:

Pearson, M.; Johnson, M. & Ellison, R. (2010) Review of major Results Based Aid (RBA) and Results Based Financing (RBF) schemes. Final report. DfID Human Development Resource Centre

Hennin, C. & Rozema, H. (2011) Study on Results-Based Programming and Financing, in Support of Shaping the Multi-Annual Financial Framework after 2013. European Union's Development Cooperation Programmes. IBF International Consulting

GFATM (2010) Single Stream of Funding Case Study: Country A. The Global Fund to fight AIDS, Tuberculosis and Malaria, Geneva

GFATM (2012) The Global Fund Operations Policy Manual. The Global Fund to fight AIDS, Tuberculosis and Malaria, Geneva

GAVI (2007) GAVI Alliance Health System Strengthening (HSS) Applications. GAVI Alliance

Abt Associates (2007) Evaluation of the First Five Years' of GAVI Immunization Services Support Funding. Abt Associates
- 14 All figures are net disbursements except for GPOBA and OBA, where figures are provided per contract signed. If disbursement data for GPOBA and OBA were available, both lines would be smoother as disbursements usually spread over a period of several years.
- 15 Rogerson, A. (2011) What if development aid really rewarded results? Revisiting the cash-on-delivery (COD) aid model. OECD Development Brief #1-2011.
- 16 Birdsall, N. Savedoff, W. Vyborny, K. & Mahgoub A. (2010) Cash on Delivery: A New Approach to Foreign Aid Applied to Primary Schooling. The Center for Global Development.
- 17 Renzio, P. & Woods, N. (2010?) 'he Trouble with Cash on Delivery Aid: A note on its potential effects on recipient country institutions. GEG, University of Oxford
- 18 Birdsall, N. & Perakis, R. (2012) Cash on Delivery Aid: Implementation of a Pilot in Ethiopia. The Center for Global Development
- 19 Brenzel, L. (2009) Taking Stock: World Bank Experience with Results-Based Financing (RBF) for Health. World Bank, Washington DC
- 20 Based on the project information available at www.gpoba.org. When examining the contracts, companies that are owned and/or directly controlled by the state have not been considered as third parties because, in terms of ownership, these companies are fully aligned with national policies.
- 21 Herfkens, E. & Bains, M. (2008) Reaching Our Development Goals, Why Does Aid Effectiveness Matter? OECD, UN, 2015 Campaign
- 22 Biesma, R. G. et al (2009) The effects of global health initiatives on country health systems: a review of the evidence from HIV/AIDS control. *Health Policy and Planning* 2009;24:239-252
- 23 See full transcription of Hilary Benn's speech here: <http://www.guardian.co.uk/politics/2006/feb/03/development.internationalaidanddevelopment>
- 24 Voss, R. (2009) Barriers to Recipient Country Ownership of U.S. Food Aid: Congressional Earmarks, Set-Asides, and the Impact of Special Interests on Food Security Assistance. Thesis, Capstone American University
- 25 See the following piece of news: Freschi, R. (2009) Is the agency that's all about country ownership giving up on country ownership? Available at: <http://aidwatchers.com/2009/11/is-the-agency-that%E2%80%99s-all-about-country-ownership-giving-up-on-country-ownership/>
- 26 NORAD (2012) Evaluation of the Health Research Innovation Trust Fund. NORAD, Oslo
- 27 Brenzel, L. (2009) Taking Stock: World Bank Experience with Results-Based Financing (RBF) for Health. HDNHE
- 28 Pearson, M.; Johnson, M. & Ellison, R. (2010) Review of major Results Based Aid (RBA) and Results Based Financing (RBF) schemes. Final report. DfID Human Development Resource Centre
- 29 Paalman, M. & Nyandekwe, M. (2007) PHC Support Programme in Cyangugu Province Rwanda 2003-2005. External evaluation PASSB Cordaid Rwanda
- 30 Morgan, L. (2010?) Some Days Are Better Than Others: Lessons Learned from Uganda's First Results-Based Financing Pilot. World Bank, Washington DC
- 31 Brenzel, L. (2009) Taking Stock: World Bank Experience with Results-Based Financing (RBF) for Health. HDNHE
- 32 Ibid
- 33 EC (2011) Main missions of DEVCO Directorates & Units. Directorate General for Development and Cooperation-EuropeAid. European Commission, Brussels
- 34 McKinsey & DEVEX (2011) McKinsey-Devex survey results: Practitioners see need for new approaches to system-wide reform. Available at: <http://www.devex.com/en/news/mckinsey-devex-survey-results-practitioners-see/77026>
- 35 See: Stiglitz, J. & Charlton, A. (2005) Fair Trade For All. Oxford University Press
- 36 See the Heritage Foundation's website: <http://www.heritage.org/about> Last accessed: 27/07/2012
- 37 Rwanda EDPRS Results and Policy Matrix. Available at: www.minecofin.gov.rw/webfm_send/1621
- 38 Tanzania PAF 2011. http://www.norway.go.tz/PageFiles/453931/PAF_2011_final_.pdf
- 39 See Eurodad (2007) Untying the knots. How the World Bank is failing to deliver real change on conditionality. Eurodad, Brussels; and Eurodad (2008) Critical conditions: The IMF maintains its grip on low-income governments. Eurodad, Brussels
- 40 Quoted in Renzio, P. & Mulley, S. (2006) Promoting Mutual Accountability in Aid Relationships. ODI Briefing Paper
- 41 Eurodad (2008) Turning the Tables: Aid and Accountability under the Paris Framework. Eurodad, Brussels
- 42 For more information on PWYF's Transparency Index and its methodology, visit: <http://www.publishwhatyoufund.org/resources/index/>
- 43 PWYF (2012) Aid Transparency Index. Publish What You Pay, London
- 44 GPOBA (2011) Annual Report 2011. World Bank, Washington DC
- 45 Sridhar, D. & Barniji, R. (2008) Misfinancing global health: the case for transparency in disbursements and decision making. *Lancet* 2008; 372: 1185-91
- 46 For further information, see: <http://ihpresults.net/>
- 47 Leiderer, S. (2012) Fungibility and the Choice of Aid Modalities. The Red Herring Revisited. UNU-WIDER, Working Paper No. 2012/68
- 48 Accra Agenda for Action, 2008. Available at: <http://www.oecd.org/dac/aideffectiveness/43911948.pdf>
- 49 According to the grant agreements of the following projects: Solar panels in Ghana 2008, Water in Mozambique 2008, Expanding pipewater supply in Indonesia, Water sanitation in Kenya, Vietnam upper secondary education
- 50 EC (2007) Technical Discussion Paper on a "MDG Contract". A Proposal for Longer Term and More Predictable General Budget Support. European Commission, Brussels
- 51 MCC (2010) MCC Guidance on Quarterly MCA Disbursement Request and Reporting Package. Millennium Challenge Corporation
- 52 For information on the lack of clear incentives to spend the money see: GAVI (2010) GAVI Alliance Board Meeting, 30 November - 1 December 2010. Doc #11c-Performance Based Financing - IRIS.

For figures on GAVI ISS spending see: Chee, G. et al (2007) Evaluation of the First Five Years of GAVI Immunization Services Support Funding. Abt Associates, commissioned by the GAVI Alliance
- 53 GAVI (2008) HSS background note. GAVI Alliance. Available at: <http://fr.gavialliance.org/resources/>

HSSDoc.la____HSS_background_note.pdf

- 54 GFATM (2011) The Global Fund Strategy 2012-2016: Investing for Impact. The Global Fund to Fight AIDS, Tuberculosis and Malaria
- 55 For an example, see the case of the Netherlands in Uganda: http://www.deluga.ec.europa.eu/index.php/delegation-activities-in-uganda/political-press-information/press-and-info/press-releases/doc_download/4-netherlands-on-education-budget-support
- 56 See GAVI's Transparency and Accountability Policy, available at: <http://www.gavialliance.org/about/governance/programme-policies/tap/>
- 57 Pereira, J. (2009) Zambia: Aid effectiveness in the health sector. Action for Global Health
- 58 NORAD (2012) Evaluation of the Health Research Innovation Trust Fund. NORAD, Oslo
- 59 The figure was 30 in 2006 and fragmentation has increased ever since. For the first figure see: IDA (May 2008), Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows; for an estimate of fragmentation across donors see: Bürcky, U. (2011) Trends in In-country Aid Fragmentation and Donor Proliferation. An Analysis of Changes in Aid Allocation Patterns between 2005 and 2009. Report on behalf of the OECD Task Team on Division of Labour and Complementarity
- 60 Bürcky, U. (2011) Trends in In-country Aid Fragmentation and Donor Proliferation. An Analysis of Changes in Aid Allocation Patterns between 2005 and 2009. Report on behalf of the OECD Task Team on Division of Labour and Complementarity
- 61 Rome Declaration on Harmonisation, 2003. Available at: <http://www.oecd.org/development/aideffectiveness/31451637.pdf>
- 62 See endnote 13 and the following sources:

MCC (2012) Millennium Challenge Corporation Compact Development Guidance. MCC

MCC (2011) Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries For Millennium Challenge Account Assistance in Fiscal Year 2012. MCC

MCC (2012) Policy for Monitoring and Evaluation of Compacts and Threshold Programs. MCC

MCC (2009) Program Procurement Guidelines. MCC

GAVI ()Monitoring and Evaluation Framework and Strategy 2011-2015. GAVI Alliance

GAVI (2006) GAVI Procurement Policy. GAVI Alliance

GAVI (2009) GAVI Financial Management Assessments. GAVI Alliance

GFATM (2011) Monitoring and Evaluation Toolkit. HIV, Tuberculosis, Malaria and Health and Community Systems Strengthening. The Global Fund

GFATM (2012) Guide to the Global Fund Policies on Procurement and Supply Management of Health Products. The Global Fund
- 63 MCC (2008) MCC and Harmonization. Millennium Challenge Corporation. Available at: <http://www.mcc.gov/documents/reports/mcc-081408-issuebrief-harmonization.pdf>
- 64 Hayes, L. & Delph, L. (2008) Harmonization and Alignment. Challenges and opportunities for U.S. and European donors post-Accra. GMF and Eurodad
- 65 GAVI (2010) GAVI Second Evaluation Report. Prepared by DEPA LLP in association with Applied Strategies
- 66 Sridhar, D. & Barniji, R. (2008) Misfinancing global health: the case for transparency in disbursements and decision making. *Lancet* 2008; 372: 1185-91
- 67 GFATM (2011) The Global Fund Strategy 2012-2016: Investing for Impact. The Global Fund to Fight AIDS, Tuberculosis and Malaria, Geneva
- 68 According to the information on the GFATM's portfolio available at: <http://portfolio.theglobalfund.org>
- 69 IDA (2009) A Review of the Use of Output-Based Aid Approaches. International Development Association, Global Partnership for Output-Based aid
- 70 Banteyerga, H., Kidanu, A. & Stillman, K. (2006) The System wide Effects of the Global Fund in Ethiopia: Final Study Report. PHRplus.
- 71 GAVI Alliance (2010) Press release: "Aid donors in Nepal agree to joint financing of better maternal and child health". 18/08/12
- 72 Eurodad (2011) How to spend it: smart procurement for more effective aid. Eurodad
- 73 Ibid
- 74 ILO (2005): Livelihood and Employment Creation. Labour-based infrastructure projects. International Labour Organization, p. 7
- 75 GAVI (2011) GAVI Alliance's Draft Vaccine Supply and Procurement Strategy. GAVI Alliance
- 76 GFATM (2012) Guide to the Global Fund Policies on Procurement and Supply Management of Health Products. Final version- June 2012
- 77 MCC (2009) Program Procurement Guidelines. Millennium Challenge Corporation, October 23, 2009
- 78 These include: "Procurement under IBRD Loans and IDA Credits"; "Selection and Employment of Consultants by World Bank Borrowers" (for recipient executed programmes), and ; the internal Bank procedures for Bank executed programmes."
- 79 Eurodad (2011) How to spend it: smart procurement for more effective aid. Eurodad
- 80 EC (2008) The MDG Contract. An approach for longer term and more predictable Budget support. European Commission, Brussels
- 81 GAVI (2009) GAVI Financial Management Assessments. Guidance Note. GAVI Alliance
- 82 Eurodad (2011) How to spend it: smart procurement for more effective aid. Eurodad, Brussels
- 83 See the Health Results Innovation website at: <http://www.rbhealth.org/rbhealth/content/health-results-innovation-trust-fund>. Last accessed: 06/09/2012
- 84 Based on information provided to Eurodad by the HRITF.
- 85 Ibid
- 86 Ibid
- 87 Klingebiel, S. (2011) Results Based Aid: Limitation of New Approaches. German Development Institute
- 88 Church, C. & Rogers, M. M. (2006) Designing for Results: Integrating Monitoring and Evaluation in Conflict Transformation Programs. Search for Common Ground, Washington DC
- 89 Suardi, M. (2011) Output-Based Aid in Vietnam: Access to Piped Water Services for Rural Households. GPOBA
- 90 See Ghana's 2010-2011 PAF: <http://ghana.nlembassy.org/services/development-cooperation/general-budget-support/mdbs-documents/paf-2009-2011.html>
- 91 Klingebiel, S. (2011) Results Based Aid: Limitation of New Approaches. German Development Institute
- 92 Tanzania's PAF 2011. See: http://www.norway.go.tz/PageFiles/453931/PAF_2011_final_.pdf
- 93 EC (2008) The MDG Contract: An approach for longer term and more predictable general budget support. European Commission, Brussels
- 94 See endnotes 13, 62 and the following document: MCC (2012) Guidance on Common Indicators. MCC
- 95 Oxman , AD. & Fretheim, A. (2009): 'Can paying for results help to achieve the Millennium Development Goals? Overview of the effectiveness of results-based financing', *Journal of Evidence-Based Medicine*
- 96 Toonen, J. et al (2009) Learning lessons on implementing performance-based financing from a multi-country evaluation. KIT (Royal Tropical Institute) in collaboration with Cordaid.
- 97 See the following papers: Easterly, W. & Williamson, C.R. (2011) Rhetoric versus Reality: The Best and Worst of Aid Agency Practices. Development Research Institute, New York University; and Easterly, W. & Pfutze (2008) Where Does the Money Go? Best and Worst Practices in Foreign Aid. *Journal of Economic Perspectives*, Vol 22 #2
- 98 See Oxman , AD. & Fretheim, A. (2009): 'Can paying for results help to achieve the Millennium Development Goals? Overview of the effectiveness of results-based financing', *Journal of Evidence-Based Medicine*; and Elredige, C. & Palmer, N. (2009) Performance-based payment: some reflections on the discourse, evidence and unanswered questions. *Health and Policy Planning* 2009;24
- 99 See the following note from DfID: <http://www.dfid.gov.uk/Documents/pilots-payments-results.pdf>

Eurodad

The European Network on Debt and Development is a specialist network analysing and advocating on official development finance policies. It has 49 member groups in 19 countries. Its roles are to:

- research complex development finance policy issues
- synthesise and exchange NGO and official information and intelligence
- facilitate meetings and processes which improve concerted advocacy action by NGOs across Europe and in the South.

Eurodad pushes for policies that support pro-poor and democratically-defined sustainable development strategies. We support the empowerment of Southern people to chart their own path towards development and ending poverty. We seek appropriate development financing, a lasting and sustainable solution to the debt crisis and a stable international financial system conducive to development.

www.eurodad.org

Contact

Eurodad

Rue d'Edimbourg 18-26
1050 Brussels
Belgium

Tel: +32 (0) 2 894 4640

Fax: +32 (0) 2 791 98 09

www.eurodad.org

www.facebook.com/Eurodad

twitter.com/eurodad



european network on
debt and development