

# CAN MORE AID STAY IN HAITI AND OTHER FRAGILE SETTINGS?

How Local Investment can Strengthen Governments and Economies



OFFICE OF THE  
SPECIAL ENVOY FOR HAITI

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COVER PHOTO:

Nég Mawon, symbol of Haitian freedom  
Credit: David Walton, Partners In Health



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November 2012

**United Nations Office of the Special Envoy for Haiti**

IN PARTNERSHIP WITH:

United Nations Peacebuilding Support Office  
Overseas Development Institute  
Aid Delivery Support Initiative

# THE ROLE OF THE OFFICE OF THE SPECIAL ENVOY FOR HAITI

The Office of the Special Envoy for Haiti (OSE) was created in May 2009 by the Secretary-General of the United Nations. President William Clinton was appointed Special Envoy and Dr. Paul Farmer was appointed Deputy Special Envoy.

The mandate of the OSE is to assist the Haitian government and people in implementing their vision and priorities by engaging with the international community, government donors, UN funds and programmes, and other non-state stakeholders.

Since its creation in June 2009, the OSE has tracked the international community's commitments to recovery efforts.

## ACKNOWLEDGMENTS

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For their invaluable insight, the OSE thanks the United Nations Resident Coordinator's office in Haiti for the critical data and analysis they provided. For their written contributions to this report, the OSE thanks the United Nations Peacebuilding Support Office (PBSO), and the Humanitarian Policy Group at the Overseas Development Institute (ODI).

The OSE is also grateful for the support of the United Nations Department of Peacekeeping Operations (DPKO), the United Nations Department of Field Support (DFS), the United Nations Country Team in Haiti, and other UN entities, in particular UNICEF, the United Nations Development Programme (UNDP), the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) and the United Nations World Food Programme (WFP), all of whom have joined us in a common pursuit to close the gap between aid effectiveness policies and implementation.

The OSE also wishes to thank the bilateral and multilateral donors, non-governmental organizations (NGOs) and private sector entities that provided data and perspectives during the preparation of this report. Post-earthquake aid data in this report is based on information received from donors as of September 2012.

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## ACRONYMS

|         |  |
|---------|--|
| ADB     | Asian Development Bank   |
| AIMS    | Aid Information Management System  |
| ARTF    | Afghanistan Reconstruction Trust Fund  |
| CRS     | Creditor Reporting Scheme (OECD)   |
| DFID    | Department for International Development (UK)  |
| EFA-FTI | Education For All – Fast Track Initiative (Now the Global Partnership for Education) |
| EPF     | Education Pooled Fund (Liberia)  |
| FAO     | Food and Agriculture Organization of the United Nations                              |
| FTS     | Financial Tracking Service (OCHA)  |
| GBS     | General Budget Support   |
| GDP     | Gross Domestic Product   |
| GHA     | Global Humanitarian Assistance   |
| GOA     | Government of Afghanistan  |
| GOH     | Government of Haiti  |
| HIPC    | Heavily Indebted Poor Country  |
| HRF     | Haiti Reconstruction Fund  |
| IASC    | Inter-Agency Standing Committee (United Nations)                                     |
| IDB     | Inter-American Development Bank  |
| ILO     | International Labour Organization  |
| IMF     | International Monetary Fund  |
| LDC     | Least Developed Country  |
| MDG     | Millennium Development Goal  |
| MOE     | Ministry of Education  |

|        |  |
|--------|--|
| MOF    | Ministry of Finance  |
| NGO    | Non-government Organization  |
| OCHA   | United Nations Office for the Coordination of Humanitarian Affairs |
| ODI    | Overseas Development Institute                                     |
| OECD   | Organisation for Economic Cooperation and Development              |
| OSE    | United Nations Office of the Special Envoy for Haiti               |
| OSF    | Open Society Foundations   |
| PIH    | Partners In Health   |
| PIU    | Project Implementation Unit  |
| PFM    | Public Financial Management  |
| UN     | United Nations   |
| UNAIDS | Joint United Nations Programme on HIV/AIDS                         |
| UNDP   | United Nations Development Programme                               |
| UNEP   | United Nations Environment Programme                               |
| UNESCO | United Nations Educational, Scientific and Cultural Organization   |
| UNICEF | United Nations Children's Fund                                     |
| UNOPS  | United Nations Office for Project Services                         |
| USAID  | U.S. Agency for International Development                          |
| USD    | United States Dollar   |
| WHO    | World Health Organization  |
| WFP    | World Food Programme   |
| ZL     | Zanmi Lasante  |

## FOREWORD BY PRESIDENT CLINTON

Since the beginning of my mandate as the Secretary General's Special Envoy for Haiti, my UN office has sought to support the Haitian government in its efforts to persuade donors to honor the promises that they have made. We began by tracking the \$391.5 million pledged at the 2009 Washington D.C. Haiti Donors Conference in response to the previous year's hurricanes.<sup>I</sup>

After the January 2010 earthquake struck and the international community rallied to support the Haitian people, our efforts expanded to track the new pledges made at the New York donors' conference,<sup>II</sup> and, building on what we had learned in the tsunami recovery effort, to track donor disbursements in a timely manner.

The latest figures show that donors have disbursed 53.2 percent (\$2.84 billion) of the pledges that they made for 2010- 2012, for a total of \$6.04 billion given in support of both humanitarian and recovery efforts.<sup>III</sup> Given the world economic situation, the international community's giving is commendable, though not yet complete or fully consistent with Haiti's development plans. For example, although increasing government capacity and transparency is critical to Haiti's future, only about 10 percent of the total \$6.04 billion currently disbursed has been channeled to the government of Haiti.

This report provides an account of how aid was delivered in Haiti, the lessons we learned and how they apply to other fragile settings, and our recommendations for future aid delivery.

The pattern of aid distribution in Haiti is not unique. Our research on other fragile nations confirms that:

- ▶ 91 percent of aid from the top five donors to countries in fragile settings bypasses national institutions;<sup>IV</sup> and
- ▶ 80 percent of aid from all donors bypasses national institutions.<sup>V</sup>

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<sup>I</sup> The Washington donors' conference refers to the Haiti Donors Conference, Toward a New Cooperation Paradigm for Growth and Opportunity, Washington, D.C., April 14, 2009. An update on the status of the pledges made at the Washington donors' conference is available on the Office of the Special Envoy's website (OSE): [www.haitispecialenvoy.org/download/International\\_Assistance/Haiti\\_Washington\\_pledges\\_Mar\\_29\\_original.pdf](http://www.haitispecialenvoy.org/download/International_Assistance/Haiti_Washington_pledges_Mar_29_original.pdf)

<sup>II</sup> The New York donors' conference refers to the International Donors' Conference, Towards a New Future for Haiti, held at the United Nations in New York on March 31, 2010. At the conference, 55 bilateral and multilateral donors pledged \$5.33 billion for programs from 2010 to 2012, excluding \$994.5 million in debt relief. In total, these donors pledged \$8.27 billion for programs from 2010 to 2020, excluding \$994.5 million in debt relief. For donor specific data see: [www.haitispecialenvoy.org/download/International\\_Assistance/6-ny-pledge-status.pdf](http://www.haitispecialenvoy.org/download/International_Assistance/6-ny-pledge-status.pdf)

<sup>III</sup> Ibid. An update on the status of the pledges made at the New York donors' conference is available on the Office of the Special Envoy's website (OSE): [www.haitispecialenvoy.org/download/International\\_Assistance/6-ny-pledge-status.pdf](http://www.haitispecialenvoy.org/download/International_Assistance/6-ny-pledge-status.pdf)

<sup>IV</sup> This analysis is based on estimates from the OSE using data from the OECD Creditor Reporting Scheme (CRS) and the OECD 2011 Survey on the Implementation of the Paris Declaration dataset. The amount of aid channeled to these countries using their public financial management and procurement systems in 2010 was extracted from the Paris Declaration dataset. Figures for each system are provided separately so the average was calculated. The amount of total aid received by these countries in 2010 was extracted from the OECD CRS dataset. These figures include debt relief. Top 5 donors refers to the top 5 bilateral donors in 2010.

<sup>V</sup> Ibid. This analysis is further discussed in Section 2.1 of this report.



As a result of these findings, we have used our platform at the OSE to advocate not only for increased disbursements, but for funding to programs that are Haitian-owned and Haitian-led, with more funding channeled through Haitian institutions, more procurement done locally, more attention paid to job creation, and more emphasis placed on building sustained local capacity at both the national and departmental levels.

I would like to thank the many partners that have supported Haiti, and that remain committed to seeing the people of Haiti shake the bonds of poverty, just as they broke the bonds of slavery more than 200 years ago.

In spite of the devastation caused by the earthquake and the cholera epidemic, in spite of the absence of basic infrastructure and the inadequacies in health, education and other areas, and in spite of deforestation and its consequences, which are very severe, I am convinced that Haiti has a remarkable opportunity to escape the chains of its past. We have been given the opportunity to accompany Haiti on its historic journey – you can count on my continued support every step of the way.

**William Jefferson Clinton**



## BACKGROUND

Building upon the principles of the 2005 Paris Declaration on Aid Effectiveness ('2005 Paris Declaration'),<sup>1</sup> the 2008 Accra Agenda for Action ('2008 Accra Agenda')<sup>2</sup> and most recently the 2011 Busan Partnership for Effective Development ('2011 Busan Partnership document')<sup>3</sup> and the New Deal for Engagement in Fragile States ('2011 New Deal'),<sup>4</sup> this report seeks to provide donors with concrete recommendations on how to better implement the aid effectiveness policies to which they have already committed.<sup>5</sup> These policies, and the main ways of channeling aid that will be explored in the report, are outlined below.

### Strengthening the public sector and local service providers

There are numerous practical ways in which donors can directly invest in country systems to strengthen the public sector. This report primarily focuses on the extent to which donors channel funds to a government using its systems. The OECD defines country systems – also referred to in this report as government or country systems – as the state's systems for procurement and public financial management (PFM) that include the government's systems, policies and procedures for managing their finances, including budgeting, financial reporting and auditing public expenditure.<sup>6</sup>

The use of country systems as the default approach to aid delivery is based on experience which suggests that it is the most effective way to strengthen public institutions and expand access to public services (see Section 3 of this report). As such, it is a key component of the aid effectiveness movement, through which donors have committed to channeling a greater portion of funding to and through government institutions and systems. This commitment was first made in the 2005 Paris Declaration.<sup>7</sup> Donors deepened their resolve with the 2008 Accra Agenda,<sup>8</sup> agreeing to "use country systems as the first option for aid programmes in support of activities managed by the public sector,"<sup>9</sup> and recently reaffirmed this commitment through the 2011 Busan Partnership document and the New Deal.<sup>10</sup>

Table 1 outlines the channels, or 'modalities,' that donors use to invest their resources to strengthen the public sector. Budget support is channeled through the national treasury and by definition uses country systems.<sup>11</sup> Other modalities – such as pooled funding mechanisms managed by governments or international actors, and project funding managed by the government – are channeled outside of the treasury. However, if donor conditions allow it, these funding modalities can still be channeled through country systems.<sup>12</sup>

Project funding in support of the public sector may also be channeled from donors directly to non-state service providers, including international or local non-governmental organizations (NGOs), acting in parallel to government service delivery mechanisms.

### Promoting economic activity

Like investment in strengthening the public sector, donors have many options to invest directly or indirectly to stimulate the local economy, as set out in Table 2. This report addresses investment in promoting economic activity in the context of existing aid programs; in other words, how any aid program can indirectly support the private sector. Thus, of the investment opportunities listed in Table 2, this report addresses procurement from local businesses and cash transfers to households.

The importance of these funds for local businesses and local households (which is also discussed in Section 3 of this report) has also been acknowledged by the aid effectiveness movement.

**Table 1: Aid instruments and their level of government participation**

| Aid instrument   | Definition  | Government decision-making on the use of funds       | Country systems                    |
|--|---|--|------------------------------------|
| General budget support   | Resources are transferred directly to the national treasury and are managed using country systems. <sup>13</sup>  | Yes  | Yes                                |
| Sector budget support  | Resources are transferred directly to the national treasury and are managed using country systems, but are earmarked to a specific sector(s). <sup>14</sup>   | Yes, within earmarked sectors                        | Yes                                |
| Government-managed pooled or trust funds   | Contributions from one or more donors are pooled together, subject to the same financial and operational arrangements, under the financial and operational management of the government. Resources are kept separate from other government-managed funds (domestic or other). | Some but donors can earmark to the level of projects | To varying degrees                 |
| Jointly managed pooled or trust funds  | Contributions from more than one donor are pooled together, subject to the same financial and operational arrangements, under the management of a joint donor governance mechanism responsible for monitoring the use of funds. <sup>15</sup>                                 | Partly   | To varying degrees                 |
| Project support  | Resources are earmarked to specific projects, subject to the financial and operational management of the project implementation unit (PIU) or other donor conditions. <sup>16, 17</sup>   | Only indirectly and relying on good donor behavior   | Possible, but most often not       |
| Parallel project support to and through non-state providers (international or local NGOs or contractors) | Resources are earmarked to specific projects, subject to the financial and operational management of an external organization, which makes use of external systems for financial management. <sup>18, 19</sup>  | Only indirectly and relying on good donor behavior   | No. (Can support local providers.) |

Source: OECD and World Bank

Donors committed to untying aid through the 2001 OECD DAC Recommendation on the Importance of Untying Aid to the Least Developed Countries, in order to open up contracting opportunities for local businesses to compete for procurement.<sup>20</sup> This commitment was reaffirmed in the 2005 Paris Declaration<sup>21</sup> and advanced in the 2008 Accra Agenda.<sup>22</sup> In Accra, donors agreed to promote local and regional procurement and “to help improve local firms’ capacity to compete successfully for aid-funded procurement.”<sup>23</sup> More recently, in the 2011 Busan Partnership document<sup>24</sup> donors agreed to accelerate their efforts to untie aid, recognizing that “untying [aid] can present opportunities for local procurement, business development, employment and income generation in developing countries.”<sup>25</sup>

In the 2011 Busan Partnership document donors recognized the importance of developing social protection mechanisms, which include cash transfers.<sup>26</sup> In the humanitarian community, cash transfers are also increasingly recognized as an effective way to promote economic opportunities and increase the resilience of host communities.<sup>27</sup>

**Table 2: Ways donors can promote economic activity**

| Investment instrument   | Potential to promote economic activity  |
|---|---|
| Improving the ‘ease of doing business’  | Stimulates the creation of new businesses<br>Helps businesses improve their efficiency                              |
| Provision of capital or incentives to businesses or SMEs                                | Helps fund new investments<br>Creates jobs, which may include low skilled and/or youth employment                   |
| Distribution of new technologies or approaches (e.g.: in agriculture)                   | Helps businesses improve their efficiency   |
| Training and mentoring for businesses   | Creates new investment opportunities  |
| Infrastructure (e.g.: roads, ports, facilities)   | Attracts new investments<br>Improves supply chains and market access for businesses<br>Creates jobs                 |
| Public service programmes (e.g.: environmental protection, or community health workers) | Creates jobs<br>Improves skills   |
| Procuring through local markets   | Infuses cash into the local market<br>Creates demand for local products   |
| Cash transfers  | Enables households to access essential goods and services and invest in longer-term income-generating opportunities |

# KEY DATA

## USE OF COUNTRY SYSTEMS:

- ▶ In Haiti, of \$6.04 billion channeled by bilateral and multilateral donors in humanitarian and recovery funding from 2010 to 2012, less than 10 percent was estimated as being disbursed directly to the government using its systems.<sup>28</sup>
- ▶ In 27 countries in fragile settings (including Haiti), an estimated 80 percent of all aid from bilateral and multilateral donors in 2010 bypassed national systems. In some of these countries, less than 3 percent of total aid was channeled through country systems.<sup>29</sup>
- ▶ Channeling aid through country systems strengthens the state's capacity to provide basic services by increasing the funding available for state institutions to expand access to essential services.<sup>30</sup> A survey conducted by the UK's National Audit Office found that countries with recipient governments were two times more likely to report improved access to services than countries whose government systems did not receive budget support.<sup>31</sup>
- ▶ International assistance, including funding from bilateral and multilateral donors and private funding is more than three times the GOH's expenditure from its own revenue from January 2010 to June 2012.<sup>32</sup>

## FUNDING TO LOCAL SERVICE PROVIDERS:

- ▶ In Haiti, of \$6.04 billion channeled by bilateral and multilateral donors in humanitarian and recovery funding from 2010 to 2012, less than 0.6 percent was estimated as being disbursed directly to Haitian organizations and businesses.<sup>33</sup>
- ▶ Of the \$4.27 billion received through UN humanitarian global appeals in 2012, only 0.6 percent was channeled directly to local organizations.<sup>34</sup> (No funding was channeled to any government agencies; they are not eligible to participate in the appeals.<sup>35</sup>)

## **LOCAL PROCUREMENT OF GOODS AND SERVICES:**

- ▶ **In Haiti, one of the top bilateral donors awarded only 1.4 percent of its contracts to local companies.<sup>36</sup>**
- ▶ **In 2009, of the \$8.64 billion awarded in open contracts by 14 bilateral donors in key countries, only four percent went to local companies.<sup>37</sup>**

## **CASH TRANSFERS:**

- ▶ **In Haiti, only 2.4 percent of humanitarian funding from bilateral and multilateral donors in 2010 was recorded as relating to cash transfer programmes.<sup>38</sup>**
- ▶ **A cash transfer programme in South Africa reduced the poverty gap<sup>39</sup> by 47 percent<sup>40</sup> and approximately doubled the share of national income for the poorest 20 percent.<sup>41</sup>**
- ▶ **In 2010 aid channeled as cash transfers was reported to be less than 0.78 percent of total aid.<sup>42</sup>**

## **OVERCOMING CHALLENGES OF WORKING IN FRAGILE SETTINGS:**

- ▶ **In 2010-11, the United Kingdom's Department for International Development (DFID) spent over £7 billion in aid (including £643.7 million in budget support<sup>43</sup>) and reported losses due to fraud amounting to 0.016% of its overall expenditure.<sup>44</sup>**

## EXECUTIVE SUMMARY

The Office of the Special Envoy for Haiti (OSE) was created in May 2009 with the appointment of President Clinton as the Secretary-General's Special Envoy for Haiti. Dr. Paul Farmer was appointed Deputy Special Envoy in August 2009.<sup>45</sup> Initially, the mission of the OSE was to accompany the Government of Haiti in its efforts to mobilize support for Haiti's long-term recovery following the 2008 hurricanes. In particular, the OSE was tasked with encouraging private sector investment in Haiti as well as holding donors to account for the pledges they made at the April 2009 Washington D.C. Haiti Donors' Conference.

Upon the request of Secretary-General Ban Ki-moon and the Government of Haiti (GOH), the OSE expanded its role following the 2010 earthquake. It has continued to monitor the pledges made by donors, while advocating for them to disburse more of their funding through national institutions.<sup>46</sup>

### Section 1: The Lessons We Learned in Haiti

Over the course of the past three and a half years, the OSE has examined the nuts and bolts of how aid is delivered to Haiti. This report presents an analysis of how aid was channeled from donors to the primary recipient. The data shows that the vast amount of funding bypassed the systems of Haitian institutions as the first recipient of funds.

Since the earthquake, the GOH and the international community have disbursed \$12.17 billion in internal and external funding, including different forms of international assistance, debt relief, peacekeeping, and other forms of financing.<sup>47</sup> An additional \$3 billion in private funding was contributed to NGOs and UN entities. International assistance, including funding from bilateral and multilateral donors and private funding, makes up the largest share of these resources (59.6 percent, or \$9.04 billion) and is more than three times the GOH's expenditure from its own revenue from January 2010 to June 2012.<sup>48</sup> This \$9.04 billion includes:

- ▶ \$3.00 billion (estimated) in private funding from individuals and companies provided immediately after the earthquake;
- ▶ \$2.41 billion in humanitarian funding from bilateral and multilateral donors; and
- ▶ \$3.63 billion in recovery funding from bilateral and multilateral donors.<sup>49</sup>

This report focuses mainly on the \$6.04 billion from bilateral and multilateral donors. As explained in Sections 1.1 – 1.3, the majority of these funds have been disbursed from donors to international organizations. Key estimates from these sections include:

- ▶ **Overall humanitarian and recovery funding from bilateral and multilateral donors (\$6.04 billion):** Less than 10 percent was disbursed directly to the GOH using its systems since the earthquake.<sup>50</sup>
- ▶ **Humanitarian funding from bilateral and multilateral donors (\$2.41 billion):** 0.9 percent has been channeled directly to the GOH since the earthquake.<sup>51</sup>
- ▶ **Recovery funding from bilateral and multilateral donors (\$3.63 billion):** 15.4 percent was channeled directly to the GOH using its systems since the earthquake.<sup>52</sup>
- ▶ **Overall humanitarian and recovery funding from bilateral and multilateral donors (\$6.04 billion):** Less than 0.6 percent was estimated as being disbursed directly to Haitian organizations and businesses as programme grants since the earthquake.<sup>53</sup>



- ▶ **Local procurement:** In Haiti, one of the top bilateral donors reported that it awarded 1.4 percent of its contracts to local companies since the earthquake.<sup>54</sup>
- ▶ **Cash transfers:** In Haiti, only 2.4 percent of humanitarian funding from bilateral and multilateral donors in 2010 was recorded as relating to cash transfer programmes.<sup>55</sup>

Multilateral donors are far more likely to channel funds through GOH systems than bilateral donors. While bilateral donors channeled 3.6 percent of their funds through the systems of the GOH, multilateral donors channeled 29.7 percent.<sup>56</sup> In addition, multilateral donors also provided a significant amount of funds in support of the GOH; while this funding was not channeled through the government's financial management and procurement systems, it is recognized as providing significant support to key institutions.

The majority of funds donors disbursed in Haiti are managed by international organizations. This funding was contracted to numerous multilateral, non-governmental and private organizations. Of the \$9.04 billion in international assistance, an estimated 41.2 percent (\$3.73 billion) went to 13 international organizations.<sup>57</sup>

In order to better understand how these funds were used by international organizations, the UN Resident Coordinator Nigel Fisher worked closely with UN entities to collect data on spending by UN funds and programmes in Haiti.<sup>58</sup> The data shows that of \$550.7 million disbursed by UN funds and programmes in 2011, 3.0 percent (\$16.6 million) was disbursed to the national government, and 5.8 percent (\$31.9 million) was disbursed to local government offices.<sup>59</sup> (This reflects funding channeled to the government; it includes funding channeled through and outside government systems.)

The data also indicates that a greater percentage of UN funding was provided to Haitian partners in the private and non-profit sector than the public sector: 23.4 percent (\$128.6 million) was disbursed to Haitian businesses; and 13.8 percent (\$76 million) was disbursed to Haitian non-profit organizations.<sup>60</sup>

## Section 2: Overview of Aid in Other Fragile Settings

The UN Peacebuilding Support Office, in partnership with the OSE, compared spending by bilateral and multilateral donors in Haiti to other fragile settings. The resulting analysis suggests that the trends in the delivery of aid to Haiti can also be observed globally. In fragile settings, where countries are dependent on foreign aid, funding is far more likely to bypass national and local actors. For example:

- ▶ **Use of country systems:** An estimated 80 percent of aid bypassed national systems in 27 states in fragile settings, including Haiti, in 2010.<sup>61</sup> In some countries, less than 3 percent of aid is channeled through country systems.<sup>62</sup>
- ▶ **Funding to local service providers:** Of the \$4.27 billion disbursed to projects in all UN humanitarian appeals globally in 2012, only 0.6 percent was channeled directly to local organizations.<sup>63</sup>
- ▶ **Local procurement of goods and services:** In 2009, of \$8.64 billion awarded in contracts by 14 bilateral donors in key countries, only four percent (\$368.4 million) went to local companies.<sup>64</sup>
- ▶ **Cash transfers:** In 2010 aid channeled as cash transfers was reported to be less than 0.78 percent of total aid.<sup>65</sup>

## Section 3: The Case for Investing in Local Institutions

There is a gap between donor policies – which increasingly call for strengthening national governments and institutions – and aid implementation in fragile settings, where public and private institutions are



often bypassed. Yet, as this section explains, it is particularly critical in these settings to invest in local public and private sector institutions.

## 1. Implications of bypassing national and local institutions

Beginning with the public sector, this section examines the dynamics of aid accountability when it is channeled to international organizations that are accountable not to the intended beneficiaries of aid, but to their domestic constituents or to their governing boards. It also looks at how bypassing local institutions can impair their capacity by redirecting authority and responsibility for decision-making and implementation, as well as competent staff, away from them.<sup>66</sup>

Donors can take many steps to strengthen the public sector. The most effective way is to invest aid through the systems of public institutions – referred to as country systems – including those for procurement and public financial management (PFM) (PFM refers to the government’s systems, policies and procedures for managing their finances, including budgeting, financial reporting and auditing public expenditure. For more information please refer to the Background section of this report).<sup>67</sup> Funding through country systems can either be channeled to the national treasury or to a separate account. Budget support is funding that is channeled through the national treasury, and is thought to have the greatest impact on strengthening the public sector by promoting the efficient allocation of resources.<sup>68</sup> Other forms of financing, such as pooled funding and project financing, can also use country systems, but are channeled through separate accounts.<sup>69</sup>

Recent evaluations of budget support programmes, including those by the OECD, point to a number of significant benefits of channeling funds through country systems.

- ▶ **For building and strengthening national systems:** Channeling aid through the systems of public institutions, with appropriate technical assistance, has helped strengthen the capacity of budgetary, reporting and auditing systems. Furthermore, these improvements were found to increase with the share of funds channeled through country systems.<sup>70</sup> The capacity of the finance ministry to manage the budget and disburse funds on time was improved, as was the whole of government’s participation in the budget process.<sup>71</sup>
- ▶ **For expanding service delivery:** In all cases where the expansion of service delivery was a priority, the number of services available to the public increased.<sup>72</sup> Furthermore, in a report on DFID’s budget support programmes, the United Kingdom’s National Audit Office found that governments that received budget support were twice as likely to report improved access to services than countries that did not.<sup>73</sup>
- ▶ **For improving the quality and equity of services:** A 2010 evaluation of sector budget support identified two programme aspects that hindered improvements to the quality and equity of service delivery: 1) funding was not channeled toward the investments that would address key capacity gaps, in particular those affecting the performance of service providers, including weak management systems, staff shortages and low pay; and 2) donors’ continued preference for aid to be spent on expenses that yield tangible results in the short term.<sup>74</sup> The combined impact of these factors prevented key recurrent expenses, including salaries and day-to-day operational costs, from being covered by aid.<sup>75</sup>
- ▶ **For increasing the economic impact of aid:** There is evidence that using country systems has greater impact on local economies. A recent study by Building Markets (formerly Peace Dividend Trust) found that aid channeled through country systems had increased the value of production undertaken by local workers and businesses by 70 to 80 percent, compared to 10 to 20 percent for funds channeled to international companies and organizations.<sup>76</sup>

## 2. Strengthening public and private institutions

Donors can magnify the impact of their aid dollars by procuring goods and services from local suppliers, contracting local businesses, and providing cash directly to the poor. Such efforts are equally important during humanitarian emergencies, which can decimate personal income and assets, increasing the need to create and preserve jobs and strengthen the liquidity of local markets.

Investing in the private sector creates jobs, reduces poverty, and stimulates the local economy. This section focuses on two modalities for private sector investment: local procurement and cash transfers to the poor.

- ▶ **Local procurement saves money and creates jobs:** The international aid community increasingly recognizes the time- and money-saving benefits of local procurement. For example:
  - ▶ A recent study showed that the cost of building a kilometre of road in Ghana or Viet Nam falls by 30 to 40 percent when it is built by a local company;<sup>77</sup>
  - ▶ Following Typhoon Ketsana in the Philippines in 2009, the American Red Cross – with funding from USAID – more than doubled the number of emergency family kits it provided to affected communities by buying most of the goods locally;<sup>78</sup> and
  - ▶ The OECD found that when donors export food aid it costs 50 percent more than local food purchases and 33 percent more than food procured in third countries.<sup>79</sup>

Local procurement also helps to create jobs. As a result of the U.S. military's project, *Afghan First*, over \$1 billion was injected into the local economy, creating or sustaining 118,000 jobs across Afghanistan. A study of the project by the NGO Building Markets found that the 146 Afghan businesses awarded international contracts expanded their employee base on average by 323 percent, with one month of employment being created for every \$600 spent by donors.

- ▶ **Cash transfers provide income to the poor and stimulate demand within the economy:** Providing cash to the poor can help reduce poverty, allowing people to spend aid dollars on what they need most while strengthening the local economy. A cash transfer programme in South Africa, for example, reduced the poverty gap<sup>80</sup> by 47 percent<sup>81</sup> and approximately doubled the share of national income for the poorest 20 percent.<sup>82</sup> By working with governments to implement cash transfer programmes, donors can also help strengthen the state-citizen relationship by bolstering the position of the state as the guarantor of social welfare.

This section also highlights evidence of the benefits of investing in the public and private sectors in humanitarian contexts.

Building effective and accountable institutions not only takes time, it requires investment in the people who run the institutions, as well as strengthening systems they use to manage their complex political, financial, and administrative transactions. This is particularly true in fragile settings, where humanitarian aid is more likely to bypass national and local actors. While bypassing public institutions may be necessary at the immediate onset of a crisis, if donors sustain this practice their aid dollars and good intentions can have a negative impact on recovery and state-building.

The key findings of this section illustrate that:

- ▶ Where possible, using country systems can provide flexible financing mechanisms for recipient governments; and

- ▶ Local and national institutions often have even greater need for financial support during emergencies, given the impact on their capacities and resources.

## Section 4: Overcoming the Challenges of Working in Fragile Settings

The challenges of investing in fragile settings are undeniable. Donors are concerned with the perceived fiduciary and political risks of working through local institutions. In this section, the report addresses the difficulties of working in fragile settings and explores how donors may overcome these obstacles to achieve more effective aid delivery.

Section 4 begins by contrasting perceptions of corruption with the available evidence on political and fiduciary risks. Preliminary data collected by the OSE shows that:

- ▶ In 2010-11, DFID spent over £7 billion in aid (including £643.7 million in budget support<sup>83</sup>) and reported losses due to fraud amounting to 0.016 percent of its overall expenditure;<sup>84</sup>
- ▶ The potential loss from currently active cases is estimated to represent 0.017 percent of the \$20 billion appropriated to AusAID from July 2004 to December 2010;<sup>85</sup> and
- ▶ According to a 2012 analysis by the Inspector General of the Global Fund to Fight AIDS, Tuberculosis and Malaria, of the \$3.8 billion in funding audited since 2005, only 3 percent has been misspent, misappropriated, or unaccounted for, and only 0.5 percent as a result of fraud.<sup>86</sup>

### Managing fiduciary and political risks

There are measures donors can take to manage perceived risks. Section 4 also reviews the common strategies donors rely upon to mitigate risk factors, examining which of these are more effective. Building on this analysis, the section then draws upon best practices to identify which approaches to conditionality are most effective both to manage risks and produce the desired results. In conclusion, this section argues that in fragile settings, committing to long-term capacity development through direct disbursement in national institutions is a prerequisite for achieving the intended results of aid.

## Section 5: The Way Forward

Drawing on our collective experience in Haiti and other fragile settings, the report concludes with four recommendations that will support donors in their own efforts to strengthen public institutions and promote economic activity in fragile settings.

### 1) Develop effective mechanisms to enable donors to channel more funds locally

There are opportunities in Haiti and other fragile settings for donors to make greater investments in local institutions in the public and private sector. Yet, donors' concerns about fiduciary and political risks are often obstacles to investing in public institutions. This recommendation highlights methods donors may use to manage these risks, creating opportunities to channel increased support to local governments. One such option is the use of pooled funds – in particular those that allow funds to be channeled directly from the joint bank account to local institutions. In Haiti an 'accompaniment fund' could be established as a channel for donors to increase their direct support to the Government of Haiti, as well as to local private and non-profit service providers.

## **2) Support better accountability mechanisms in fragile settings**

When well designed, accountability mechanisms within national institutions can strengthen transparency while helping donors reduce risks. This recommendation suggests that existing models that effectively promote accountability measures within national governments in fragile settings be better documented so that the most appropriate mechanisms for a given context are established.

Donors have taken different approaches to managing risk and promoting accountability. Some safeguards, such as conditionality and external reporting requirements, may create incentives for institutions to improve their financial transparency. Safeguards, in addition to being designed to minimize coercive conditions, can also be designed to strengthen the systems and capacities for accountability within recipient institutions. These efforts may also contribute to improving the mechanisms available to citizens and parliaments to hold governments to account, two broad objectives that should be kept in mind when designing accountability mechanisms.

## **3) Collect better data for informed decision-making on aid and development spending**

For governments in fragile settings, it is critical to know how and where aid is being channeled. Without this information the ability of governments to conduct annual or multi-year planning processes, promote effective coordination, resolve constraints to implementation, and monitor the performance of donors with respect to aid effectiveness is severely impaired. Comprehensive aid information management systems are therefore essential to improve government decision-making and active management of aid.

## **4) Gather more evidence on how to implement aid effectiveness policies better**

To build awareness of how best to invest in local institutions, future data gathering is recommended. Key questions this report identifies for further analysis include:

- ▶ How have donors successfully channeled funds to government institutions in fragile settings, while helping them improve the equity and quality of service provision?
- ▶ What impact do donors have on the local economy in fragile settings, and how can they best maximize this impact, particularly with respect to job creation?
- ▶ How do donors assess and monitor the fiduciary risks they face? What further evidence is available to support the analysis of these risks (i.e.: how much aid is lost to corruption)? Is it feasible to establish a more evidence-based understanding of fiduciary risk?

## SECTION 1. THE LESSONS WE LEARNED IN HAITI

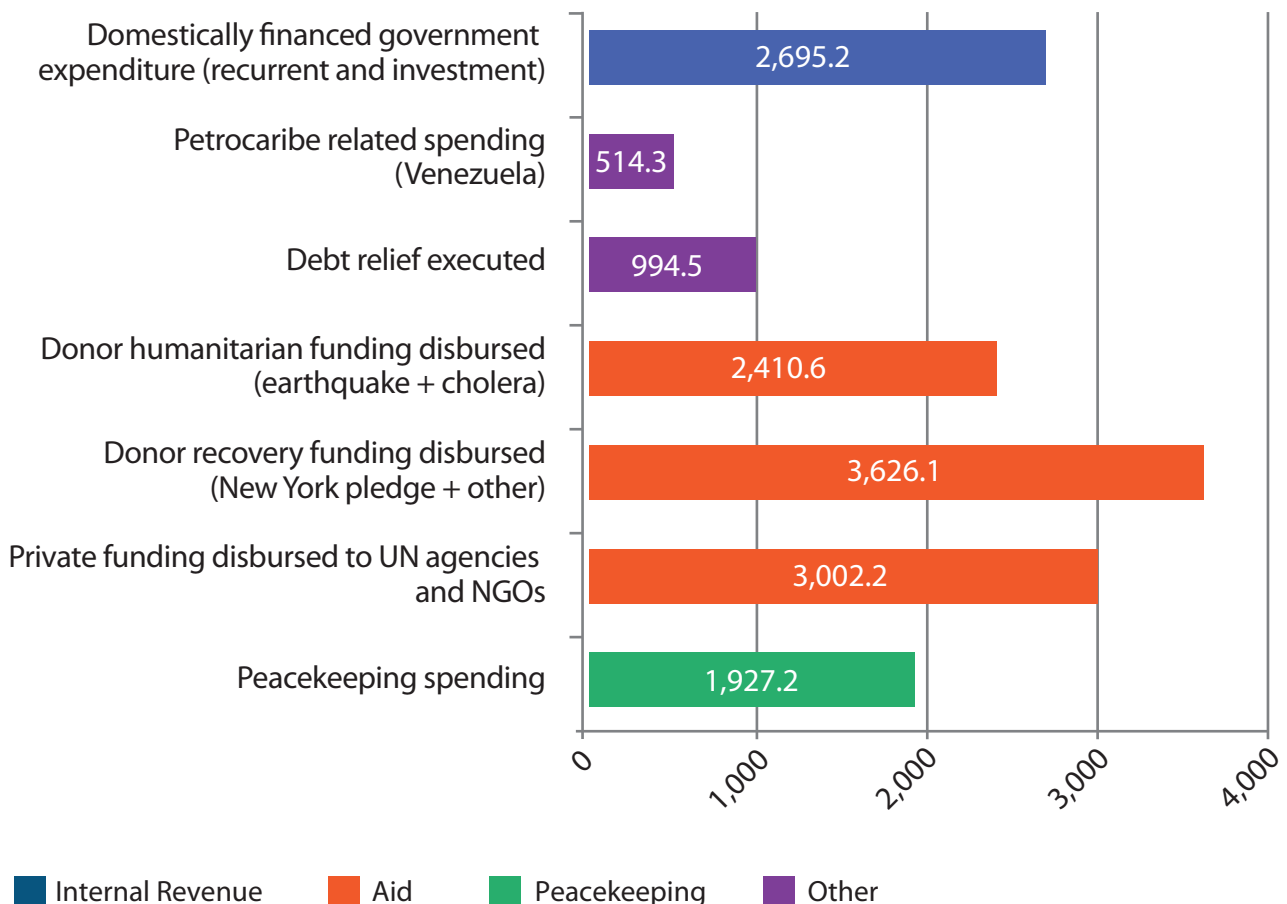
### 1.1 Overview of Aid to Haiti

An estimated \$12.17 billion has been disbursed by the Government of Haiti (GOH) and the international community since the earthquake. An additional \$3 billion in private funding was contributed to NGOs and UN entities.<sup>87</sup> These contributions are detailed in Figure A.

International assistance, including humanitarian and recovery funding from bilateral and multilateral donors, as well as private funding, constitutes the largest pool of resources made available. At \$9.04 billion, aid amounts to 59.6 percent of the total of Haiti's funding sources shown in Figure A, and is more than three times the GOH's expenditure from its own revenue from January 2010 to June 2012.<sup>88</sup>

**3X:** Factor by which bilateral and multilateral aid to Haiti exceeded the government's internal revenue.

Figure A: Estimates of funding sources<sup>89</sup> for Haiti from January 2010 to June 2012 (in USD millions)



Sources: IMF,<sup>90</sup> OSE,<sup>91</sup> UN<sup>92</sup>

This section provides an overview of this \$9.04 billion in international assistance, with a particular focus on the \$6.04 billion disbursed by bilateral and multilateral donors in humanitarian and recovery funding.<sup>93</sup> Section 1.2 and 1.3 detail this funding. Key findings related to this \$6.04 billion include:

- ▶ Donors disbursed less than 10 percent (an estimated \$580 million) directly to the GOH using its country systems, including those for public financial management (PFM) and procurement. (PFM refers to the government's systems, policies and procedures for managing their finances, including budgeting, financial reporting and auditing public expenditure. For more information please refer to the Background section of this report.) This amount includes \$22.1 million in humanitarian funds<sup>94</sup> and \$557.9 million in recovery funds<sup>95</sup>; and
- ▶ Less than 0.6 percent (\$36.2 million) was estimated as being disbursed as grants directly from donors to Haitian non-government organizations (NGOs) and private businesses as the first recipient.<sup>96</sup> (This amount includes \$2.3 million in humanitarian funds<sup>97</sup> and \$33.9 million in recovery funds.<sup>98</sup>)

Section 1.4 describes how international partners, including United Nations (UN) funds and programmes and NGOs, spend the funding that they receive from donors. Key findings include that, of the \$550.7 million in programme funds disbursed by 15 UN funds and programmes in 2011:

- ▶ 8.8 percent (\$48.5 million) was disbursed in support of the GOH (but not necessarily using national systems); and
- ▶ 13.8 percent (\$76 million) and 23.4 percent (\$128.6 million) was disbursed to Haitian NGOs and companies, respectively.<sup>99</sup>

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**Less than 10%**  
of \$6B of aid to Haiti  
was disbursed through  
government systems.

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**Less than 0.6%** of the \$6B  
of aid to Haiti went directly to  
Haitian organizations and businesses.

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## 1.2 Humanitarian and Private Funding from Donors

### a) Overview

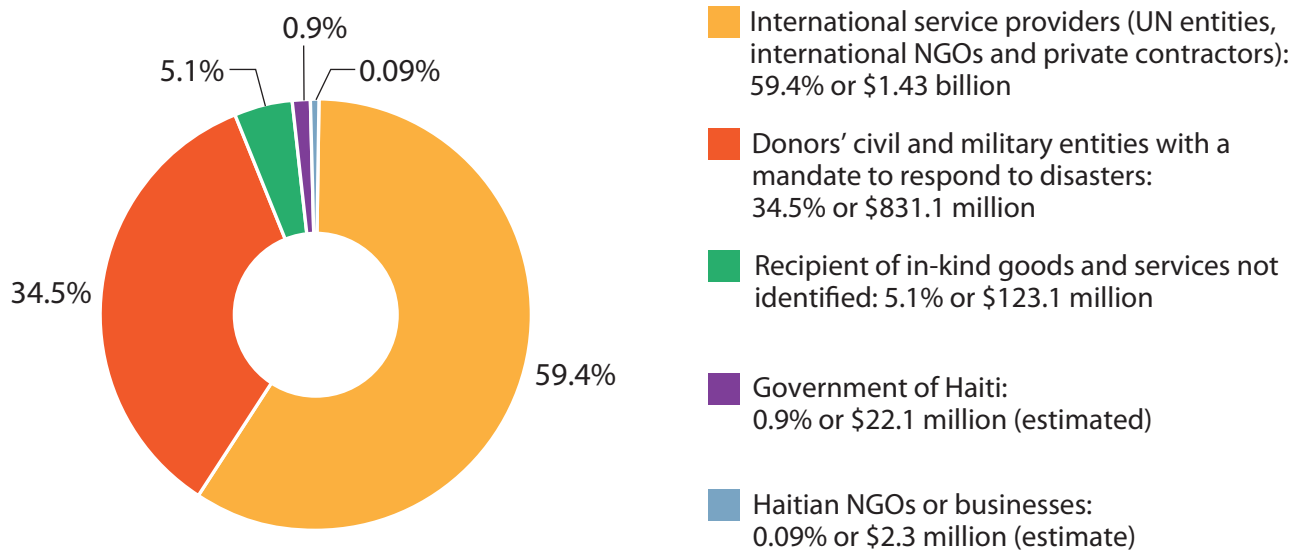
This section addresses the \$5.41 billion in funding for Haiti – including the \$2.41 billion in humanitarian funding disbursed by bilateral and multilateral donors, and the \$3.00 billion raised in private funding. (Private funding has been included in this section of the report as it was in large part disbursed immediately after the earthquake.)

Of the \$2.41 billion disbursed by bilateral and multilateral donors in humanitarian funding from 2010 to 2012, \$2.22 billion was disbursed in response to the earthquake and \$186.2 million was disbursed in response to the cholera outbreak.<sup>100</sup>

Bilateral donors disbursed 90.5 percent (\$2.18 billion), including both grants and in-kind goods, and multilateral donors disbursed 9.5 percent (\$230 million) in grants only.<sup>101</sup>

Figure B shows the primary recipients of the \$2.41 billion in humanitarian funds from bilateral and multilateral donors.

**Figure B: Estimates of humanitarian funding from bilateral and multilateral donors by recipient<sup>102</sup>**  
(January 2010 to June 2012)



As noted above, in addition to the funding from bilateral and multilateral donors, the OSE has gathered data on contributions from private foundations, companies and individuals estimated to total \$3.00 billion.<sup>103</sup> These contributions were channeled as grants or in-kind services to international service providers.<sup>104</sup>

## b) Funding to the GOH and other Haitian actors

As shown in Figure B, of the \$2.41 billion channeled by bilateral and multilateral donors, 0.9 percent (\$22.1 million) was disbursed directly to the GOH, all from bilateral donors, and 0.09 percent (\$2.3 million) was disbursed directly to Haitian NGOs and private organizations.

Based on the information gathered by and made available to the OSE, Haitian actors did not receive any direct contributions from the \$3.00 billion in private funds. (Private contributions that were not captured by the OSE – and not reflected in the \$3.00 billion figure – may have been channeled directly to Haitian actors.)

Most of the funding received by Haitian NGOs was channeled via the UN humanitarian appeals. In total \$1.37 billion was channeled to the UN appeals in 2010, 2011 and 2012. The recipients of this \$1.37 billion are detailed in Figure C.

Funding used for procurement from local businesses and payments to households through cash transfers is detailed in the box at the end of Section 1.3.

## c) Funding to international actors

Of the \$5.41 billion in humanitarian funding from bilateral and multilateral donors and private funding, international service providers received an estimated \$4.43 billion, including:

- ▶ \$1.43 billion from bilateral and multilateral donors (see Figure B); and
- ▶ \$3.00 billion in private funding.

Table 3 lists the top 10 recipients of this \$4.43 billion made available to international service providers.<sup>105</sup> As shown in Table 3, these 10 recipients received an estimated \$3.36 billion, of which 72.7 percent (\$2.44 billion) has been reported as spent.

Of the top 10 recipients, the International Red Cross movement received the highest amount (\$1.30 billion, which represents 38.7 percent of the \$3.36 billion), has disbursed the greatest amount in absolute terms (\$702 million), and has a disbursement rate of 54 percent. Together the other nine agencies received \$2.06 billion, have disbursed \$1.74 billion, and have an aggregate disbursement rate of 84.6 percent.

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**0:** Number of Haitian NGOs included in the first post-earthquake flash appeal.

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**0.9%:** Portion of disbursed Haiti relief aid received by the country's government.

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**Table 3: Top 10 recipients of humanitarian and private funding in Haiti following the earthquake (in USD millions)**

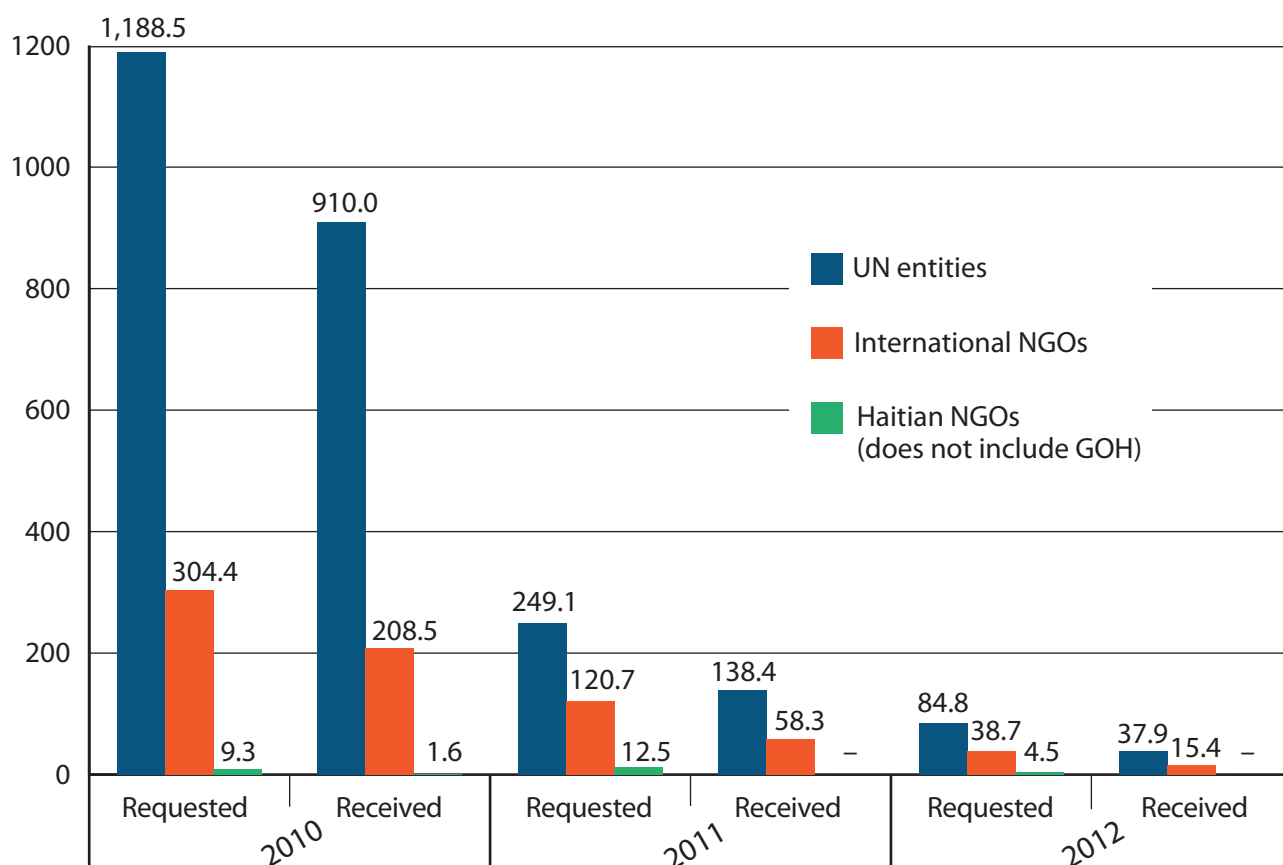
|   | Received        | Spent           | Expenditure rate % | Expenditure data current as of |
|---|-----------------|-----------------|--------------------|--------------------------------|
| Red Cross <sup>106</sup>                                | 1,300.00        | 701.99          | 54.0%              | 31-Mar-12                      |
| World Food Programme <sup>107</sup>                     | 478.16          | 387.13          | 81.0%              | 31-Dec-11                      |
| United Nations Children's Fund <sup>108</sup>           | 365.44          | 279.57          | 76.5%              | 14-Jun-12                      |
| International Organization for Migration <sup>109</sup> | 230.90          | 209.52          | 90.7%              | 30-Apr-12                      |
| Médecins sans Frontières <sup>110</sup>                 | 218.58          | 212.82          | 97.4%              | 31-Dec-11                      |
| World Vision <sup>111</sup>                             | 220.90          | 185.70          | 84.1%              | 30-Sep-11                      |
| Catholic Relief Services <sup>112</sup>                 | 200.00          | 142.58          | 71.3%              | 30-Jun-12                      |
| Partners In Health <sup>113</sup>                       | 123.00          | 123.00          | 100.0%             | 30-Jun-12                      |
| Save the Children <sup>114</sup>                        | 116.00          | 105.13          | 90.6%              | 30-Apr-12                      |
| OXFAM <sup>115</sup>                                    | 106.00          | 96.00           | 90.6%              | 31-Dec-11                      |
| <b>Total</b>  | <b>3,358.99</b> | <b>2,443.44</b> | <b>72.7%</b>       |                                |

## Funding from UN Humanitarian Appeals

The UN has issued three humanitarian appeals since the earthquake (2010, 2011 and 2012) to raise funds for activities in response to the earthquake and the cholera outbreak. The 2010 Flash Appeal was the ninth largest appeal that the UN has issued in the last ten years, only surpassed by requests for Iraq (2003), Pakistan (2010), Somalia (2010) and Sudan (2005 – 2009).<sup>116</sup>

Bilateral and multilateral donors, as well as private donors, have made funding available to the UN humanitarian appeals from both their humanitarian and recovery funding. Figure C shows the amount requested and received by UN funds and programmes, international NGOs and Haitian NGOs (the GOH was not included in any of the appeals). As shown in Figure C, Haitian NGOs requested \$26.3 million (1.3 percent) out of a total of \$2.01 billion requested in the three appeals; they have received \$1.6 million (0.1 percent) out of the total \$1.37 billion that has been disbursed through the appeals.

**Figure C: Humanitarian funding requested and received for the UN humanitarian appeals from 2010 to 2012 (in USD millions)**



Source: UN<sup>118</sup>

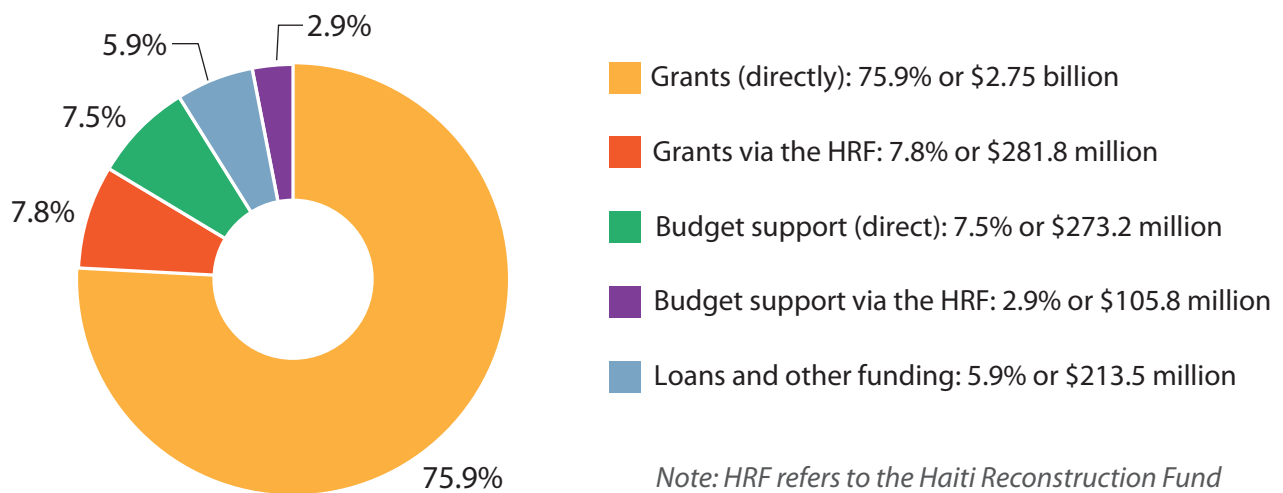
## 1.3 Recovery Funding from Donors

### a) Overview

Bilateral and multilateral donors have disbursed \$3.63 billion in support of recovery efforts. This includes the \$2.84 billion disbursed from the pledges made at the New York donors' conference, 'A New Future for Haiti,' held in New York on 31 March 2010, which represents 53.2 percent of the \$5.33 billion pledged for the years 2010 – 2012.<sup>119</sup> An additional \$788.8 million has been disbursed from other funding sources.<sup>120</sup> Of the \$3.63 billion in recovery funding, 68 percent (\$2.47 billion) was disbursed by bilateral donors and 32 percent (\$1.16 billion) was disbursed by multilateral donors.

Figure D shows the channels that donors have used to disburse this \$3.63 billion.

**Figure D: Modalities used to channel recovery funding from 2010 to 2012**



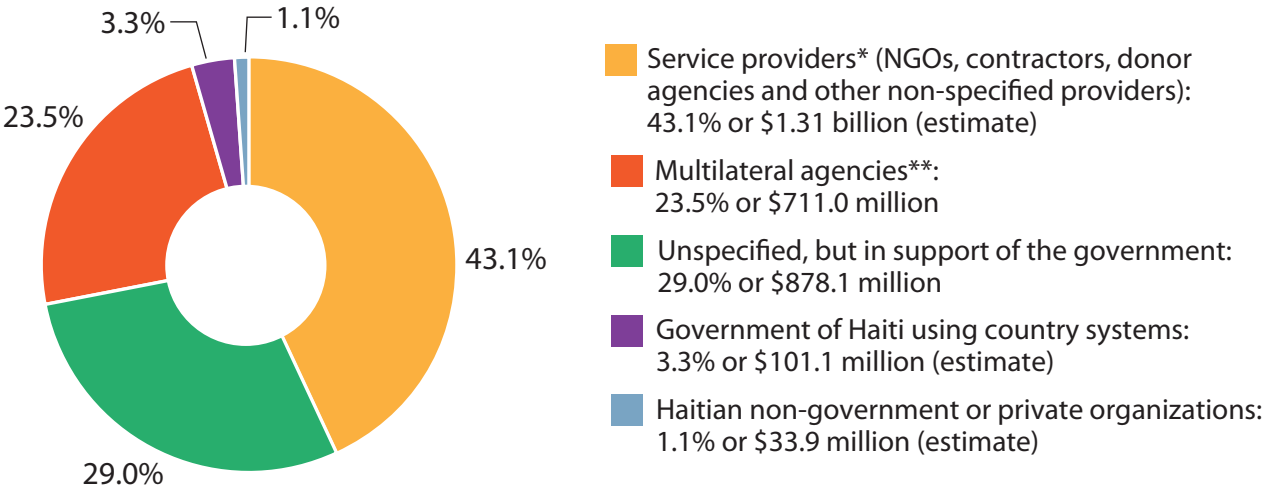
As Figure D indicates, donors can disburse recovery funds as: budget support to the GOH (directly or via the Haiti Reconstruction Fund, or HRF); grants (directly or via the HRF); or loans. These modalities were described in detail in the OSE's 2011 report *Has Aid Changed: Channelling Assistance to Haiti Before and After the Earthquake*.<sup>121</sup>

Budget support and grants may be channeled directly to the recipient, or via the HRF, a World Bank managed trust fund. The HRF is a type of pooled fund – mechanisms that enable donors to pool their resources and jointly manage risks. Donor funds can be channeled through the HRF as grants to one of the partner entities – the Inter-American Development Bank (IDB), UN or World Bank – or as budget support to the GOH (via the IDB or World Bank).<sup>122</sup> Figure E shows funding that has been disbursed by donors to the HRF:

- ▶ Of the \$105.8 million in budget support,<sup>123</sup> \$30 million has been disbursed to the IDB and World Bank, of which the GOH has received \$25 million.<sup>124</sup>
- ▶ Of the \$281.8 million in grant funding, \$229.5 million has been disbursed to the partner entities for projects, and \$2.9 million has been disbursed to the HRF Trustee and Secretariat to cover its costs. Spending by the partner entities is provided in subsection (c) below.

Making grants directly or through the HRF represents the most common way donors channel their funds in Haiti.<sup>125</sup> As shown in Figure D, donors channeled \$3.03 billion in grants, including \$2.75 billion directly to recipients and \$281.8 million via the HRF. Figure E lists the recipients of this \$3.03 billion.

**Figure E: Recipients of recovery funding from bilateral and multilateral donors from January 2010 to June 2012<sup>126</sup>**



\* This category includes international NGOs and contractors that have been specified by donors, as well as unspecified service providers, which may be international or local.

\*\* The multilateral agencies include the Caribbean Development Bank, Inter-American Development Bank, Organization of American States, United Nations and World Bank.

## b) Funding to the GOH and other Haitian actors

Using its financial management and procurement systems, the GOH can receive funding as budget support, grants and loans. As Table 4 shows, of the \$3.63 billion disbursed by bilateral and multilateral donors for recovery efforts, 15.4 percent (\$557.9 million) has reached the GOH using its systems through these different modalities.<sup>127</sup> From recovery funding, multilateral donors have disbursed 35.6 percent to the GOH through its systems, whereas bilateral donors have disbursed 5.9 percent through GOH systems.

In addition to this funding, as shown in Figure E donors channeled an additional \$878.1 million in support of the government using external systems. While these funds have made important contributions, this report places emphasis on funding that has been disbursed to the government using its systems for financial management and procurement. This mode of channeling funds is broadly seen as the best way to strengthen public institutions, as set out in Section 3.

**Table 4: Recovery funding channeled through the GOH's systems by modality from 2010 to 2012 (in USD millions)**

|               | Budget support | Projects: country systems | Loans: country systems | Country systems: total | Total of all funding disbursed | % country systems |
|---------------|----------------|---------------------------|------------------------|------------------------|--------------------------------|-------------------|
| Bilaterals    | 43.80          | 101.13                    | -                      | 144.93                 | 2,466.12                       | 5.9%              |
| Multilaterals | 254.41         | -                         | 158.60                 | 413.01                 | 1,159.97                       | 35.6%             |
| <b>Total</b>  | <b>298.21</b>  | <b>101.13</b>             | <b>158.60</b>          | <b>557.94</b>          | <b>3,626.09</b>                | <b>15.4%</b>      |

For budget support, the \$298.2 million total shown in Table 4 represents \$273.2 million that the GOH received directly, and \$25 million that was channeled via the HRF and disbursed to the GOH. The amount channeled as budget support decreased from \$203.1 million in the 2010 fiscal year (beginning 1 October 2009), to \$67.9 million in the 2011 fiscal year, and then to \$27.2 in the 2012 fiscal year. This is set out in Table 5.

**Table 5: Budget support<sup>128</sup> to the GOH from 2009 to 2012 (in USD millions)**

| Donor                     | Fiscal year 2009 | Fiscal year 2010 | Fiscal year 2011 | Fiscal year 2012 | Total 2010-2012 | Total recovery funding 2010-12 | % of recovery funding as budget support |
|---------------------------|------------------|------------------|------------------|------------------|-----------------|--------------------------------|---|
| Bilateral subtotal        | 26.50            | 43.80            | 0.00             | 0.00             | 43.80           | 2,465.37                       | 1.78%                                   |
| <i>Bilateral - direct</i> | <i>26.50</i>     | <i>18.80</i>     | <i>0.00</i>      | <i>0.00</i>      | <i>18.80</i>    |                                |   |
| <i>Bilateral via HRF</i>  | <i>n/a</i>       | <i>25.00</i>     | <i>0.00</i>      | <i>0.00</i>      | <i>25.00</i>    |                                |   |
| Multilateral subtotal     | 67.10            | 159.27           | 67.93            | 27.22            | 254.41          | 1,159.97                       | 21.93%                                  |
| <b>Total</b>              | <b>93.60</b>     | <b>203.07</b>    | <b>67.93</b>     | <b>27.22</b>     | <b>298.21</b>   | <b>3,625.34</b>                | <b>8.23%</b>                            |

Data on the amount of funds used to directly strengthen government systems is limited. The available data suggests that in 2010, when over \$3.90 billion was recorded by the Organisation of Economic Cooperation and Development (OECD) as being channeled to humanitarian and recovery efforts, 0.25 percent (\$9.9 million) was recorded as being channeled by donors in support of public financial management outside of budget support. Additionally, 0.05 percent of the \$3.90 billion (\$1.8 million) was disbursed in support of anti-corruption organizations and institutions.<sup>129</sup> (These figures for support to public financial management systems and anti-corruption efforts exclude budget support.<sup>130</sup>)

As shown in Figure E, data on grant funding disbursed to other Haitian actors, including NGOs and companies, suggests that \$33.9 million was disbursed from donors directly to Haitian NGOs and businesses.<sup>131</sup> This \$33.9 million represents 0.9 percent of the \$3.63 billion in overall recovery funding from bilateral and multilateral donors.

Funding used for procurement from local businesses and payments to households through cash transfers is detailed below.

### c) Funding to international recipients

As noted in Figure E, service providers, including international NGOs, private contractors, donor agencies and other non-specified providers (excluding GOH agencies, other recorded Haitian providers, and multilateral agencies), have received \$1.31 billion in grants (43.1 percent of the \$3.03 billion channeled as recovery grants, or 36.1 percent of the \$3.63 billion in all recovery funds). Table 6 shows the value of the grants received by the five top service providers based on available data.

**Table 6: Top five recipient service providers of recovery funding from 2010 – 2012 based on value of current contracts (in USD millions)**

|                          | Obligated 2010-2012 | Country of Origin              | Contracts   |
|--------------------------|---------------------|--------------------------------|---|
| Chemonics                | 191.25              | U.S.                           | Watershed Initiative for National Natural Environmental Resources (2009 – 2014); Haiti Recovery Initiative (Office of Transition Initiatives) (2010-2011) |
| Estrella                 | 109.22              | Dominican Republic (IDB funds) | Three contracts related to infrastructure and transport (2010-2011)   |
| Elsamex                  | 54.56               | Spain (EU funds)               | National Route Number 3 (Tronçon Hinche-Cap Haitien) (2012-2014)  |
| Alstom SA                | 48.15               | France (IDB funds)             | One contract related to rehabilitation (2012)   |
| Development Alternatives | 36.50               | U.S.                           | One contract related to technical assistance  |

Sources: USG<sup>132</sup>, EU<sup>133</sup> and IDB<sup>134</sup> websites

As noted in Figure E, multilateral agencies have received an estimated \$711.0 million in grants (23.5 percent of the \$3.03 billion channeled as recovery grants, or 19.6 percent of the \$3.63 billion of all recovery funds). Table 7 shows the top three multilateral recipients of this \$711 million. This includes grants received directly and through the HRF. It does not include core funding.

**Table 7: Top three multilateral recipients of recovery grant funding from 2010 – 2012 (in USD millions)<sup>135</sup>**

|                           | Grants directly from donors | Grants via the HRF | Total received in grants | Spent         | Rate         | Date      |
|---------------------------|-----------------------------|--------------------|--------------------------|---------------|--------------|-----------|
| UNDP <sup>136</sup>       | 87.20                       | 62.09              | 149.29                   | 134.30        | 90.0%        | 31-Dec-11 |
| IDB <sup>137</sup>        | 115.00                      | 36.50              | 151.50                   | 32.59         | 21.5%        | 30-Sep-12 |
| World Bank <sup>138</sup> | 10.00                       | 65.00              | 75.00                    | 5.0           | 6.7%         | 19-Mar-12 |
| <b>Total</b>              | <b>212.20</b>               | <b>163.59</b>      | <b>375.79</b>            | <b>171.89</b> | <b>45.7%</b> |           |

The IDB, UNDP and the World Bank have received most of their external funds listed in Table 7 from the HRF. Of the \$387.6 million (including \$281.8 million for grants, and \$105.8 million for budget support) disbursed by donors to the HRF, \$259.5 million has been passed on by the HRF to the partner entities - the IDB, UN and the World Bank. Of this \$259.5 million, 44.3 percent (\$114.9 million) has been recorded as disbursed.<sup>139</sup> For each partner entity the disbursement figure is as follows:

- ▶ UN funds and programmes have received \$128 million and disbursed 61.7 percent (\$79 million).
- ▶ The World Bank has received \$65.0 million in grant funding and \$25 million in budget support. Of the \$90 million in total, the World Bank has disbursed 33.3 percent (\$30 million), which includes \$25 million in budget support disbursed to the GOH in 2010.
- ▶ The IDB has received \$36.5 million in grant funding and \$5 million in budget support. Of the \$41.5 million in total, the IDB has disbursed 14.3 percent (\$5.93 million).

## Direct donor investment in local firms and local households in Haiti

### a) Households

Numerous cash transfer programmes were established after the earthquake. These programmes included:

- ▶ Cash transfer programmes to help households recover from the loss in income and assets caused by the earthquake; and
- ▶ Cash for work programmes to create temporary low skill jobs and help with the efforts to remove debris.

While there is limited data available on funding earmarked for cash transfers, an analysis by UK-based consulting firm Development Initiatives analysed the information available within major databases, including those of OCHA and the OECD.<sup>140</sup> Of the \$2.13 billion reported by OCHA as being contributed by bilateral and multilateral donors for the earthquake response in 2010, 2.4 percent (\$50.2 million) was identified as specifically relating to a cash transfer or partial cash transfer programme.<sup>141</sup> (OECD's database cites similar but slightly smaller amounts, as it does not encompass non-OECD donors.)

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**2.4%** of humanitarian funding in 2010 supported cash transfer programmes.

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## A top bilateral donor awarded 1.4% of its contracts to local companies in Haiti.

### b) Businesses

Following the earthquake, increased attention was also placed on supporting Haitian businesses through local procurement. The available data suggests there may be major differences in the amount to which bilateral and multilateral donors engage in local procurement. An analysis of contracts awarded by one bilateral donor shows that only 1.4 percent of funds were awarded to local firms.<sup>142</sup> An analysis of contracts awarded by one multilateral shows that of the \$270 million in contracts awarded since the earthquake, Haitian firms have been awarded an estimated 32.7 percent (\$88.2 million) and international firms have been awarded 67.3 percent (\$181.9 million).<sup>143</sup> As shown in Table 8, Haitian firms successfully compete for contracts under \$1 million, winning 211 out of 219 tenders – or, in dollar values, \$59.9 million out of \$61.2 million. However, the situation is reversed for contracts over \$5 million; international firms win \$170.7 million out of \$175.9 million, or six out of seven contracts.

**Table 8: Procurement in Haiti by a major multilateral donor from 2010 - 2012 (in USD millions)**

| Value of Contracts    | Headquarters of company |              |            |              |               |              |           |             |
|-----------------------|-------------------------|--------------|------------|--------------|---------------|--------------|-----------|-------------|
|                       | Haitian                 |              |            |              | International |              |           |             |
|                       | \$                      | %            | Number     | %            | \$            | %            | Number    | %           |
| Under \$1 million     | 59.91                   | 97.86        | 211        | 96.35        | 1.31          | 2.14         | 8         | 3.65        |
| Between \$1-5 million | 23.05                   | 69.97        | 13         | 76.47        | 9.90          | 30.03        | 4         | 23.53       |
| Over \$5 million      | 5.23                    | 2.97         | 1          | 14.29        | 170.65        | 97.03        | 6         | 85.71       |
| <b>Total</b>          | <b>88.19</b>            | <b>32.66</b> | <b>225</b> | <b>92.59</b> | <b>181.85</b> | <b>67.34</b> | <b>18</b> | <b>7.41</b> |

Source: Estimates of OSE based on procurement databases<sup>144</sup>

## 1.4 How Implementing Partners Channel their Funds

This section examines how funding is spent by international partners that receive support from donors, focusing on two case studies: international NGOs and UN funds and programmes. The NGO case study is based on data available in their audited financial statements, while the UN case study is based on primary data collection conducted in Haiti under the leadership of the Resident Coordinator's Office. The analyses determine whether funds are spent in Haiti or internationally.

### a) International NGOs

Like UN funds and programmes, there is significant variance in the spending patterns amongst international NGOs. Figure F provides a breakdown of the average spending for three of the major international NGOs; it is based on the data in their most recent audited financial statements (including both the programme and support budgets). These financial statements summarize spending globally by the organization or the U.S. affiliate; they do not present specific spending in Haiti, but are likely to be reflective of overall trends in the disbursement of the funds they receive from donors.

These three organizations were selected as they:

- Were in the top 10 recipients of humanitarian and private funding (Table 3);
- Have similar models, which involve establishing an office in country that is supported by international affiliates and has responsibility for programme management (not all top 10 recipients have the same model); and
- Report their expenditures in similar ways.<sup>145</sup>

Although there is some variation between these NGOs, they each spend a significant portion of their funds on grants to other partners (32.4 percent) and procurement of supplies and other services (33.2 percent on supplies).

The next step is understanding whether grants and supplies are spent internationally or in Haiti. While international NGOs provide limited data on these questions, the example of the Red Cross may provide some insight. The Red Cross<sup>146</sup> has disbursed 23.0 percent of its Haiti programme funds as grants since the earthquake, of which at least 50.1 percent was disbursed to other international organizations (including the UN and the International Committee of the Red Cross) and 49.9 percent was disbursed to unspecified NGOs.<sup>147</sup> It has channeled 3.5 percent of its total funding to capacity development for the Haitian Red Cross.

### b) UN funds and programmes

Table 9 details the spending from 15 UN funds and programmes operating in Haiti. As shown in the table, in 2011 these entities collectively disbursed \$550.7 million, of which 8.8 percent was channeled in support of the GOH.<sup>148</sup> This is slightly less than the 9.3 percent channeled to international NGOs. Note that the contributions from the UN to the GOH have not been classified according to whether or not they used country systems.

However, there was variation among the funds and programmes with respect to the amounts channeled to the GOH and, collectively, these entities channeled greater funds locally through the private and non-profit sectors. For example:

- ▶ Disbursement to the GOH varies from 54.6 percent (UNESCO) to zero percent (ILO, UN Habitat, UNEP and UNOPS), with an aggregate total of 8.8 percent;
- ▶ Disbursement to local companies varies from 41.3 percent (UNESCO) to zero percent (FAO, UNEP, UNFPA, UNHCR and UN Women), with an aggregate total of 23.4 percent; and
- ▶ Disbursement to local NGOs varies from 79.8 percent (UN Women) to zero percent, with an aggregate total of 13.8 percent.

**Figure F: Estimates of global expenditures by three major humanitarian agencies according to their most recent audited financial statements**

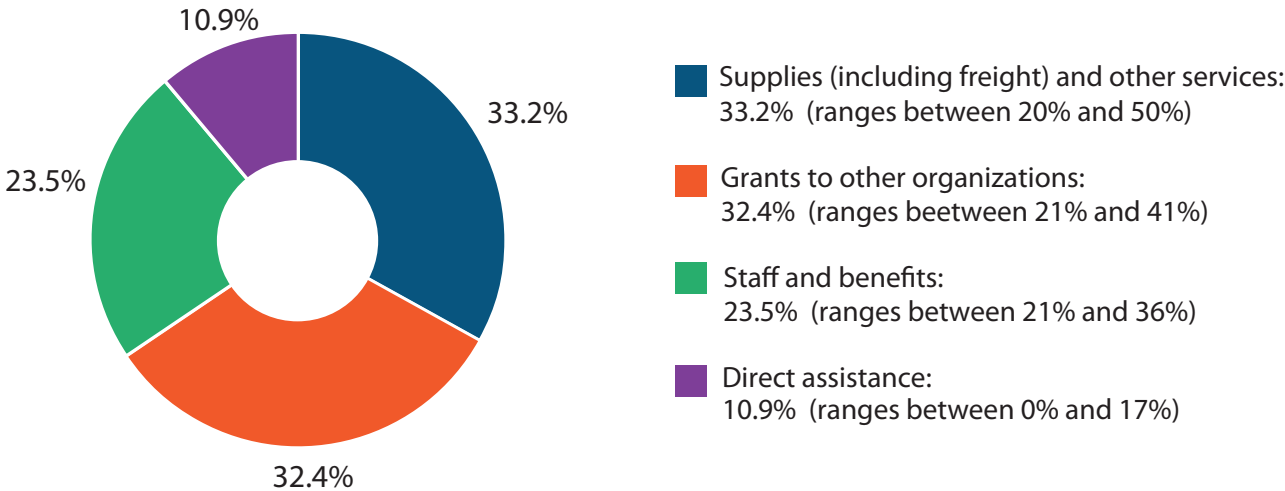


Table 9: Recipients of programme disbursements from UN funds and programmes in Haiti in 2011

|            | Total disbursements |       | Private sector                               |   |                   |                                  | Civil society |      |       |      | Other disbursements |      |
|------------|---------------------|-------|--|---|-------------------|----------------------------------|---------------|------|-------|------|---------------------|------|
|            | \$                  | %     | Companies with International billing address | Companies with billing address in Haiti | International NGO | Registered NGOs with HQ in Haiti | \$            | %    | \$    | %    | \$                  | %    |
| WFP        | 141.32              | 0.2   | 1.33   | 39.22                                   | 6.71              | 15.75                            | 4.7           | 27.8 | 6.71  | 11.1 | 78.09               | 55.3 |
| UNICEF     | 120.13              | 6.7   | 11.07  | 29.93                                   | 25.08             | 8.65                             | 20.9          | 24.9 | 25.08 | 7.2  | 37.31               | 31.1 |
| IOM        | 90.48               | 1.0   | 3.15   | 24.19                                   | 3.84              | 23.78                            | 4.2           | 26.7 | 3.84  | 26.3 | 34.63               | 38.3 |
| UNDP       | 82.30               | 24.60 | 6.20   | 18.61                                   | 9.20              | 19.25                            | 11.2          | 22.6 | 9.20  | 23.4 | 4.44                | 5.4  |
| WHO        | 40.29               | 7.59  | 3.83   | 4.31                                    | 1.12              | 3.58                             | 2.8           | 10.7 | 1.12  | 8.9  | 19.86               | 49.3 |
| UNOPS      | 40.00               | 0.0   | 7.23   | 10.60                                   | 0.00              | 0.00                             | 0.0           | 26.5 | 0.00  | 0.0  | 22.18               | 55.4 |
| FAO        | 8.94                | 2.40  | 0.00   | 0.00                                    | 0.21              | 0.99                             | 2.4           | 0.0  | 0.21  | 11.1 | 5.33                | 59.6 |
| UNFPA      | 8.29                | 2.28  | 0.00   | 0.00                                    | 0.00              | 0.97                             | 0.0           | 0.0  | 0.00  | 11.7 | 5.04                | 60.8 |
| UNEP       | 5.08                | 0.00  | 0.00   | 0.00                                    | 3.35              | 0.38                             | 66.0          | 0.0  | 3.35  | 7.5  | 1.35                | 26.6 |
| UN HABITAT | 3.55                | 0.00  | 0.35   | 0.29                                    | 1.40              | 0.23                             | 39.4          | 8.3  | 1.40  | 6.4  | 1.28                | 36.1 |
| UNESCO     | 3.42                | 1.87  | 0.14   | 1.41                                    | 0.00              | 0.00                             | 0.0           | 41.3 | 0.00  | 0.0  | 0.00                | 0.0  |
| UNHCR      | 2.50                | 0.08  | 0.00   | 0.00                                    | 0.27              | 0.85                             | 10.8          | 0.0  | 0.27  | 34.0 | 1.30                | 52.0 |
| ILO        | 2.35                | 0.00  | 0.00   | 0.04                                    | 0.22              | 0.00                             | 9.4           | 1.7  | 0.22  | 0.0  | 2.09                | 88.9 |
| UN WOMEN   | 1.49                | 0.30  | 0.00   | 0.00                                    | 0.00              | 1.19                             | 0.0           | 0.0  | 0.00  | 79.8 | 0.00                | 0.0  |
| UNAIDS     | 0.51                | 0.12  | 0.00   | 0.02                                    | 0.03              | 0.35                             | 5.0           | 3.1  | 0.03  | 69.0 | 0.00                | 0.0  |
| TOTAL      | 550.66              | 48.45 | 33.29  | 128.62                                  | 51.43             | 75.96                            | 9.3           | 23.4 | 51.43 | 13.8 | 212.90              | 38.7 |

## **The Importance of Aid Information Management Systems**

One of the many challenges that arise when significant funds bypass the public sector is that the government has difficulty playing a leadership role in managing aid. As noted by Mr. Pierre Eroid Etienne, Director-General of the Government of Haiti's Ministry of Finance, in an interview conducted by the ODI on behalf of the OSE in August 2012, the "real problem is that we do not have, or I should say we have only very little, overall information on aid."

"We have very little information in this sector, very little. If we really want to help this country, we have to be able to manage this financial information, to centralize it somewhere for the benefit of everyone, both for the benefit of the state and also of donors themselves, so that everyone can know what interventions are being made in each sector... and this will also facilitate the coordination of donors' own interventions.

... [so] if we had information on disbursements to NGOs, disbursements to public institutions and to what sector and region, this would facilitate the programming of our local resources – or the Treasury's resources. What good is it to open a clinic in an area where there are already three run by NGOs? There is duplication simply because we do not have advance information."

### **Mr. Pierre Eroid Etienne, Director-General, Ministry of Finance Port-au-Prince, 9 August 2012**

"...We are required to be transparent. We publish the financial information relevant to the execution of our budget. All we ask is for the same transparency from our donor friends, which should help both us and them. This would place the dialogue between the state and the donors on a level that I would say is much better informed, where everyone knows what is happening, what are the interventions that the state is making, what are the interventions led by donors through the projects they fund, and also through non-governmental organizations."

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# 80% of aid to 27 countries in fragile settings bypassed national systems. 2010

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## SECTION 2. OVERVIEW OF AID IN OTHER FRAGILE SETTINGS

This section examines whether the aid disbursement trends in Haiti explored in Section 1 apply to other states in fragile settings. It takes a closer look at the same four indicators that illustrate how aid was channeled from bilateral and multilateral donors to Haiti. More specifically, it examines: 1) how much aid to fragile settings is delivered through country systems; 2) the degree to which donors fund local non-state service providers in recipient countries; 3) what percentage of untied aid is allotted to local procurement; and 4) what percentage of aid in fragile settings is granted in the form of cash transfers.

The data presented below not only allows us to draw comparisons between aid to Haiti and other least developed nations. It allows us to highlight the specific aid delivery mechanisms that are known to strengthen the public sector and stimulate local economies.

### 2.1 Use of Country Systems

As noted in Section 1, between 2010 and 2012 an estimated 10 percent of humanitarian and recovery funding from bilateral and multilateral donors has been channeled to the GOH using its systems. Table 10 provides a global comparison of this figure. It shows the amount of the funding channeled by donors through government systems in fragile settings as a percentage of the total aid that they receive.<sup>149</sup>

**Table 10: Aid to country systems in fragile settings in 2010 (in USD millions)**

| Country              | PFM rating | Estimated amount through country systems <sup>150</sup> | Total aid <sup>151</sup> | Percent through country systems | Amount to the govt sector <sup>152</sup> |
|----------------------|------------|---|--------------------------|---------------------------------|--|
| Congo Dem. Rep.      | 2.5        | 132.70  | 5,620.18                 | <b>2.4%</b>                     | 1,130.82                                 |
| Chad                 | 2.0        | 13.52   | 473.01                   | <b>2.9%</b>                     | 215.64                                   |
| Liberia              | 2.5        | 63.57   | 1,811.32                 | <b>3.5%</b>                     | 160.46                                   |
| Sudan                | 2.0        | 125.48  | 1,977.26                 | <b>6.3%</b>                     | 1,007.37                                 |
| Cameroon             | 3.0        | 50.36   | 591.41                   | <b>8.5%</b>                     | 360.04                                   |
| Guinea-Bissau        | 2.5        | 14.89   | 144.08                   | <b>10.3%</b>                    | 112.64                                   |
| Haiti <sup>153</sup> | 3.0        | 421.60  | 3,897.07                 | <b>10.8%</b>                    | 1,052.17                                 |
| Gambia               | 3.5        | 11.48   | 98.39                    | <b>11.7%</b>                    | 67.11                                    |
| Timor-Leste          | 3.0        | 36.91   | 291.55                   | <b>12.7%</b>                    | 220.25                                   |
| Comoros              | 2.0        | 7.26  | 55.56                    | <b>13.1%</b>                    | 37.92                                    |
| Sao Tome & Principe  | 3.0        | 6.06  | 45.82                    | <b>13.2%</b>                    | 37.76                                    |
| Central African Rep. | 3.0        | 36.54   | 270.82                   | <b>13.5%</b>                    | 126.81                                   |
| Togo                 | 3.0        | 58.44   | 416.28                   | <b>14.0%</b>                    | 111.52                                   |
| Solomon Islands      | 2.5        | 56.94   | 345.10                   | <b>16.5%</b>                    | 162.06                                   |
| Papua New Guinea     | 3.0        | 93.52   | 552.70                   | <b>16.9%</b>                    | 375.00                                   |
| Niger                | 3.5        | 120.55  | 706.77                   | <b>17.1%</b>                    | 435.78                                   |
| Afghanistan          | 3.5        | 1,171.24  | 6,422.06                 | <b>18.2%</b>                    | 5,341.54                                 |
| Burundi              | 3.0        | 126.36  | 607.22                   | <b>20.8%</b>                    | 502.65                                   |
| Tajikistan           | 3.5        | 104.61  | 414.43                   | <b>25.2%</b>                    | 340.46                                   |
| Nigeria              | 3.0        | 522.08  | 2,063.16                 | <b>25.3%</b>                    | 1,552.02                                 |
| Tonga                | 3.5        | 19.25   | 72.30                    | <b>26.6%</b>                    | 52.15                                    |
| Sierra Leone         | 3.5        | 117.38  | 439.70                   | <b>26.7%</b>                    | 356.29                                   |
| Kenya                | 3.5        | 470.89  | 1,744.72                 | <b>27.0%</b>                    | 887.64                                   |
| Uganda               | 3.5        | 633.58  | 1,612.29                 | <b>39.3%</b>                    | 1,051.29                                 |
| Nepal                | 2.5        | 426.20  | 945.61                   | <b>45.1%</b>                    | 769.49                                   |
| Ethiopia             | 3.5        | 1,825.97  | 3,324.07                 | <b>54.9%</b>                    | 2,776.61                                 |
| Rwanda               | 4.0        | 567.88  | 971.83                   | <b>58.4%</b>                    | 1,063.10                                 |
| <b>Total</b>         |            | <b>7,235.26</b>   | <b>35,914.73</b>         | <b>20.1%</b>                    | <b>20,306.58</b>                         |

Source: OECD CRS database and the Survey on Monitoring the Paris Declaration

This approach differs from the relevant indicator of the Paris Declaration that measures aid through country systems as a percentage of “aid to the government sector.” The OECD definition of “aid to the government sector” excludes humanitarian aid,<sup>154</sup> and has additional restrictions<sup>155</sup> that categorize it as a smaller pool of funds than total aid. It follows that aid using country systems is a smaller proportion of total aid compared to “aid to the government sector.”

As shown in Table 10, donors have channeled approximately 20.1 percent of their aid through the systems of governments in fragile settings, yet there is significant variance among countries. At the highest end is Rwanda, which receives 58.4 percent of its total aid through country systems, while the DRC represents the lowest end, with 2.4 percent of its aid channeled through country systems.

The factors that account for this difference are varied and difficult to determine.<sup>156</sup> The OECD and others have acknowledged a correlation between the World Bank ratings of a country’s public financial management (PFM) and procurement systems, and the extent to which donors use those systems (PFM refers to the government’s systems, policies and procedures for managing their finances, including budgeting, financial reporting and auditing public expenditure. For more information please refer to the Background section of this report. The World Bank ratings of these systems are based on the judgments of its technical staff according to key criteria, with zero being the lowest and six being the highest. See endnote 157 for more information on these ratings, produced as part of the World Bank Country Policy and Institutional Assessment (CPIA). The PFM ratings included in Table 10 correspond to criterion 13 of the CPIA and reflect the assessment by World Bank staff of the quality of a country’s budgetary and financial management).<sup>157</sup> However, there is significant variation between countries with the same ranking. For example, Cameroon and Nigeria both have a PFM rating of three, yet Cameroon receives 8.5 percent of aid through its systems while Nigeria receives three times more (25.3 percent). This variance suggests that other factors also influence the extent to which donors use country systems. This evidence is discussed further in Section 4.

## 2.2 Funding to Local Non-State Service Providers

As highlighted in Section 1, Haitian NGOs and businesses were the primary recipient of 0.6 percent of humanitarian and recovery funding between 2010 and 2012. With respect to the UN humanitarian appeals in Haiti, Haitian NGOs received 0.1 percent of funds in 2010, 2011 and 2012. Table 11 provides a global breakdown of funding requested and received by UN humanitarian appeals in 2012 according to organization type: UN entity, international and local NGOs and unspecified. (Governments are not eligible to include projects in the appeals<sup>158</sup>.) As shown in the table, \$4.27 billion has been channeled to activities in the appeal, of which 0.6 percent (\$24.44 million) was channeled directly to local organizations.

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**4%** of the \$8.6B in aid contracts in key countries went to local companies. 2009

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**Table 11: Funding requested and received by organizations participating in the United Nations humanitarian appeals globally in 2012 (in USD millions)**

| Type of organization | Original request |       | Revised Request |       | Received        |       |
|----------------------|------------------|-------|-----------------|-------|-----------------|-------|
|                      | \$               | %     | \$              | %     | \$              | %     |
| UN                   | 6,538.57         | 70.4% | 7,023.19        | 72.0% | 3,784.00        | 88.5% |
| INGO                 | 1,522.08         | 16.4% | 1,467.60        | 15.0% | 465.37          | 10.9% |
| Local NGOs           | 242.72           | 2.6%  | 233.13          | 2.4%  | 24.44           | 0.6%  |
| Unspecified          | 988.96           | 10.6% | 1,030.68        | 10.6% | -               | 0.0%  |
| <b>Total</b>         | <b>9,292.33</b>  |       | <b>9,754.60</b> |       | <b>4,273.81</b> |       |

Source: OSE estimates based on OCHA's Financial Tracking Service<sup>159</sup>

### 2.3 Local Procurement

Over the past decade, many donor countries have made progress altering aid policies that previously restricted – or tied – the procurement of goods and services to suppliers from their own country. In 2009, the OECD reported that 79 percent of total bilateral aid was untied, and that 86 percent of total bilateral aid to countries classified as LDCs and/or HIPC was untied.<sup>160</sup>

However, most goods and services provided as aid are still purchased by donors outside of the recipient country. As shown in Section 1, while 87 percent of aid in Haiti was untied in 2010, the share of contracts won by Haitian firms was smaller.<sup>161</sup> Based on the available data, Haitian firms won 1.4 percent from a major bilateral donor and 32.7 percent from a major multilateral donor.<sup>162</sup>

**Only 0.78%** of aid channeled to key countries went to cash transfers. 2010

This is consistent with other contexts. For example, in 2009 the OECD conducted a questionnaire among bilateral donors on competitive contracts awarded under the 2001 recommendation to untie aid in countries classified as LDCs and/or HIPC.<sup>163</sup> This recommendation excludes some forms of aid, including food aid and technical assistance, which have traditionally been tied. Thus, the percent of aid that is untied under the recommendation is a high 93.5 percent.<sup>164</sup>

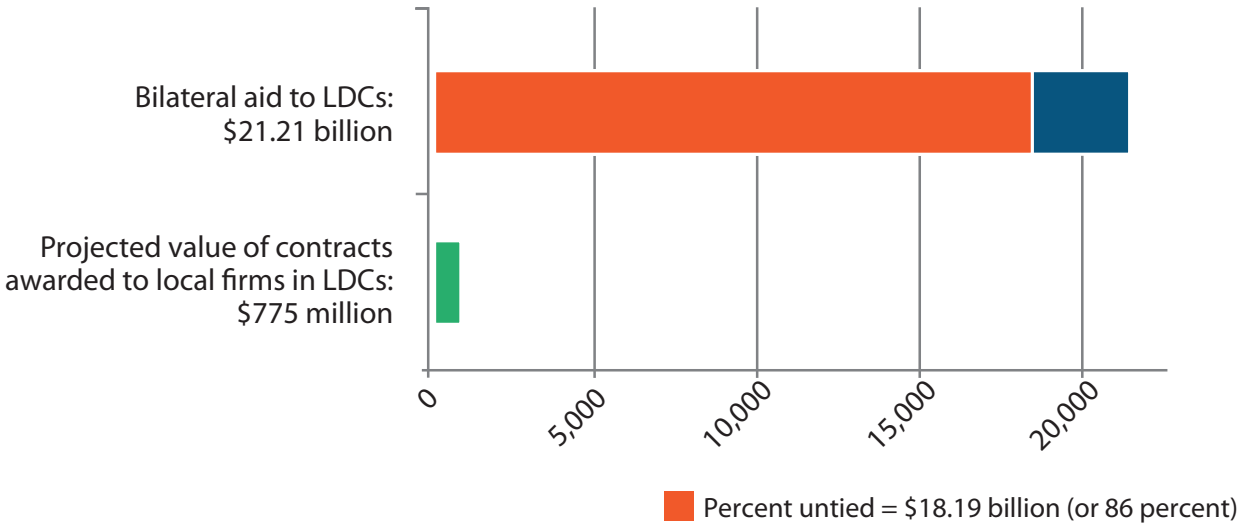
Fourteen members of the OECD's Development Assistance Committee responded to the questionnaire. These donors reported on \$8.64 billion in untied contracts awarded as part of their aid programmes in countries classified as LDCs and/or HIPC. As 'untied' or competitive contracts they are open to local firms to submit tenders. Of this \$8.64 billion: 58 percent of funding was won by firms in donor countries, 38 percent was won by firms in developing countries (excluding LDCs and/or HIPC), and only four percent was won by firms in countries classified as LDCs and/or HIPC.<sup>165</sup> Thus, even though bilateral donors had untied 93.5 percent of their aid to LDCs and/or HIPC as recommended,<sup>166</sup> they only awarded four percent of untied contracts to firms in these countries.<sup>167</sup>

As noted previously, the OECD’s 2001 recommendation excludes food aid and some forms of technical assistance. Thus, if the results of the OECD’s survey are extrapolated based on all aid from these 14 bilateral donors to LDCs, the following picture may be built:

- ▶ Total aid (in 2009) = \$21.21 billion<sup>168</sup>
- ▶ Aid untied (2007 – 2009 average) = \$18.19 billion (86 percent of total aid)<sup>169</sup>
- ▶ Amount contracted to local firms = \$775 million (3.7 percent of total aid)<sup>170</sup>

This extrapolation is presented in Figure G.

**Figure G: Projected aid from bilateral donors to LDCs and/or HIPCs and aid from bilateral donors that is contracted to firms in LDCs and HIPCs (in USD millions)**



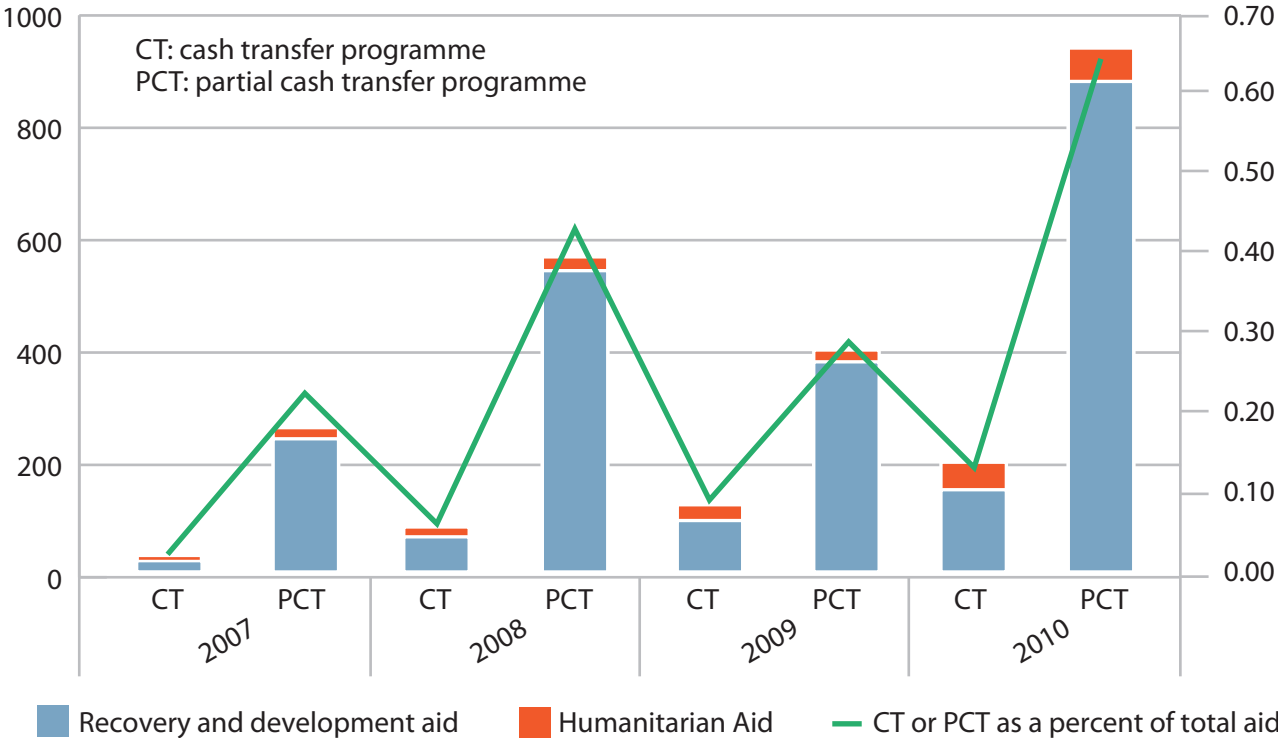
Sources: Estimates of the OSE based on the OECD survey

### 2.4 Cash Transfers

As discussed in Section 1, bilateral and multilateral donors reported that 2.4 percent of their humanitarian contributions to Haiti in 2010 were spent on cash transfers. This is consistent with trends globally, which were recently analysed by the UK-based consulting group Development Initiatives.<sup>171</sup> As shown in Figure H, while global aid in support of cash transfers has increased from 2007 to 2010, it still represents a fraction of total aid. For example, it is estimated that in 2010 funds channeled as cash transfers amounted to less than 0.78 percent of total aid, including 0.14 percent of total aid as full cash transfers and 0.64 percent as partial cash transfers.

These figures may in part be reflective of underreporting by donors on aid channeled in support of cash transfer programmes. It may, for example, be reported as part of education or health programmes. However, these figures are still low relative to other aid categories. For example, in 2010 donors spent an estimated \$1.14 billion on cash transfers and partial cash transfers,<sup>172</sup> while they reported spending \$7.7 billion in aid on experts and other forms of technical assistance.<sup>173</sup>

**Figure H: Total aid to cash transfers and partial cash transfers from 2007 to 2010 (in USD millions)**



Sources: Development Initiatives based on OECD CRS data

The four issues highlighted in this section – channeling aid through country systems, funding local non-state service providers, buying and hiring locally and supporting the poor directly through cash transfers – were selected because of their potential to stimulate local economies and provide services and income opportunities for the poor. Yet in spite of supportive donor policies, such as untying aid, this potential remains largely under-utilized. Section 3 examines the consequences of bypassing national and local institutions.

## SECTION 3. THE CASE FOR INVESTING IN LOCAL INSTITUTIONS

Over the past decade, the international aid community has increasingly recognized the need to combine service delivery and poverty reduction programmes with building local capacity. In particular, reform agendas – including the aid effectiveness and human rights movements – have sought to emphasize the need to strengthen the long-term capacity of local public and private institutions, enabling them to implement development and humanitarian programmes while remaining accountable to the poor. These commitments have since been formalized in various international agreements, including the Paris Declaration, whereby donors have committed to implement reforms that would support and strengthen local capacity.<sup>174</sup>

The findings presented in the previous two sections of this report, however, suggest that there remains a gap between the commitments donors have made in policy and how they are carried out in practice. This section highlights the potential consequences of this implementation gap. It also presents evidence of the benefits of local investment, especially those investments that channel funds directly to local institutions as well as working with and through them as the primary recipients of aid.

### 3.1 Implications of Bypassing National and Local Institutions

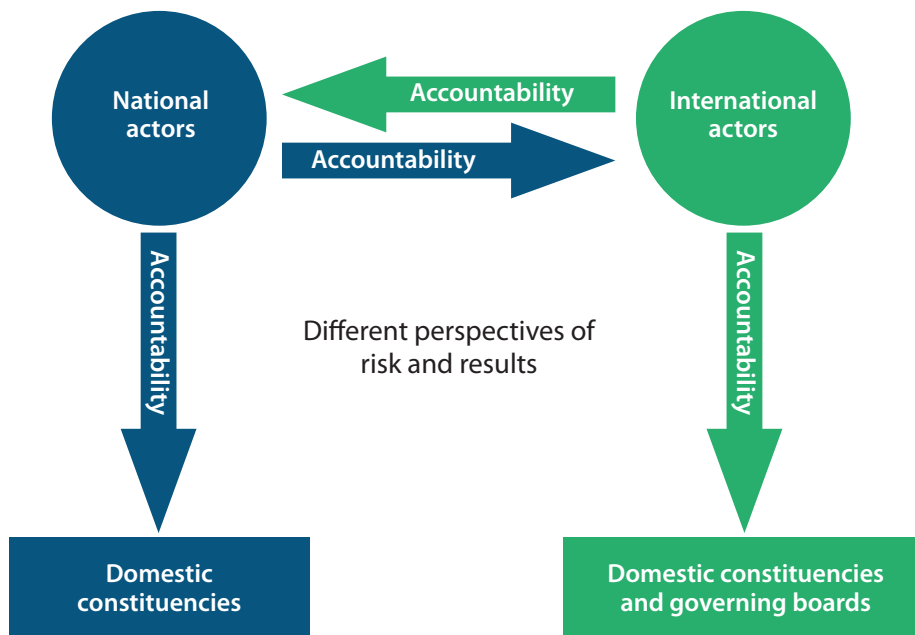
Bypassing national and local institutions, in the public or private sector, comes with a significant opportunity cost, which should be a factor in any risk assessment.<sup>175</sup> The risks of investing in national and local institutions, particularly in fragile settings, are much discussed, yet the harm caused by not doing so is often overlooked.

The government is the one stakeholder that is both accountable to its people and responsible for the nation's development. While donors provide aid with clear intentions to improve the well-being of citizens in fragile settings, they are not structurally accountable to them. Yet the governments that are responsible for their citizens' welfare often have budgets that are dwarfed by aid dollars. When these funds circumvent public institutions and are used to support parallel structures that provide basic services, it threatens the basic contract between the government and its citizens. These parallel structures not only weaken the authority of the government, but they weaken the ranks of the civil service as competent staff, such as frontline health workers, leave to seek steady wages elsewhere.<sup>176</sup>

This question of accountability for national and international actors was noted in the World Bank 2011 World Development Report (see Figure I). Just as there is a relationship of accountability between national and international actors, each is also responsible to its own domestic constituency, meaning that only national actors are accountable to their citizens. While international actors may deliver assistance that is defined by the interests of their constituencies, despite the best of intentions, this aid may not reflect the preferences and needs of those they serve. This issue was emphasized by the Chair of the UN's Senior Advisory Group on Civilian Capacity (2011), Mr. Jean-Marie Guéhenno, who described international actors as "supply-driven... focusing on what they can provide, rather than listening to the real needs of those whom they serve."<sup>177</sup>

The Global Humanitarian Assistance (GHA) 2012 Report shows that countries in fragile settings received nearly 90 percent of humanitarian aid,<sup>178</sup> yet these funds are more likely to bypass national and local actors. The 2011 World Development Report presented wide-ranging evidence suggesting that strong institutions are important for resolving conflicts and facilitating transition,<sup>179</sup> yet there is limited evidence that the current model of humanitarian action strengthens national and local institutions. The OECD's recently published guidelines on transition financing report that "humanitarian aid almost always by-passes central state institutions, and does little to build state capacity beyond the local level."<sup>180</sup> While immediate

Figure I: Accountabilities of national and international actors in development



Source: World Bank World Development Report (2011)

humanitarian action may necessitate bypassing public institutions, the concern is that, if sustained over time, this dynamic “can have a negative effect on ownership and state-building.”<sup>181</sup> While these negative effects are difficult to measure, the recent observation that only two (Angola and Serbia) of the 20 countries that receive the most humanitarian aid have clearly moved out of the emergency phase<sup>182</sup> between 2005 and 2009 suggests greater consideration should be given to supporting national and local institutions as part of humanitarian action.<sup>183</sup> These findings were echoed in the GHA 2012 report, which found that, in 2009, 68 percent of humanitarian aid was received by countries considered long-term recipients, or countries that have received an above average share of their total aid as humanitarian assistance for eight years or more over the past 15 years.<sup>184</sup>

Building effective and accountable institutions not only takes time; it requires investment in the people who run the institution, as well as strengthening the various political, financial and administrative transactions that are critical to operating institutions.<sup>185</sup>

The need for institution-building applies equally to the private sector, given the critical role it plays in helping the poor meet their basic needs, access social services and generate income. A report published by the GOH one month after the earthquake illustrates how, even during emergencies, households relied on local markets, credit and economic activities in order to meet their basic needs:

- ▶ 90 percent of households surveyed relied on local markets to buy food, which accounted for the highest share of their total household spending;
- ▶ Over 50 percent of households had gone into debt, primarily due to food expenditures. Other expenses financed through household debt included soap/detergent, coal, water and transport; and
- ▶ 19 percent of households had relied on migration to look for work opportunities or food.<sup>186</sup>

Households' cash needs were further underlined by the findings of the UN Inter-Agency Standing Committee (IASC) in its six-month report, which found that, in the agricultural sector:

- ▶ 51 percent of households surveyed had consumed their seed stocks;
- ▶ 39 percent had harvested their crops earlier than usual (thereby decreasing the total yield of their harvests); and
- ▶ 32 percent had increased their sales of livestock.<sup>187</sup>

Bypassing local businesses and markets not only misses opportunities to strengthen them – it can also weaken them. In Haiti, for example, there is evidence that free services provided directly by international organizations after the earthquake, rather than local subsidies, undermined local private service providers. The IASC's first real-time evaluation found that within three months of the earthquake, several private hospitals and schools had gone bankrupt. And the 2010 report to the UK's Disasters Emergency Committee found a similar effect on community-run water kiosks, which suffered as a result of free water trucking.<sup>188</sup> In recognition of the potential for negative impact, the IASC's Global Health Cluster published a position paper that reaffirmed international consensus regarding the need to abolish primary healthcare fees during humanitarian emergencies. The paper called on donors to provide material and financial support to national and local authorities and service providers in exchange for the suspension of user fee policies and practices.<sup>189</sup>

In July 2010, USAID conducted an analysis of Haiti's agricultural markets to ensure compliance with the Bellmon Amendment, passed by the U.S. Congress in 1977 and requiring that, before food aid can be provided by the U.S. government, the Secretary of Agriculture must first determine that it will not result in substantial disincentives or interference with domestic production or marketing, and that adequate storage facilities are available in the recipient country. The analysis found that "food aid is a catch-22. It is imperative that donors strike a careful and thoughtful balance between: meeting immediate needs through imported distributed food aid; and longer-term investment strategies which increase Haiti's domestic production and resiliency to future shocks."<sup>190</sup>

## 3.2 Strengthening Public and Private Institutions

### a) Investing in the public sector

Through their commitment to the Paris Declaration – as well as the Accra Agenda for Action and the Busan agreement – donors have agreed to increase their investments in local institutions.

#### i) Building systems

By channeling aid through the systems of public institutions (with appropriate technical assistance<sup>191</sup>), donors strengthen those institutions. With respect to budgetary systems, surveys have found that, in a majority of cases, using country systems has strengthened the capacity of the Ministry of Finance (MOF) to manage the budget and disburse funds on time,<sup>192</sup> as well as the whole of government's participation in the budget process.<sup>193</sup> Furthermore, these gains were found to increase with the share of funds channeled through country systems.<sup>194</sup>

The ability of governments to monitor and account for their use of domestic and donor funds has also been improved in the majority of cases, in particular as a result of effective capacity development programmes targeted at national accounting and auditing systems. Using country systems reinforces the responsibility of the MOF and strengthens its position for monitoring the budget's execution. In addition, it also focuses attention on major capacity gaps affecting the MOF's ability to monitor expenditure.<sup>195</sup> A review of sector budget support from 2010 found that, in Uganda, budget support helped identify areas of the government's accounting and audit capacity that needed to be strengthened, resulting in a capacity development programme that led to an increase in the number of professionally qualified accountants in local governments, from zero in 1998 to 41 in 2007, and in the number of qualified accounting technicians, from three in 1998 to 391 in 2007.<sup>196</sup>

#### ii) Expanding service delivery

Of equal if not greater importance, channeling aid through country systems also strengthens the state's capacity to respond to the needs of its citizens by increasing the funding available to expand access to essential services.<sup>197</sup> Surveys,<sup>198</sup> including one conducted by the UK National Audit Office,<sup>199</sup> have found that:

- ▶ In 82 percent of cases<sup>200</sup> recipient governments increased spending in priority areas, especially in the health and education sectors, in which domestic spending doubled in one case over a two-year time frame;<sup>201</sup>
- ▶ In 100 percent of cases where it was a priority, recipient governments expanded service provision;<sup>202</sup> and
- ▶ Recipient governments were twice as likely to report improved access to services than countries that did not receive budget support.<sup>203</sup>

Similar evaluation findings have also been reported by the World Bank.<sup>204</sup>

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Governments receiving budget support **are 2X** more likely to report improved access to services.

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The evidence is also clear that strengthening the state's capacity to provide basic services requires investing in a strong civil service. This is particularly important for improving the quality of service provision, given that weak human resource capacity as a result of staff shortages and low pay and motivation was found to be among the most significant factors contributing to the inequity and poor quality of services.<sup>205, 206</sup> According to the 2010 evaluation of sector budget support, however, these capacity gaps have been overlooked by donor programmes: of the ten case studies surveyed, only one tried to address human resource capacity<sup>207</sup> and only two succeeded in improving performance.<sup>208</sup>

The evaluation found that these human resource capacity gaps reflected widespread neglect of the need to strengthen service delivery processes, or the systems through which the day-to-day operations of delivering services are run. According to the authors, this has contributed to a 'missing middle' in the service delivery chain. This gap extends to the systems for managing and supervising staff and for monitoring contractors and non-state providers. It is also reflected in the way donors' funds are spent – which simply passed through district administrations without being used to strengthen, or even fund, their management capacity.<sup>209</sup>

Related to this is also the continued preference of donors to direct aid towards investments that will lead to tangible results – such as new schools or clinics – rather than fund the recurrent expenses that are needed to run existing schools and clinics. Yet these recurrent expenses – including the salaries of front-line service providers and their managers at the district level, as well as the costs of maintaining equipment and infrastructure – are critical to the daily operations of service delivery centres and are widely cited as reasons underpinning the poor quality of services.<sup>210</sup>

In contexts where donors need to directly fund external service providers to help manage the expansion of basic services, donors will often face a choice between engaging international or local service providers. Under these circumstances, funding local service providers presents an opportunity for donors to reinforce local systems and capacities.<sup>211</sup>

### **iii) Economic impact**

Other important benefits of using country systems have been recorded. Channeling aid to the government, as opposed to international companies and organizations, has a 'dramatically higher' local economic impact as a result of local procurement and income generating opportunities.<sup>212</sup> In Afghanistan, one study showed that aid channeled through country systems had increased the value of production undertaken by local workers and businesses by 70 to 80 percent, compared to 10 to 20 percent for funds channeled to international companies and organizations.<sup>213</sup>

The transaction costs of aid are also significantly less when it is channeled through country systems, resulting in efficiency gains for both donors and partner governments in time and cost savings.<sup>214</sup> Historically, donors have sought to strengthen the public sector through technical assistance – an option that is not always effective, in spite of high costs. According to the 2011 World Development Report, a quarter of aid in Afghanistan targeting government capacity was spent on technical assistance, which has largely been ineffective.<sup>215</sup> Furthermore, the total cost of each full-time expatriate consultant working in private consulting companies is in the region of \$250,000 per year, with a significant number costing up to half a million dollars. This is about 200 times the average annual salary of an Afghan civil servant, who is paid less than \$1,000.<sup>216</sup> Likewise, in Cambodia ActionAid found that in 2002, 700 international advisors cost \$50-70 million – almost as much as the wage bill of Cambodia's entire 160,000 member civil service.<sup>217</sup>



## b) Promoting economic activity

It has been well established that economic growth in fragile settings is linked to a reduction in violence and a corresponding boost to development. Leading economist and Director for the Centre for the Study of African Economies at The University of Oxford, Paul Collier, has further highlighted the contribution that aid can make to economic growth in fragile settings through investment in the local economy.<sup>218</sup> This report focuses on two ways through which aid targeted to the public sector can promote economic activity in the context of investing in basic services: local procurement and cash transfers. Such approaches are not only cost-effective for donors; they create jobs and incomes for households, and help stimulate further demand within the local economy.

### i) Local procurement saves money and creates jobs

Available evidence suggests that small and medium-sized local businesses are more likely to win contracts from donors for smaller values.<sup>219</sup> Yet the higher administrative costs associated with issuing more contracts for lesser quantities is one barrier that prevents local businesses from competing and donors from buying locally.<sup>220</sup> In spite of these higher administrative costs, however, the savings in transportation and commodity prices ensure that local procurement is cost-effective, as is illustrated by the World Food Programme's Purchase for Progress (P4P) initiative. A five-year pilot programme launched in 2008, P4P recognizes the power of food aid to promote employment for the world's poorest farmers and broaden their access to domestic markets by training them in farming techniques, quality control and post-harvest handling. Between January 2009 and 2012, purchases under P4P accounted for 13 percent of all the food bought in 20 countries. This local procurement resulted in significant savings for WFP, or \$40.4 million between September 2008 and June 2012.<sup>221</sup>

Many donor countries have made progress reforming aid policies that previously tied the purchase of goods and services to suppliers from their own country. This is a positive step, as untied aid provides more value for every dollar. Estimates suggest that, overall, tied aid is 15 to 25 percent more costly, and over 50 percent more costly for food aid specifically.<sup>222</sup> Other examples of savings include:

- ▶ A recent study showed that the cost of building a kilometre of road in Ghana or Viet Nam, for example, falls by 30 to 40 percent when it is built by a local company.<sup>223</sup>
- ▶ Following Typhoon Ketsana in the Philippines in 2009, the American Red Cross – with funding from USAID – more than doubled the number of emergency family kits it provided to affected communities by buying most of the goods locally.<sup>224</sup>
- ▶ The OECD found that when donors export food aid it costs 50 percent more than local food purchases and 33 percent more than food procured in third countries.<sup>225</sup>

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When donors export food aid it costs **50%** more than local food purchases.

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In addition to saving money, local procurement also creates jobs. A promising initiative known as the *Afghan First* policy illustrates the impact donors can have on job creation through local procurement. In 2006 the U.S. military developed an informal *Afghan First* approach to encourage local procurement of goods and services; in 2009 the U.S. government instituted the *Afghan First* policy across all of its government agencies operating in Afghanistan, prompting other donors to do the same. With the support of an NGO called Building Markets (formerly Peace Dividend Trust), that provides information and tools to bring together local businesses and international suppliers, local procurement by donors has channeled over \$1 billion into the local economy and created or sustained 130,000 short-term<sup>226</sup> jobs across Afghanistan.<sup>227</sup> In an in-depth study on job creation, Building Markets' research showed that 147 Afghan businesses that were awarded international contracts expanded their employee base on average by 323 percent, with one month of employment being created for every \$600 spent by donors.<sup>228</sup> Furthermore, on average, businesses had 65 percent more employees after a contract ended than before it began.<sup>229</sup> In the first quarter of 2011 alone, local procurement employed an estimated 35,000 people for six months.

## ii) Cash transfer provides income and stimulates demand within the economy

A recent review concluded that there is “convincing evidence” that “cash transfers can reduce inequality and the depth or severity of poverty.”<sup>230</sup> In South Africa, for example, a cash transfer programme reduced the poverty gap (the average shortfall of the total population from the poverty line) by 47 percent<sup>231</sup> and approximately doubled the share of national income for the poorest twenty percent.<sup>232</sup> Through much needed income support, cash transfers also enable people to access health and education services. A cash transfer feasibility study in Haiti interviewed potential beneficiaries, who reported that they most needed money or work in order to send their children to school.<sup>233</sup> In southern Africa, where the impact of HIV has left many children under the care of relatives, cash transfer programmes have supported them to live in the care of their families and remain in school.<sup>234</sup>

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**47%:** reduction in poverty gap through a cash transfer programme in South Africa.

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Cash transfers have also been shown to stimulate household wealth and demand within the local economy.<sup>235</sup> For example, a cash transfer programme in Zambia increased the ownership of goats from 8.5 percent of households to 41.7 percent,<sup>236</sup> and in Bangladesh, cash transfers awarded through a DFID-funded programme increased the value of household-owned livestock assets by approximately 12 times.<sup>237</sup> Various studies show that these programmes benefit not only the recipient households, but also infuse cash into local economies. A study of a cash transfer programme in Malawi showed that for every \$1 made as a transfer, a regional multiplier of 2.02 to 2.45 was observed in the local economy, benefiting traders, suppliers, services and other non-recipients within the community and beyond.<sup>238</sup> A DFID-funded programme in Zambia showed that cash transfer recipients in three pilot districts had increased their spending on consumption by at least 50 percent.<sup>239</sup>

## c) Relevance to humanitarian context

While recovery and humanitarian assistance have different programmatic objectives, a number of the benefits of investing in public and private institutions discussed above are also applicable in humanitarian contexts.

During emergencies, when governments are often unable to fulfill their regular functions and pay the salaries of public employees – including key front-line service providers – direct financial support is critical. In addition

to calling on donors to support local public and private service providers during emergencies, the IASC's Global Health Cluster also highlighted the importance of protecting the salaries of local front-line healthcare providers during the emergency phase.<sup>240</sup>

Furthermore, using country systems to channel support to public institutions during emergencies can increase effectiveness and efficiency. Humanitarian actors have increasingly recognized the importance of providing flexible financing during emergencies.<sup>241</sup> In order to ensure that goods and services reach victims quickly, the recipients of humanitarian aid must be able to spend funds quickly and adapt their use of the funds in order to keep pace with changing needs on the ground.<sup>242</sup> As flexible financing mechanisms that allow public institutions to make decisions about where and when to spend resources, country systems are a readily available channel for providing this flexible support to governments during emergencies.

Ensuring that public institutions are equipped with flexible financing is especially important, given the unique position they are in to identify and respond to evolving needs on the ground. Public institutions have greater local knowledge, which not only allows them to identify needs but also to adapt relief efforts so that they can more effectively support local coping mechanisms.<sup>243</sup> They also have existing capacities for delivering services, with greater geographical coverage, which allows them to expand the reach of the humanitarian response.<sup>244</sup> In addition, a greater decentralization of the response, especially during the transition period, can reduce population flows into the areas where the response is focused, which can aggravate the strain on relief and recovery efforts in these areas. In the immediate aftermath of the earthquake in Haiti, Port-au-Prince saw a population outflow of 600,000. Within two months, however, this was reversed, with 230,000 Haitians migrating back into the city. Of those coming to Port-au-Prince during this period, one third had not lived in the area prior to the earthquake.<sup>245</sup>

Moreover, there is also growing evidence of the positive impact of providing support directly to governments – especially public service centres – during emergencies and transition. The positive role that public institutions can play during the emergency response has been increasingly recognized. In Haiti, for example, Zanmi Lasante (ZL) (Partners In Health's (PIH) sister organization in Haiti) at the request of the Government of Haiti's General Hospital in Port-au-Prince, helped staff restore services and coordinate other NGOs and volunteers. Together, staff and volunteers kept 12 operating rooms running despite the damage to the hospital.<sup>246</sup> ZL and PIH also worked with the American Red Cross to facilitate the transfer of over \$2.5 million to provide salary supplements to the hospital's employees and to support operations and infrastructure.<sup>247</sup>

Similarly, an independent evaluation of the response to the cholera epidemic in Zimbabwe in 2008, commissioned by the EU, highlighted a partnership with public health clinics in rural areas that helped international actors expand their reach. Six international NGOs distributed potable water in affected rural areas to public health clinics and provided financial incentives to public employees to compensate for delays in their salaries. Based on interviews with officials involved in the creation and implementation of the response, the evaluation found that this partnership also contributed toward:

- ▶ The increased reach of the potable water supply into neighboring communities;<sup>248</sup>
- ▶ Decreased cholera caseloads and vulnerability, as well as all other water-borne diseases, maternal health issues, and accidents;<sup>249</sup>
- ▶ Increased preparedness for future outbreaks of water-borne diseases;<sup>250</sup>
- ▶ Improved linkages<sup>251</sup> with remote facilities within the Ministry of Health; and
- ▶ Effective mitigation of chronic staff shortages in rural clinics during the emergency period.<sup>252</sup>

Lastly, supporting public institutions can also help build their resilience to future emergencies.<sup>253</sup> Results from the second Real Time Evaluation of the response to the earthquake in Haiti, that was commissioned by the IASC 20 months after the event, underscores this point. The evaluation found that Haiti's Directorate for Water Supply and Sanitation, which received 70 million euros in direct support from Spain early on in the emergency phase, was better able to assume its share of cholera-related duties in sanitation management than the Ministry of Health was able to take over cholera treatment centres; the latter, which received no direct investment during the emergency phase, was impaired by funding and capacity issues.<sup>254</sup> This was foreshadowed by a review of the health response in June 2010 that reported: "nothing was done to ensure that the capacity of national [health] bodies was strengthened so that they could assume leadership. Announcements about the 'role of the Haitian state' remained a dead letter to a great extent, despite the fact that the 'DINEPA model' showed that, with adequate support, the Haitian institutions could play an essential role."<sup>255</sup>

In the private sector, the same evaluation cited the lack of attention to livelihoods as a 'gap' in the response.<sup>256</sup> Given the fact that emergencies have a severe impact on local economic activity, causing strains among households to generate income and preserve assets, supporting livelihoods and strengthening local markets during such periods of crisis remain especially important. For example, within two months of the earthquake Haiti had already suffered an 8.5 percent total job loss, according to the post-disaster needs assessment conducted by the Government of Haiti, the World Bank and the UN. On a national scale, the total value<sup>257</sup> of losses and damage caused by the earthquake was estimated at \$7.8 billion, or slightly more than Haiti's GDP in 2009, of which 70 percent was incurred in the private sector (\$5.7 billion).<sup>258, 259</sup>

A recent report on Christian Aid's unconditional cash transfer programme in Haiti – launched several weeks after the earthquake – reflects the cash needs of the poor in affected areas.<sup>260</sup> Of the transfers received, households spent:

- ▶ 47.3 percent on basic needs, including food, water, rent/shelter (a survey of apparel workers conducted by the AFL-CIO found that rent for comparable lodging had, on average, increased after the earthquake from \$17 to \$98 per month<sup>261</sup>);
- ▶ 21.0 percent on cooking fuel and household goods;
- ▶ 19.8 percent on basic services, including education and health;
- ▶ 6.7 percent on small enterprise; and
- ▶ 5.2 percent on debt repayment and savings.

In recognition of the strain households experience during emergencies, IASC developed the Operational Guidelines on the Protection of Persons Affected by Natural Disasters in 2011. It stipulates that access to livelihoods and employment opportunities should be facilitated, to the greatest extent possible, early on during the emergency response phase.<sup>262</sup> In addition, the guidelines also recommend that donors consider cash grants as a means of supporting IDPs to stay with host families. This strategy seeks to avoid the need for massive IDP camps, which, the guidelines emphasize, should be considered as a measure of last resort. In this regard, cash grants can "strengthen the absorption capacities and resilience of host communities."<sup>263</sup>

## Case study: Support to the Liberia Ministry of Education

*By Aleesha Taylor, Deputy Director, Education Support Program, Open Society Foundations*

After nearly two decades of civil conflict and mismanagement, Liberia's physical and governance infrastructure was destroyed and its brutalized population struggled with high levels of illiteracy and unemployment. The inauguration of Ellen Johnson Sirleaf, Africa's first female head of state and a highly respected Harvard-trained economist, inspired confidence and optimism for the reconstruction and development of the nation. Public and private institutions around the world rallied to express their commitment and support for her presidency, and Liberia was fully expected to be a success story for post-conflict reconstruction and democratic transition. Education, along with health and infrastructure, was identified as the core component of Liberia's post-conflict development agenda.

In May 2007 the Ministry of Education, together with UNICEF, put forward an application for funding from the then Education For All-Fast Track Initiative (EFA-FTI) – now the Global Partnership for Education – to support its interim plan for recovery of the primary education sub-sector. Despite the government's need for funding and the donor community's expressed commitment to supporting the education sector, the \$40 million request was denied. Following years of conflict and instability, the government was not able to meet the stringent requirements imposed by the global aid architecture. In response, Open Society Foundations (OSF) and the Government of the Netherlands made a commitment to work in collaboration with UNICEF to deliver up to \$20 million to Liberia's Ministry of Education to catalyze the sector's recovery and to support the development of a comprehensive sector plan with which it could return to the EFA-FTI for more significant funding. The Liberia Education Pooled Fund (EPF) was thus developed and launched in May 2008. While the primary purpose of the EPF was to provide transitional funding, the mechanism also served to establish a foundation for stakeholder engagement and donor coordination.

The EPF has been identified by organizations such as the OECD, the Interagency Network for Education in Emergencies, and the UN as a flexible transitional aid modality that supported both programmatic implementation and the systemic development that would lead to long-term financing. The mechanism has also been highlighted as an innovative public private partnership in which a foundation pooled its funding and efforts with a multilateral and bilateral organization in support of a national education program. The funding modality enabled the Ministry of Education (MOE) to commence construction of 40 primary schools, purchase teaching and learning materials that reduced the student textbook ratio from 27:1 to 2:1, re-establish three Rural Teacher Training Institutes, and strengthen sub-national structures to carry out their mandate in the newly decentralized system.

In addition to the \$5 million contributed by OSF, the Foundation also made a commitment to partner with the MOE to provide additional support and technical assistance to enable implementation of planned activities and the submission of a successful application to the EFA-FTI. Partnership with the MOE and the comparative flexibility that tends to characterize foundations enabled OSF to respond to capacity gaps and unforeseen situations that would have otherwise hindered programme implementation and systemic development. For example, between 2007 and 2010 the Foundation provided long- and short-term technical assistance to support the MOE's ability to develop implementation plans for the sector, conduct international procurement of learning materials, develop a storage and distribution system for learning materials, complete the

comprehensive education sector plan, and fulfill the additional requirements that would lead to a successful funding application from the EFA-FTI (i.e., completing a national sector review and regional consultation process).

Following the MOE's successful application for \$40 million of EFA FTI funding in 2010, the focus shifted away from filling gaps with technical assistance towards developing durable capacity that would be able to provide long-term support with less direct intervention by OSF staff. Through consultation with the government and its development partners, OSF committed to the establishment and support of a Sector Coordination Unit within the MOE's Department of Planning. OSF worked with the MOE to identify the necessary positions and spent nearly one year recruiting three senior planning specialists, a donor coordinator, a sector coordinator, an M&E specialist, a financial management specialist and a policy advisor to the Minister – all but one of whom are Liberian nationals. The concept was to shift the balance of power back towards the MOE by increasing its level of expertise in a way that would enable the government to take more of a leadership and less of a responsive role in the development of the sector.

This institution-building approach poses challenging questions. First, while the first few years of OSF's support for Liberia's educational recovery have highlighted the importance of flexible funding modalities and informed the development of the EFA-FTI's (now Global Partnership for Education's) more nuanced approach for fragile and conflict-affected states, it is recognized that the initial focus of implementing a short-term plan and helping to secure longer-term financing may have been short-sighted. The limited, yet functional, goals restricted attention to discrete milestones rather than long-term development. The question remains how different could the sector be if OSF committed to developing the MOE as a national institution and supporting a core team of long-term experts beginning in 2007, rather than focusing on the specific expertise that was needed to complete specific tasks.

Second, an interesting thing happened once attention was shifted from tasks such as 'implementation of the pooled fund' to discussing priorities to 'develop MOE capacity to lead the sector.' Many partners found this new focus difficult to grasp at first. Some seemed taken aback that OSF was not putting a team in the MOE to oversee the implementation of a programme it was funding, and OSF's explanation that it wanted to support the MOE to better coordinate, implement and monitor all resources that were committed to the sector was met with both surprise and thanks. Organizations that led the sector during the years of instability and were used to operating independently were now being asked to submit their plans to the MOE and sometimes asked to revise their plans according to government priorities.

The growing pains and learning curve continue, and the establishment of the Sector Coordination Unit addresses only a portion of the capacity concerns within the Ministry of Education. It does show, however, that realization of the international accords on aid effectiveness and support for national systems remains a distant reality. To address this the international community should expand the accountability discourse to not only include the accountability of recipient governments to explain lack of progress, but also to include donor aid effectiveness as a critical element of a country's long-term development.



## SECTION 4. OVERCOMING CHALLENGES OF WORKING IN FRAGILE SETTINGS

While Section 3 underscores the importance of investing in national and local institutions, this section examines the risks donors face in doing so – particularly in fragile settings – and how they can best manage that risk to fulfill their commitments to the aid effectiveness agenda.

The specific institutional, social and political context of any fragile setting can present numerous risks – a source of understandable concern among donors. In recognition of these risks – as well as the opportunities available to manage them – donors committed in the 2005 Paris Declaration to “establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures.”<sup>264</sup> Reiterating this commitment again at Busan in 2011, donors agreed to provide support to “developing countries’ efforts to strengthen core institutions and policies... through approaches that aim to manage – rather than avoid – risk.”<sup>265</sup>

These commitments are backed by evidence and drawn from collective experience and lessons learned. They are also based on the growing recognition that bypassing country systems as a response to corruption is neither a sufficient nor an effective solution. In fact, the OECD and the 2011 independent evaluation of the Paris Declaration have both found that funds channeled as project aid – an alternative to providing budget support that is often considered to be less risky – are no less vulnerable to corruption than funds channeled through country systems.<sup>266</sup> Furthermore, according to the OECD, bypassing public financial systems “may also make corruption worse by draining resources, including vital human resources, from the government.”<sup>267</sup>

This section examines the available evidence on donors’ perceptions of risks in fragile settings and the approaches that they have developed to date to manage them. While the main focus is on the perceived risks of investing in the public sector, the section also aims to address the underlying approaches to risk that might be obstructing available opportunities to work with private institutions. It seeks to provide recommendations for improving current approaches to risk that can be applied to both sectors.

### 4.1 The Decision to Work with Local Institutions

While working in fragile settings presents a variety of risks, donors are predominantly concerned with the risks associated with misuse of funds – or not being able to account to their own constituents or governing boards.

When donors make decisions about whether to invest in country systems they consider different types of risks. In its 2012 paper, “Managing Risks in Fragile and Transitional Contexts,”<sup>268</sup> the OECD differentiated between the following types of risk:

- ▶ Contextual risks, including the risks of instability and humanitarian crises;
- ▶ Programmatic risks, or the risks of a programme’s objectives failing or causing harm; and
- ▶ Institutional risks, or the internal risks donors face related to operational security, their financial fiduciary responsibilities and the reputational costs that might arise from misuse of funds, as well as the potential political and reputational costs from engaging in fragile settings.

Of these three types of risk, donors interviewed by the OECD expressed most concern about the latter, in particular the potential political and fiduciary risks of engagement.<sup>269</sup> While officials reported greater acceptance within their agencies of programme objectives not being met, there was no tolerance of financial resources being misused or unaccounted for, nor of the reputational risks that could arise from financial misuse. These were perceived to be non-negotiable risk outcomes.<sup>270</sup>

According to a World Bank study<sup>271</sup> published in 2009, donors modulate their decisions to use country systems according to their perceptions of a country's ability to monitor and control public expenditure. The study found a positive correlation between donors' use of country systems and the country's budgetary and financial management World Bank rating (criterion 13 of the World Bank's CPIA ratings).<sup>272</sup>

Using a different methodology, the OECD has described the relationship between donors' use of country systems and the World Bank's rating of them as "at best weak", highlighting the differences in donor behavior in countries with the same ratings. As discussed in Section 2.1, data gathered for the OECD's 2011 Survey on the Implementation of the Paris Declaration and presented in Table 10 shows there is wide variation in the proportion of aid that donors channel through country systems for countries that have received the same World Bank rating.

The World Bank 2009 study also found that donors' use of country systems was affected by other factors, including:

- ▶ **Their mandates:** Multilateral donors are more likely to use country systems than bilateral donors. The study's authors suggest that this is due to the fact that, given their more direct relationship to public opinion through their constituencies, bilaterals face greater exposure to political risks. In anticipation of scrutiny from their electorate, bilaterals would therefore tend to channel less aid through modalities that are perceived to be riskier. This finding is consistent with the data on the delivery of aid to Haiti, described in Section 1. While multilaterals disbursed 29.7 percent of recovery funding as budget support to the GOH, bilaterals only disbursed 3.6 percent.
- ▶ **Electoral support:** There was a stronger correlation between bilateral donors' use of country systems and their constituents' confidence in the effectiveness of aid.<sup>273</sup> Bilaterals expressing low public support for aid might therefore tend to channel an even lower share of their funds through country systems.
- ▶ **Their share of a country's total aid:** A donor's use of country systems was greater in countries where it provided a larger share of total aid received, relative to other donors.<sup>274</sup> (According to a 2012 update of the 2009 World Bank study, use of country systems increased by 4.5 percent for every 10 percentage point increase in the donor's share of aid in a country.<sup>275</sup>) The decision to channel funds through country systems requires donors to weigh the risks and benefits of doing so. While the donors that contribute a smaller slice of the aid pie to a particular country will be less likely to risk investing in country systems, for the donors that contribute a larger portion of the aid pie, the benefits of channeling funds through national institutions outweigh the institutional risks from, for example, leakage.

These findings suggest that the political will to use country systems (and to manage the potential risks associated with using them) also plays an important role in influencing donors' decisions to channel their funds through country systems.<sup>276</sup> This is echoed in the findings of a 2011 Oxfam study on the provision of general budget support (GBS) in states in fragile settings.<sup>277</sup> The authors found no discernible patterns between the amount of GBS disbursed in 20 countries in fragile settings, including Haiti, and the following factors:



- ▶ A country's fragility status (both conflict-related and not);<sup>278</sup>
- ▶ A country's development progress (measured by long- and short-term changes in a country's Human Development Index or prospects of achieving the MDGs);<sup>279</sup> and
- ▶ The amount of humanitarian aid received by a country, which, according to the authors, suggests that there is no link between the provision of GBS and greater stability or greater needs.<sup>280</sup>

## 4.2 Understanding the Current Evidence on Institutional Risks

Empirical data on the incidence of corruption is, by nature, limited.<sup>281</sup> However, initial evidence, based on donors' reports of the funds that they have been unable to account for, suggests that leakage from fraud is lower than the emphasis placed on institutional risks would suggest. For example:

- ▶ In 2010-11, DFID spent over £7 billion in aid (including £643.7 million in budget support<sup>282</sup>) and reported losses due to fraud amounting to 0.016 percent of its overall expenditure;<sup>283</sup>
- ▶ The potential loss from currently active cases is estimated to represent 0.017 percent of the \$20 billion appropriated to AusAID from July 2004 to December 2010;<sup>284</sup>
- ▶ According to a recent analysis by the Inspector General of the Global Fund to Fight AIDS, Tuberculosis and Malaria, of \$3.8 billion of funding audited since 2005, only 3 percent was misspent, misappropriated, or unaccounted for, and only 0.5 percent as a result of fraud.<sup>285</sup>

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**0.016%** lost to corruption  
of DFID's £7 billion in aid.  
*2010-2011*

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These examples show that these donors were unable to account for only a relatively low share of the funds they provided in aid, suggesting that they have developed successful strategies for avoiding exposure to the potential institutional risks that stem from their fiduciary responsibilities over aid funds. The next section provides an overview of the measures that donors rely on to address potential institutional risks.

## 4.3 Managing Fiduciary and Political Risks in Practice

Recognizing the benefits of working in fragile settings, donors have developed a number of measures to mitigate the factors that can exacerbate fiduciary and political risks. Table 12 lists several of these strategies.

**Table 12: Managing risks in fragile settings**

| Perceived challenge  | Means of mitigation   |
|--|---|
| <b>Institutional capacity, including public financial management (PFM) and implementation capacity</b> |   |
| Decision-making, including planning, capacity  | <p>Short-term technical assistance, including:</p> <ul style="list-style-type: none"> <li>• Embedded peer-to-peer advisers</li> <li>• Support to decision-making processes by embedded staff</li> </ul> <p>Medium- and long-term capacity development, including:</p> <ul style="list-style-type: none"> <li>• Facilitated planning exercises</li> <li>• Peer-to-peer learning with relevant counterparts</li> </ul>  |
| Quality of PFM and procurement systems   | <p>Short-term technical assistance and medium- and long-term capacity development</p> <p>Technical safeguards (see section 4.4 for a discussion of these measures):</p> <ul style="list-style-type: none"> <li>• Phased funding</li> <li>• Earmarking of funds</li> <li>• Making funds traceable (which requires aid funds be listed separately in national expenditure reports)</li> <li>• Funding through reimbursement</li> <li>• Disbursing funds year by year, dependent on successful adherence to conditions relating to PFM quality and reform</li> <li>• Conducting independent accounting and/or audits, in addition to or in place of national reporting and auditing</li> </ul> |
| Capacity of service delivery systems, including human resources  | <p>Strengthen human resource capacity, through:</p> <ul style="list-style-type: none"> <li>• Comprehensive human resource development strategy</li> <li>• Secondments of appropriate technical assistance</li> <li>• Sustained and tailored capacity development</li> <li>• Peer-to-peer learning with relevant counterparts</li> </ul> <p>Strengthen service delivery processes, through:</p> <ul style="list-style-type: none"> <li>• Capacity asset mapping</li> <li>• Phased approaches with gradual increased support to and reliance on local implementing partners</li> </ul>  |

**Table 12: Managing risks in fragile settings** *(continued)*

**Governance, including ability to control corruption and enforce transparency**

|                                 |   |
|---------------------------------|---|
| Alleged or perceived corruption | <p>Strengthen ‘accountability infrastructure’ through technical assistance and capacity development that aim to strengthen national reporting and audit capacity</p> <p>Introduce or support internal controls to detect corruption<sup>286</sup></p> <p>Introduce technical safeguards on the use of funds (see PFM section)</p> <p>Support anti-corruption initiatives and reforms, including the establishment of independent oversight and decision-making bodies</p> |
|---------------------------------|---|

|                        |   |
|------------------------|---|
| Financial transparency | <p>Strengthen national reporting and audit capacity</p> <p>Include transparency criteria in budget support negotiations</p> |
|------------------------|---|

**Administration’s political agenda and actions**

|                                  |  |
|----------------------------------|--|
| Concerns about specific policies | <p>Tie disbursement to policy changes</p> <p>Introduce graduated response mechanisms</p> |
|----------------------------------|--|

**Other**

|                                      |   |
|--------------------------------------|---|
| Limited reach outside of the capital | <p>Focus on supporting local governance structures</p> <p>Support decentralized capacity development efforts</p> <p>Embed advisers/mentors at the local level</p> |
|--------------------------------------|---|

## 4.4 Effective Approaches towards Managing Risks

The methods listed in Table 12 include different types of mechanisms, ranging from capacity development programmes to technical safeguards controlling the disbursement of funds. Among the latter are financial arrangements, such as structuring budget support after an expense has been made, through reimbursement, and setting criteria upon which disbursement is made contingent. The evaluations of budget support reviewed for this report indicate that risk management is, in many cases, replaced by conditionality and special financial arrangements. These approaches manage risks by setting conditions that must be met in order for aid funds to be disbursed, and restricting the way governments can spend aid funds.<sup>287</sup> Depending on their nature and purpose – which vary considerably – these conditions and financial arrangements can have either a positive or a negative impact on aid effectiveness.

The 2010 evaluation of sector budget support provides a useful illustration of this variation.<sup>288</sup> Earmarking funds, for example, can have a positive impact on aid's effectiveness, but when earmarked funds are further restricted by traceability requirements, they are of much less value to the recipient government. Donors often prefer using traceability requirements – a condition which requires aid funds to be identified separately in the government's expenditure budget – because it protects them from the consequences of misuse.<sup>289</sup> At the same time, however, it increases the burden of reporting for recipient governments, and prevents them from pooling these funds with domestic revenue or other funding sources.<sup>290</sup> In many cases, traceable funds are also restricted to the government's development (or investment) budget, thereby preventing the government from using these funds to meet expenses in its recurrent budget.<sup>291</sup> This can make it more difficult for aid to support an integrated approach to strengthening public institutions, which, as discussed in Section 3, would require supporting the recurrent spending that is needed to strengthen the government's operational and human resource capacity (including salaries and the costs of running and maintaining existing service delivery centres).

Both earmarked funds and traceability requirements have a lot in common; they reflect the delicate balance donors must seek to establish safeguards while maintaining a constructive dialogue with aid recipients. Donors readily agree that there is no substitute for engaging with governments, but when the conditions placed on aid are restrictive rather than constructive, that partnership suffers.

Donors walk a fine line between conditions that protect them from financial misuse and conditions that are coercive, and therefore counter-productive. One such example of coercive behavior is when donors threaten to suspend programmes when conditions have not been met; this does not tend to have a significant influence on countries' policy directions or levels of corruption,<sup>292</sup> but it can potentially undermine future working relationships between donors and governments.<sup>293</sup> When governments are not fulfilling responsibilities that were mutually agreed upon, donors may choose to adopt a graduated response mechanism; this allows them to express their displeasure by gradually reducing funds without cutting aid to countries in fragile settings completely. While this graduated response mechanism is available to donors, the Oxfam study on the provision of GBS in fragile settings, referenced earlier in this section, did not find any such examples; rather, donors continue to take an 'all or nothing approach' to providing GBS.<sup>294</sup>

A recent OECD evaluation of budget support programming in Mali offers one example of a more effective approach to conditionality in its public financial management (PFM) reform programme. A condition set by donors for receiving budget support, this programme contributed to a number of improvements, including to the effectiveness of expenditure controls, the credibility, comprehensiveness and transparency of the budget, as well as to the link between policy-making and the budget.<sup>295</sup> The authors of the evaluation found that reforms were successfully implemented when they were well-defined, feasible and had secured the support of the relevant local actors and institutions.<sup>296</sup>

The 2010 sector budget support evaluation also highlighted the importance of the quality of the partnership, and the effectiveness of dialogue, between donors and governments. While the same evaluation pointed to examples of earmarking not being sufficient to overcome domestic political resistance, it also pointed to instances where earmarking had a constructive impact on the effectiveness of aid funds. According to the authors of the evaluation, in many cases earmarking for specific line items is desirable, as it helped orient the budget towards the government's sector policies, thereby improving the planning of the budget and its linkage to planned policies. Such instances are useful to help governments follow through with the commitments they have already prioritized, "especially if [earmarking] is negotiated and supported by the line ministry and Ministry of Finance."<sup>297</sup>

The Afghanistan Reconstruction Trust Fund (ARTF) described below is a good model for working with and through public institutions in settings at high risk for corruption and financial mismanagement.

### Using country systems in fragile settings: The Afghanistan Reconstruction Trust Fund (ARTF)

The Afghanistan Reconstruction Trust Fund (ARTF) was created in July 2002, just six months after the Bonn Agreement of 22 December 2001 that led to the establishment of the Afghan transitional authority.<sup>298</sup> Initially created to support the Government of Afghanistan's (GOA) operations for a period of four years, in 2007 the fund was extended until 2020.

The ARTF is a pooled fund that allows money to be transferred directly to public institutions in Afghanistan. Donors are able to use aid funds to support the government's recurrent spending. It also protects donors' ability to account for their funds by using a reimbursement policy. In a recent study, ODI ranked the ARTF at 92 percent for financial effectiveness and capacity building, compared with 78 percent for the Liberia Health Sector Pooled Fund and 44 percent for the South Sudan Multi-donor Trust Fund.<sup>299</sup>

As of August 2012, the ARTF had received over \$5.7 billion in funding from 33 donors and disbursed \$4.2 billion, or 73 percent of the amount received.<sup>300</sup> An additional \$3 billion in funding is planned for 2012-2014.<sup>301</sup>

ARTF funds are primarily used to support the GOA's budget. To date 59 percent has been used to support its recurrent budget and 39 percent has been used to support its investment budget.<sup>302</sup> It provides a mechanism for donors to support public salaries, operations and maintenance through the recurrent budget, as well as to sector projects and technical assistance through the investment budget.<sup>303</sup>

In supporting the GOA's recurrent budget (for salaries, operations and maintenance), the majority of funds managed by the ARTF use its PFM systems for disbursement and financial monitoring

(with oversight of the external monitoring agent). Donors have used the following two measures to manage the risks of channeling their funds through the ARTF:

- ▶ Making payments to the government's recurrent budget on a reimbursement basis; and
- ▶ Hiring an external monitoring agent (initially Price Waterhouse Coopers Netherlands) to review the eligibility of the recurrent expenses presented to the ARTF for reimbursement based on key standards.

While the funds are channeled to the government, the ARTF funds are primarily executed by international NGOs, working in support of the GOA. The ARTF is governed by a Steering Committee (SC), a Management Committee (MC) and an Administrator:<sup>304</sup>

- ▶ The SC sets policy and reviews implementation (members are donors with contributions greater than \$5 million, World Bank and the Ministry of Finance);
- ▶ The MC approves investment projects (Asian Development Bank, Islamic Development Bank, UNDP, World Bank and the Ministry of Finance); and
- ▶ The Administrator is responsible for monitoring and reporting on ARTF performance (World Bank).

## 4.5 An Institution Building Approach to Capacity Development

The types of methods donors use to manage risks in fragile settings vary widely not only from donor to donor, but from programme to programme – a reflection, in part, of the absence of guidelines that can help donors circumvent potential risks.<sup>305</sup> Despite greater perceived capacity risks in fragile settings, donors often do not make greater investments in strengthening the very systems that could mitigate those problems when they provide budget support in these settings.<sup>306</sup> At the same time, they are reluctant to provide budget support due to weak capacity.

Donors' engagements in Liberia and Cambodia offer examples of positive approaches to managing risk. Launched in 2005, Liberia's Governance and Economic Management Assistance Program (GEMAP) was established to address corruption by embedding international controllers, with signatory power over public expenditures, in key government agencies. In 2011, donors shifted their approach to directly strengthening the capacity of these institutions' financial accountability systems, so that the government can take over management of donor funds.<sup>307</sup>

Similarly, UNDP adopted a phased, transformative approach to strengthening the capacity of public institutions at the local level of government in Cambodia. Following the peace settlement signed at the Paris Conference at the end of 1991, and the 1993 elections that increased the centralization of governance, UNDP began working as a direct implementer, resettling refugees along the Thai/Cambodian border in partnership with UNHCR. By 2010, however, UNDP's role had evolved to providing support to a national governance reform programme, implemented by the government and financed by the national budget and other development partners. UNDP technical advisors who continued to provide support to the government were thus contracted directly by the government.

While providing assistance to local governments in setting up governance structures for planning and allocating resources, UNDP also focused on supporting local governments in carrying out their functions, including the design and implementation of programmes for developing infrastructure, expanding service delivery and promoting local employment. As a result of this focus,<sup>308</sup> donors increasingly made use of local service delivery processes and PFM systems for channeling their resources.

This approach can also be applied to the private and non-governmental sector. As a means of implementing its reform agenda, *Forward*, USAID aims to increase the share of the agency's budget channeled through the systems of government and directly to local NGOs and businesses. In Haiti, for example, USAID is coupling this increased support to local organizations and businesses with strengthening their capacities. Two Haitian Certified Public Accounting firms have been engaged by USAID to provide financial management services to local NGOs and businesses so that they can compete and earn USAID grants and contracts.<sup>309</sup>

#### 4.6 Strengthening Domestic Accountability Mechanisms

This report has pointed to examples of the direct contribution that aid can make to domestic accountability, in particular through capacity development and PFM reform<sup>310</sup> programmes. By supporting the expansion of national reporting capacity in Uganda (Section 3.2.i) and PFM reform in Mali (Section 4.4), aid contributed to improving the foundations for financial transparency by increasing the government's ability to monitor expenditure. At the same time, focusing on improving the government's capacity for accountability also avoids increasing the administrative burdens on recipient governments from additional reporting and audit requirements.<sup>311</sup> And, as mentioned in Section 4.4, these additional requirements are also not always effective measures for ensuring government follow-up.

This section has focused on managing accountability relationships between donors and the governments that manage aid funds through their national systems. However, the evidence reviewed in Section 3 citing limited progress towards improving the quality and equity of services supported through the use of country systems, especially budget support, points to the role that strengthened domestic accountability relationships can play in improving service delivery and the aid used to support it. Thus, efforts to improve domestic accountability not only contribute to strengthening the state-citizen compact, but would also directly contribute to increasing the accountability of aid to its intended beneficiaries.

There are different approaches to strengthening domestic accountability mechanisms. Most commonly, these can be separated into top-down<sup>312</sup> and bottom-up<sup>313</sup> mechanisms, as well as those that argue for an approach that capitalizes on the synergies between the two.<sup>314</sup> One commonality between these approaches, however, is that they are premised on finding national and local solutions to increasing domestic accountability. By channeling funds to local institutions, donors can support these initiatives by placing aid within the remit of domestic accountability.



## SECTION 5. THE WAY FORWARD

### 5.1 What We Learned

Since its creation in 2009, the Office of the Special Envoy for Haiti (OSE) has supported the Government of Haiti in its own efforts to track aid, with a particular emphasis on how much funding is disbursed through national institutions. The data consistently showed that a fraction of the total aid disbursed stayed in Haiti. In order to put this in context, the OSE, with the support of the UN Peacebuilding Support Office, conducted a comparative analysis of aid delivery in other fragile settings to determine whether this was part of a broader pattern. The results showed comparable trends in aid delivery to other fragile settings,<sup>315</sup> prompting a deeper look into how donors can implement their own commitments to addressing poverty and inequity through increased investments in national institutions.

Beginning with support to Haitian public institutions, the report shows that an estimated 90 percent of humanitarian and recovery funding from donors bypassed government systems. And while there is significant variation among countries, this trend remains consistent throughout fragile settings: in 27 countries, Haiti among them, an estimated 80 percent of aid bypasses national systems.<sup>316</sup>

Haitian non-government organizations (NGOs) and businesses were the primary recipient of 0.6 percent of humanitarian and recovery funding between 2010 and 2012.<sup>317</sup> Haitian NGOs received 0.1 percent of funds of the UN humanitarian appeals in 2010, 2011 and 2012.<sup>318</sup> These figures are consistent with the amount of aid local organizations in fragile settings receive globally. Of the \$4.27 billion that has been channeled to activities for all 2012 UN appeals, 0.6 percent (\$24.44 million) was channeled directly to local organizations.<sup>319</sup>

Data available on the amount of contracts awarded to local companies in the recovery phase is not comprehensive, but shows a variation of 1.4 percent for a bilateral donor to 32.7 percent for a multilateral donor. Global analysis from the Organisation for Economic Cooperation and Development (OECD) suggests that this data is reflective of global trends for bilateral donors. The results of an OECD questionnaire in 2009 showed that bilateral donors only awarded four percent of untied contracts to firms in Least Developed Countries (LDCs) and/or Heavily Indebted Poor Countries (HIPCs), even though they had untied 93.5 percent of their aid.<sup>320</sup> The 14 donor respondents to the questionnaire reported that 58 percent of their aid to LDCs and/or HIPCs was won by firms in donor countries, and 38 percent was won by businesses in developing countries (excluding LDCs and/or HIPCs).<sup>321</sup>

An analysis by UK-based consultancy firm Development Initiatives concluded that only 2.4 percent of donor aid was recorded as relating to cash transfer programmes in Haiti in 2010, and 0.78 percent was recorded as relating to cash transfers globally.<sup>322</sup>

These numbers show that the global aid enterprise is currently set up in such a way that, in fragile settings, international non-profits and contractors are considered more trustworthy and capable than local citizens, their organizations and the elected governments that are accountable to them.

While donors recognize the benefits of channeling funds through local institutions, they are nonetheless wary of not being able to account for funds as a result of perceived levels of corruption or limited capacity. These are valid concerns, but this report suggests that the most effective way to fight corruption is to invest in the systems and capacities that promote successful and accountable implementation by local institutions.



## 5.2 The Accompaniment Approach to Delivering Aid

Accompaniment is not a new idea, but a longstanding principle that has inspired service providers working in pragmatic solidarity with the poor. In the context of international aid delivery, the principles of accompaniment are in line with those of the human rights and aid effectiveness movements widely endorsed by donors. The accompaniment model provides specific recommendations for a country's institutions to play the leading role in their nation's development. It is an approach based on partnership, emphasizing that the ultimate goal of international assistance is to support countries on their path towards less dependence on external aid.

### a) Investing in the public sector

The aid effectiveness movement emphasizes that direct investment in national public institutions should be the default approach to aid delivery. In the 2005 Paris Declaration on Aid Effectiveness, donors committed to channel funding to government institutions through their public financial management (PFM) and procurement systems; they agreed to reduce by one-third the amount of funding bypassing these systems for countries with a World Bank rating of their public financial management systems of 3.5 to 4.5, and for countries with a procurement ranking of a B.<sup>323</sup> (PFM refers to the government's systems, policies and procedures for managing their finances, including budgeting, financial reporting and auditing public expenditure. For more information please refer to the Background section of this report). Donors deepened this commitment through the 2008 Accra Agenda for Action, agreeing to "use country systems as the first option for aid programmes in support of activities managed by the public sector."<sup>324</sup> Donors reaffirmed this commitment through the 2011 Busan Partnership for Effective Development and the New Deal for Engagement in Fragile States ('New Deal').

In addition, as part of the New Deal, donors agreed to: "accept the risk of engaging during transition, recognizing that the risk of non-engagement in this context can outweigh most risks of engagement..."<sup>325</sup>

The accompaniment approach offers support to donors to implement the policies to which they have already agreed: to invest funds in a way that reflects the ideals of the aid effectiveness movement, thus strengthening the national institutions of recipient countries and stimulating their economies. Yet a transformative shift is required to close the gap between aid effectiveness policies adopted over the past decade, and how aid is implemented in countries most dependent on outside resources.

### b) Promoting economic activity

The aid effectiveness movement has also acknowledged the importance of supporting local private organizations and local households. Through the 2001 OECD Development Assistance Committee (DAC) Recommendation on the Importance of Untying Aid to the LDCs, donors have committed to opening up contracting opportunities for local businesses.<sup>326</sup> More recently, the 2011 Busan Partnership for Effective Development recognized the importance of developing social protection mechanisms, including cash transfers.<sup>327</sup>

The accompaniment approach suggests that almost all aid – even that which supports the provision of basic services – can be channeled in ways that promote local economic activity. However, as with investments in the public sector, it is critical to increase our awareness of how much funding donors are actually spending through local businesses and providing to households, as well as the constraints to further investments.

## 5.3 Recommendations

Drawing on the accompaniment approach and our collective experience in Haiti and other fragile settings, this report offers four recommendations that will support donors in their own efforts to strengthen public institutions and promote economic activity in fragile settings, with effective measures to ensure accountability.

### 1) Develop effective mechanisms to enable donors to channel more funds locally

As noted in this report, there are opportunities in Haiti and other fragile settings for donors to make greater investments in local institutions in the public, private and third sector. Bilateral and multilateral actors each have an important role to play that goes beyond channeling resources. They can also work with local governments to ensure that structures are in place that enable donors to invest directly in local institutions, and provide aid recipients with the requisite support they need to ensure that they can effectively implement and account for the funds.

The evidence presented in Section 4 of this report suggests that the greatest concern that donors face in investing in local institutions – particularly the public sector – is managing fiduciary and political risks. At the same time, the section also highlights ways in which donors have managed to invest in local institutions in the most challenging circumstances, with appropriate and relevant measures to successfully manage risks. While some contexts may still require donors to rely on international contractors to a certain extent, there are opportunities for donors to channel increased support to local institutions in all settings.

One of the main approaches to contributing to country systems in fragile settings while managing risks is through pooled funds. However, not all pooled funds enable resources to be channeled directly from the pooled fund's bank account to local institutions – a component that is critical for pooled funding to have the greatest impact. As discussed in Section 4, the Afghanistan Recovery Trust Fund enabled donors to provide direct support to the Government of Afghanistan in July 2002, only six months after the transitional governance plan was established. This example demonstrates that, even in challenging circumstances, pooled funds can be consistent with the aid effectiveness principles to which donors have committed.

One option for the Government of Haiti (GOH) and donors to consider is the establishment of an 'accompaniment fund' – a channel for donors, particularly bilateral donors, to channel increased support directly to the GOH through its systems, as well as to other local private and non-profit service providers.<sup>328</sup> At the same time, donors would provide additional support to partners to implement the funds in an effective and accountable manner. Key principles that may guide the establishment of such a fund are:

- ▶ The GOH has a central role in allocating resources, and the resources are used to support its increasing role in direct management of international aid;
- ▶ Government ministries, as well as private and non-profit service providers, are eligible to receive financing directly; and
- ▶ Quick disbursement to implementers, and timely expenditure and implementation.

Currently there are no mechanisms in Haiti that meet all of the above criteria.<sup>329</sup>

## **2) Support better accountability mechanisms in fragile settings**

When well designed, accountability mechanisms can strengthen internal systems for transparency within national institutions while helping donors reduce risks. While there are a variety of mechanisms that may be used, the selection process should be based on the consensus reached between donors, governments and other local actors. Local institutions, bilateral and multilateral donors, together with think tanks and other interested actors, can work together to document existing models to promote accountability and determine the most appropriate mechanisms for the given context.

Section 4 described the different approaches donors have adopted to managing risk and promoting accountability, the requirements of which vary in style and impact. Some safeguards, such as conditionality and external reporting requirements, may create external incentives for institutions to improve their financial transparency, but they can also be designed in such a way as to strengthen the systems and capacities for accountability within recipient institutions – for example by focusing on strengthening their reporting and audit systems. With respect to recipients in the public sector, these efforts can also contribute to improving the mechanisms available to citizens and parliaments to hold governments to account. The most effective measures are designed with these two broader objectives in mind, complemented by efforts to minimize burdensome conditions.

Donors that provide financing to Haitian institutions would be aided in their efforts with greater knowledge of accountability measures that have enabled the government to meet donor fiduciary requirements. This could be achieved through an annual GOH-led review of existing measures used by donors to improve accountability systems and capacities in local institutions. The available evidence suggests that there is need for increased investment in strengthening accountability. In 2010, 0.25 percent of the \$3.90 billion in humanitarian and recovery aid was used in support of public financial management outside of budget support, and 0.05 percent in support of anti-corruption organizations and institutions.<sup>330</sup> (These figures exclude budget support.<sup>331</sup>)

## **3) Collect better data for informed decision-making on aid and development spending**

This report has demonstrated the importance of understanding how and where aid is being channeled, not only for the international community but also specifically for governments receiving aid. This information is essential for governments to:

- ▶ Undertake key annual or multi-year planning processes based on accurate information with respect to planned donor commitments; it ensures that aid is efficiently allocated across ministries and geographical departments in accordance with budget priorities and gaps;
- ▶ Promote effective coordination in support of their policies amongst donors and international and local service providers, and monitor implementation of those policies;
- ▶ Resolve constraints to implementation faced by international and local actors, and monitor the quality of their work;
- ▶ Better communicate with their citizens as to how the aid in support of their country has been channeled to them or to international and local organizations; and
- ▶ Monitor the performance of donors and other actors with respect to key aid effectiveness and other international targets.

Functioning and comprehensive aid information management systems (AIMS) are therefore essential to improve government decision-making and active aid management. While the International Aid Transparency Initiative helps with setting standards and methods of sharing data, it does not replace the need for governments to establish national AIMS that can inform national processes using official, current data. Data from an AIMS database is critical and the tools used for reporting, validating, analyzing and sharing the data do not need to be complex to be effective. Experience from other fragile settings suggests that for an AIMS to be successful, it “must become a government management tool, designed to support government work processes.”<sup>332</sup> Bilateral and multilateral donors should thus provide full support to government partners seeking to establish an AIMS that can be easily integrated into the government’s own financial management and reporting systems and which is not prohibitively expensive or complex.

#### **4) Gather more evidence on how to implement aid effectiveness policies better**

As presented in Sections 3 and 4 of this report, significant research has been undertaken on the approaches to and benefits of investing locally, including in support of implementing the Paris Declaration principles. This report explores how to bridge the gap between donor policies and their implementation; however, to continue this discussion and build awareness of how best to invest in local institutions, future research is necessary.

This report recommends that future data gathering be undertaken to address knowledge gaps as they relate to implementation. Key questions that this report identifies are:

- ▶ How have donors successfully channeled funds to government institutions in fragile settings using their systems, while effectively supporting institutions to improve the equity and quality of service provision?
- ▶ What impact do donors have on the local economy in fragile settings, and how can they best maximize this impact, particularly with respect to job creation?
- ▶ How do donors assess and monitor the fiduciary risks that they face? What further evidence is available to support the analysis of these risks (i.e.: how much aid is lost to corruption)? Is it feasible to establish a more evidence-based understanding of fiduciary risk?

## AFTERWORD BY PAUL FARMER

If I had been asked thirty years ago, when I first started coming to Haiti, how best to direct international aid to address disease and poverty, my answer would not have been what it is today. In the early years of Partners In Health, the organization I co-founded to provide better health care to poor communities, I believed that we – as doctors, donors, and international experts – could make a difference by building and running good health care facilities. And we did make a difference to those we served directly. Working in partnership with non-governmental organizations felt right in the early eighties, the third decade of a dictatorship. The lack of reliable partners in the public sector as well as proximity to the United States were two reasons that the NGO sector expanded so rapidly in Haiti. We expanded even as the public sector continued to falter. As we grew, we learned that in order to have a larger impact, we had to rethink the way we operated. Public health and public education require investments in national institutions. My belief now is that the only way to create durable and transformative change—to break the cycle of disease and poverty affecting the lives of millions of Haitians—is through direct investment in and accompaniment of national and local institutions that confer basic rights.

I want to thank President Clinton for his leadership and commitment to accompany Haiti toward a more hopeful, prosperous future. Over these three years it has been my privilege to serve with him as Deputy Special Envoy for Haiti, an experience that has enabled me to gain a better understanding – an understanding that is not readily grasped as a physician – of the global aid machinery. My role as Deputy Special Envoy has enabled me to view the progress and challenges of aid delivery from the perspectives of the Haitian government as well as its partners.

I have witnessed the limitations and the frustrations of a government that saw billions of aid dollars bypass its institutions following the earthquake. Public institutions were often and usually inadvertently sidelined by well-meaning organizations that rushed in to provide emergency services; many set up costly temporary clinics while the public sector institutions did not and do not have enough funds to pay the salaries of its doctors and nurses.

Accountable to their own constituents, donors have valid questions about the risks of transferring aid directly to government institutions in a fragile setting. I've spent many hours working with my colleagues in the donor community to find ways to address concerns about capacity and corruption that lead them to bypassing the public sector. I understand their perspective and hope that the recommendations in this report will contribute to the evolving conversation.

Our experience in Haiti has reminded us that when it comes to aid dollars, *how and where* we spend them is often as important as *how much* we spend. Despite investments of approximately \$50 billion in annual development assistance to states in fragile settings, not one country in low-income, fragile or conflict-affected settings – settings that are home to approximately 1.5 billion people – has achieved a single United Nations Millennium Development Goal.<sup>1</sup>

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<sup>1</sup> The World Bank, *World Development Report 2011: Conflict, Security and Development* (Washington D.C., 2011), p.1. Available at: [http://wdr2011.worldbank.org/sites/default/files/pdfs/WDR2011\\_Full\\_Text.pdf](http://wdr2011.worldbank.org/sites/default/files/pdfs/WDR2011_Full_Text.pdf)



Photo: Behna Gardner  
Mirebalais National Teaching Hospital, January 2012

There may be one exception: Rwanda is the only country in a fragile setting to have made significant progress towards the MDGs. With an average 8.4 percent GDP growth rate, accompanied by a 12 percent drop in poverty in the past five years, Rwanda's economic achievements are comparable to those of middle income countries such as China, Thailand and Vietnam.<sup>11</sup> Partially responsible for Rwanda's progress is its government policy on aid delivery. In 2006 the government reformed its national aid policy to mandate that all aid be aligned with official government budgeting and disbursed accordingly.<sup>111</sup>

How aid is channeled to states in fragile settings and how these states progress toward the MDGs are two separate but interrelated questions. Most development experts would agree that it takes strong state institutions at the national and local levels to achieve and sustain development goals. Aid is only part of the pool of resources and tools available to support the development effort. Yet the limited success of aid in states in fragile settings, where the significance of aid is often greatest, raises the question of whether donors can channel their support in more effective ways by implementing a policy commitment to contribute greater resources to those institutions that are responsible for a country's progress.

Many within the international development community now share the understanding that what Haiti and other states in fragility need most is the accompaniment approach that Rwanda embraced more than a decade ago. In the context of international development assistance, accompaniment means supporting a society, (including its institutions and its citizens), on its own path toward less dependence on outside aid. It draws on and reinforces other development principles, including the aid effectiveness and human rights agendas, in calling for aid to focus on better access to services and jobs, as defined by the government and its citizens in their national plans. Those we have partnered with in Haiti and elsewhere have stated their commitment to national and local institutions and those who work there, and are pushing themselves and everyone they work with to think in large-scale and transformative ways. If these lessons have been learned, it is nonetheless true that there's a long way to go before they're implemented. But there is little doubt that this goal is within the reach of all people of goodwill.

<sup>11</sup> Rwanda Ministry of Finance and Economic Planning, 'EDPRS: Lessons Learned 2008-2011' (Kigali, 2012), p. 13-14. Available at: [www.minecofin.gov.rw/library/edprs/EDPRS%20Documents/EDPRS%20LESSONS%202008-2011.pdf](http://www.minecofin.gov.rw/library/edprs/EDPRS%20Documents/EDPRS%20LESSONS%202008-2011.pdf)

<sup>111</sup> Rwanda Ministry of Finance and Economic Planning, 'Rwanda Aid Policy' (Kigali, 2006), p. 2. Available at: [www.minecofin.gov.rw/library/Laws%20and%20Regulations/Policies%20and%20Guidelines/Aid\\_Policy.pdf](http://www.minecofin.gov.rw/library/Laws%20and%20Regulations/Policies%20and%20Guidelines/Aid_Policy.pdf)



## ENDNOTES

- 1 Organisation for Economic Cooperation and Development (OECD), *The Paris Declaration on Aid Effectiveness, (Paris Declaration)* (Paris, 2005). Available at: [www.oecd.org/dac/aideffectiveness/43911948.pdf](http://www.oecd.org/dac/aideffectiveness/43911948.pdf)
  - 2 OECD, *The Accra Agenda for Action, (Accra Agenda)* (Paris, 2008). Available at: [www.oecd.org/dac/aideffectiveness/43911948.pdf](http://www.oecd.org/dac/aideffectiveness/43911948.pdf)
  - 3 OECD, *Busan Partnership for Effective Development Cooperation, (Busan Outcome document)* (Paris, 2011). Available at: [www.oecd.org/dac/aideffectiveness/49650173.pdf](http://www.oecd.org/dac/aideffectiveness/49650173.pdf)
  - 4 OECD, *A New Deal for Engagement in Fragile States, (New Deal)* (Paris, 2011). Available at: [www.oecd.org/dac/aideffectiveness/name,208569,en.htm](http://www.oecd.org/dac/aideffectiveness/name,208569,en.htm)
  - 5 For a full overview of the history of the high level fora on aid effectiveness see: [www.oecd.org/dac/aideffectiveness/thehighlevelforaonaideffectivenessahistory.htm](http://www.oecd.org/dac/aideffectiveness/thehighlevelforaonaideffectivenessahistory.htm)
  - 6 OECD 2005, Paris Declaration, Op. cit. 1. Refer para. 17: "Using a country's own institutions and systems, where these provide assurance that aid will be used for agreed purposes, increases aid effectiveness by strengthening the partner country's sustainable capacity to develop, implement and account for its policies to its citizens and parliament. Country systems and procedures typically include, but are not restricted to, national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring."
  - 7 *Ibid.*
  - 8 OECD 2008, Accra Agenda, Op. cit. 2.
  - 9 *Ibid.*, para. 15.
  - 10 OECD 2011, Busan Outcome document, Op. cit. 3; and OECD 2011, New Deal, Op. cit. 4.
  - 11 Enzo Caputo, Andrew Lawson, and Martin van der Linde, *Methodology for Evaluations of Budget Support Operations at Country Level, Issue Paper. Report for the EC'* (European Commission, Brussels, 2009) p. 14. Available at: [www.worldbank.org/ieg/nonie/docs/issue\\_paper.pdf](http://www.worldbank.org/ieg/nonie/docs/issue_paper.pdf)
  - 12 OECD, *2011 Survey on Monitoring the Paris Declaration: Survey Guidance, (Paris Declaration Survey Guidance)*, (Paris, 2011). Available at: [www.oecd.org/site/dacsmpd11/46138662.pdf](http://www.oecd.org/site/dacsmpd11/46138662.pdf)
  - 13 OECD, *Harmonising Donor Practices for Effective Aid Delivery, Volume 2: Budget Support, Sector Wide Approaches and Capacity Development in Public Financial Management, (Harmonising Donor Practices)* (DAC Guidelines and Reference Series, Paris, 2006), p. 26. Available at: [www.oecd.org/development/aideffectiveness/34583142.pdf](http://www.oecd.org/development/aideffectiveness/34583142.pdf)
- In addition, any dialogue and conditions associated with the provision of general budget support will focus on overall, cross-sectoral policy and budget priorities. In the case of sector budget support, on the other hand, dialogue and conditions will focus on sector-specific priorities. Note that in practice, the difference between general and sector budget support is more fluid, and earmarking will occur to varying degrees. For more information, see the discussion in: Geoff Handley, *Sector Budget Support in Practice Literature Review'* (ODI, London, 2010), p. 8-10. Available at: [www.odi.org.uk/resources/download/4578.pdf](http://www.odi.org.uk/resources/download/4578.pdf)
- 14 *Ibid.*
  - 15 World Bank, *2011 Trust Fund Annual Report*, (Washington, D.C., 2011). Available at: [http://siteresources.worldbank.org/CFPEXT/Resources/299947-1274110249410/7075182-1326389980943/WBGTrustFundAnnualReport2011\\_FINAL.pdf](http://siteresources.worldbank.org/CFPEXT/Resources/299947-1274110249410/7075182-1326389980943/WBGTrustFundAnnualReport2011_FINAL.pdf)
  - 16 OECD 2006, Harmonising Donor Practices, Op. cit. 13, p. 36.
  - 17 OECD 2011, Paris Declaration Survey Guidance, Op. cit. 12.
  - 18 OECD 2006, Harmonising Donor Practices, Op. cit. 13, p. 36.
  - 19 OECD 2011, Paris Declaration Survey Guidance, Op. cit. 12.
  - 20 OECD, *DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries, (Recommendation on Untying ODA)*, (Paris, 2001). Available at: <http://acts.oecd.org/Instruments/ShowInstrumentView.aspx?InstrumentID=140&Lang=en&Book=False>
  - 21 *Ibid.*
  - 22 OECD 2008, Accra Agenda, Op. cit. 2.
  - 23 *Ibid.*, para. 18.
  - 24 *Ibid.*
  - 25 *Ibid.*, para. 27.
  - 26 OECD 2011, Busan Outcome document, Op. cit. 3, p. 8.
  - 27 The Brookings – Bern Project on Internal Displacement, *Operational Guidelines on the Protection of Persons in Situations of Natural Disaster*, (UN Inter Agency Standing

Committee, January 2011), p. 31, 34 and 42). Available at: <http://ochanet.unocha.org/p/Documents/Operational%20Guidelines.pdf>

- <sup>28</sup> Section 1 fully explains this data. It is based on estimates of the OSE using the New York pledge dataset. The New York pledge dataset is available on the OSE's website: [www.haitispecialenvoy.org](http://www.haitispecialenvoy.org). The specific figure is: of \$6.04 billion in humanitarian and recovery funding, less than 10 percent (\$580 million) was channeled to the GOH using its systems, including \$22.1 million in humanitarian funds and \$557.9 million in recovery funds.
- <sup>29</sup> Section 2 fully explains this data. It is based on estimates of the OSE using data from two OECD sources. These sources are the OECD Creditor Reporter Scheme (CRS) (<http://stats.oecd.org/index.aspx?DataSetCode=CRS1>), as of 21 February 2012, and the OECD Paris Declaration on Aid Effectiveness ([stats.oecd.org/Index.aspx?DataSetCode=SURVEYDATA](http://stats.oecd.org/Index.aspx?DataSetCode=SURVEYDATA)). The specific data point is: of \$35.9 billion channeled by donors to 27 fragile states in 2010, 20.1 percent (\$7.23 billion) was channeled to the government using its systems. The 27 countries included in this analysis are: Afghanistan, Burundi, Cameroon, Central African Rep., Chad, Comoros, Congo, Dem. Rep., Ethiopia, Gambia, Guinea-Bissau, Haiti, Kenya, Liberia, Nepal, Niger, Nigeria, Papua New Guinea, Rwanda, Sao Tome & Principe, Sierra Leone, Solomon Islands, Sudan, Tajikistan, Timor-Leste, Togo, Tonga, and Uganda. These 27 countries were selected using three criteria: (a) countries included in the OECD's list of states in fragile settings ([www.oecd.org/dac/conflictandfragility/46043478.pdf](http://www.oecd.org/dac/conflictandfragility/46043478.pdf)), which consolidates those compiled by the Brookings Institute, the World Bank and Carleton University; (b) countries included in the OECD's 2011 Survey on Monitoring the Paris Declaration; and (c) countries that are recipients of financing from the World Bank's International Development Association. The governments of the Democratic Republic of the Congo (DRC) and Chad received under 3 percent of funding through country systems. The specific estimates are: of \$5.62 billion channeled by donors to the DRC in 2010, an estimated 2.4 percent (\$132.7 million) was channeled to the government using its systems; and of \$473 million channeled by donors to Chad in 2010, an estimated 2.9 percent (\$13.5 million) was channeled to the government using its systems.
- <sup>30</sup> Section 3.2 fully explains these findings, based on an overview of evaluations of budget support programmes conducted between 2005 and 2011. In 82 percent of case studies reviewed for this report, spending in priority areas by the government increased and in 100 percent of cases where it was a priority, the number of public services provided increased. These findings are based on the following evaluations: David Booth, Andrew Lawson, Tim Williamson, Samuel Wangwe and Meleki Msuya, *Joint Evaluation of General Budget Support: Tanzania 1995-2004, Revised Final Report* (ODI and Daima Associates, London and Dar es Salaam, 2005). Available at: [www.odi.org.uk/resources/docs/3234.pdf](http://www.odi.org.uk/resources/docs/3234.pdf); International Development Department (IDD) and Associates, *Joint Evaluation of General Budget Support, 1994-2004: Synthesis Report* (University of Birmingham, Birmingham, 2006). Available at: [www.oecd.org/document/51/0,3746,en\\_21571361\\_34047972\\_36556979\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/51/0,3746,en_21571361_34047972_36556979_1_1_1_1,00.html); Andrew Lawson, Gyimah Boadi, Ato Ghartey, Adom Ghartey, Tony Killick, Zainab Kizilbash Agha and Tim Williamson, *Joint Evaluation of Multi-Donor Budget Support to Ghana. Volume One: Evaluation Results and Recommendations on Future Design & Management of Ghana MDDBS* (ODI and CDD-Ghana, London and Legon-Accra, 2007). Available at: [www.odi.org.uk/resources/docs/247.pdf](http://www.odi.org.uk/resources/docs/247.pdf); UK National Audit Office (NAO), *Providing Budget Support to Developing Countries (Budget support)* (London, 2008). Available at: [www.nao.org.uk/publications/0708/providing\\_budget\\_support\\_to\\_de.aspx](http://www.nao.org.uk/publications/0708/providing_budget_support_to_de.aspx); Tim Williamson and Catherine Dom, *Sector Budget Support in Practice: Synthesis Report* (ODI, London, 2010). Available at: [www.odi.org.uk/resources/download/4733-english.pdf](http://www.odi.org.uk/resources/download/4733-english.pdf). Antonie de Kemp, Jörg Faust and Stefan Leiderer, *Between high expectations and reality: An evaluation of budget support in Zambia* (Ministry of Foreign Affairs of the Kingdom of the Netherlands, The Hague, 2011). Available at: [www.oecd.org/dataoecd/25/31/49210553.pdf](http://www.oecd.org/dataoecd/25/31/49210553.pdf); Development Research Network (DRN), *Evaluation des opérations d'aide budgétaire de la Commission Européenne à la Tunisie entre 1996 et 2008* (Paris, 2011). Available at: [www.oecd.org/countries/tunisia/48071332.pdf](http://www.oecd.org/countries/tunisia/48071332.pdf); and OECD, *Evaluation Conjointe des Opérations d'Aide Budgétaire au Mali, 2003-2009* (Paris, 2011). Available at: [www.oecd.org/dataoecd/30/46/48670047.pdf](http://www.oecd.org/dataoecd/30/46/48670047.pdf)
- <sup>31</sup> This is fully explained in Section 3.2 and is based on surveys of DFID country offices conducted by the UK's National Audit Office in 2008. In 2008, DFID was providing budget support to 13 countries. See: NAO 2008, *Op. cit.* 30, p. 9, 13.
- <sup>32</sup> Section 1 fully explains this data. It is based on estimates of the OSE, using data from the (1) New York pledge data set; and (2) the Government of Haiti (GOH) and International Monetary Fund (IMF) in IMF, *Haiti: Fourth Review Under the Extended Credit Facility - Staff Report and Press Release*, (Washington D.C., 2012), p. 15 (Table 2a). Available at: [www.imf.org/external/pubs/ft/scr/2012/cr12220.pdf](http://www.imf.org/external/pubs/ft/scr/2012/cr12220.pdf)
- GOH spending expenditure was calculated using the following categories in Table 2a of the relevant IMF report: "current expenditure" and "capital expenditure" that is domestically financed and that is not Petrocaribe related spending. Averages were taken to provide estimates for the relevant time-frame January 2010 to June 2012. The status of the estimates is as follows: for January to September 2010 they are actual; from October 2010 to September 2011 they are provisional; and from October 2011 to June 2012 they are projected.
- The specific estimates are: from January 2010 to 2012, funding disbursed by bilateral and multilateral donors amounted to \$6.04 billion, an additional \$3 billion in private funding was contributed to NGOs and UN entities, and GOH spending from its own resources amounted to \$2.7 billion.



- <sup>33</sup> Section 1 fully explains this data. It is based on estimates from the OSE. The specific figure is: of \$6.04 billion in humanitarian and recovery funding, 0.6 percent (\$36.2 million) was channeled to the Haitian NGOs and businesses in programme funds. This amount includes \$2.3 million in humanitarian funds and \$33.9 million in recovery funds.
- <sup>34</sup> Section 2 fully explains this data. It is based on estimates from the OSE using data from the Financial Tracking Service managed by the Office for the Coordination of Humanitarian Affairs (OCHA). The specific estimates are: of the \$4.27 billion disbursed to UN appeals in 2012 as of 19 July 2012, only 0.6 percent (\$24.4 million) was disbursed to local organizations. Local organizations were defined as those having a headquarters in the country for which the relevant appeal was being made.
- <sup>35</sup> OCHA's website states: "Governments have other mechanisms to seek funding from the international community. However, governments participate in the consultations and the [appeal process] workshop in the run up to producing the appeal document." See: [www.unocha.org/cap/about-the-cap/faqs#t57n1611](http://www.unocha.org/cap/about-the-cap/faqs#t57n1611)
- <sup>36</sup> Section 1 fully explains this data. It is based on estimates from the OSE using publicly available procurement databases. The specific estimates are: of \$312.5 million obligated to contracts by a bilateral donor since the earthquake, 1.4 percent (\$4.2 million) has been awarded to local firms.
- <sup>37</sup> Section 2 fully explains this data. It is based on estimates of the OSE using: OECD, *Implementing the 2001 DAC Recommendation on Untying Aid: 2010-2011 Review (Untying Aid Review)* (DAC, Paris, 2011), p. 11-17. Available at: [http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=DCD/DAC\(2011\)4/REV1&docLanguage=En](http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=DCD/DAC(2011)4/REV1&docLanguage=En)
- <sup>38</sup> This data is fully explained in Section 1, p. 29-30 and is based on estimates from the OSE using data provided by Development Initiatives to the OSE. The specific figure is: of the \$2.13 billion in humanitarian funding reported by bilateral and multilateral donors to OCHA's Financial Tracking Service, 2.4 percent (\$50.2 million) was recorded as being contributed to cash transfer programmes.
- <sup>39</sup> The poverty gap refers to the average shortfall of the total population from the poverty line.
- <sup>40</sup> Michael Samson, Una Lee and others, *The social and economic impact of South Africa's Social Security System* (Economic Policy Research Institute, Research Paper Number 37, Cape Town, 2004). Available at: <http://epri.org.za/wp-content/uploads/2011/03/rp37.pdf>
- <sup>41</sup> Michael Samson et al. 2004, cited in: Catherine Arnold, Tim Conway and Matthew Greenslade, *Cash Transfers: Evidence Paper* (DFID, London, 2011). Available at: <http://webarchive.nationalarchives.gov.uk/+http://www.dfid.gov.uk/Documents/publications1/cash-transfers-evidence-paper.pdf>
- <sup>42</sup> Section 2 fully explains this data. It is based on estimates from Development Initiatives using OECD CRS data, as presented in: Global Humanitarian Assistance, *Tracking Spending on Cash Transfer Programming in a Humanitarian Context* (Somerset, 2012), p. 4. The specific estimates are: of \$147.4 billion in aid as disbursed in 2010, (0.78 percent) \$1.14 billion was recorded as being in support of cash transfers.
- <sup>43</sup> These findings are discussed in Section 4.2. For more information, see: DFID, *Annual Report and Accounts 2010-11. Volume I: Annual Report (Annual Report)* (London, 2011), p. 97. Available at: [www.dfid.gov.uk/Documents/publications1/departamental-report/2011/Annual-report-2011-vol1.pdf](http://www.dfid.gov.uk/Documents/publications1/departamental-report/2011/Annual-report-2011-vol1.pdf)
- <sup>44</sup> These findings are discussed in Section 4.2. For more information, see: House of Commons, Public Accounts Committee, *Fifty-Second Report: DFID Financial Management (DFID Report)* (London, 2011), Ch. 1, para. 8. Available at: [www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/1398/139802.htm](http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/1398/139802.htm)
- <sup>45</sup> For more information on the OSE mandate see: [www.haitispecialenvoy.org/about-us/our-mission/](http://www.haitispecialenvoy.org/about-us/our-mission/)
- <sup>46</sup> For more information on the accompaniment approach see: [www.haitispecialenvoy.org/relief-and-recovery/accompany-haiti/](http://www.haitispecialenvoy.org/relief-and-recovery/accompany-haiti/). The background section presents the links between the aid effectiveness movement and the accompaniment approach.
- <sup>47</sup> Section 1 fully explains this data. It is based on estimates of the OSE using the New York pledge dataset.
- <sup>48</sup> *Ibid.*
- <sup>49</sup> *Ibid.*
- <sup>50</sup> Section 1 fully explains this data. It is based on estimates from the OSE using the New York pledge dataset. The specific figure is: of \$6.04 billion in humanitarian and recovery funding, less than 10 percent (\$580 million) was channeled to the GOH using its systems, including \$22.1 million in humanitarian funds and \$557.9 million in recovery funds.
- <sup>51</sup> Section 1 fully explains this data. It is based on estimates from the OSE using the New York pledge dataset. The specific figure is: of \$2.41 billion in humanitarian funding, 0.9 percent (\$22.1 million) was channeled to the GOH.

- <sup>52</sup> Section 1 fully explains this data. It is based on estimates from the OSE using the New York pledge dataset. The specific figure is: of \$3.63 billion in recovery funding, 15.4 percent (\$557.9 million) was channeled to the GOH using country systems.
- <sup>53</sup> Section 1 fully explains this data. It is based on estimates from the OSE using the New York pledge dataset. The specific figure is: of \$6.04 billion in humanitarian and recovery funding, 0.6 percent (\$36.2 million) was channeled to the Haitian NGOs and businesses in programme funds. This amount includes \$2.3 million in humanitarian funds and \$33.9 million in recovery funds.
- <sup>54</sup> Section 1 fully explains this data. It is based on estimates from the OSE using publicly available procurement databases. The specific estimates are: of \$312.5 million obligated to contracts by a bilateral donor since the earthquake, 1.4 percent (\$4.2 million) has been awarded to local firms.
- <sup>55</sup> Section 1 fully explains this data. They are based on estimates from the OSE using data provided by Development Initiatives to the OSE. The specific figure is: of the \$2.13 billion in humanitarian funding reported by bilateral and multilateral donors to OCHA's Financial Tracking Service, 2.4 percent (\$50.2 million) was recorded as being contributed to cash transfer programmes.
- <sup>56</sup> This data is based on estimates from the OSE using the New York pledge dataset. The specific estimates are: of the \$4.65 billion disbursed by bilateral donors in humanitarian and recovery funding, 3.6 percent (\$167 million) was channeled to the GOH through its systems; and of the \$1.39 billion disbursed by multilateral donors in humanitarian and recovery funding, 29.7 percent (\$413 million) was channeled to the GOH through its systems.
- <sup>57</sup> Section 1 fully explains this data. They are based on estimates from the OSE using the New York pledge dataset. The top 10 recipients of humanitarian and private funding received \$3.36 billion, and the top three multilateral recipients of recovery funding received \$375.8 million, totaling \$3.73 billion.
- <sup>58</sup> It should be noted that the UN receives most of its resources as project funding from bilateral donors, as opposed to core funding.
- <sup>59</sup> Section 1 fully explains this data. It is based on data gathered by the UN Resident Coordinator's office in Haiti.
- <sup>60</sup> *Ibid.*
- <sup>61</sup> Section 2 fully explains this data. It is based on estimates of the OSE using data from two OECD sources. These sources are the OECD Creditor Reporter Scheme (CRS) (<http://stats.oecd.org/index.aspx?DataSetCode=CRS1>), as of 21 February 2012, and the OECD Paris Declaration on Aid Effectiveness ([stats.oecd.org/Index.aspx?DataSetCode=SURVEYDATA](http://stats.oecd.org/Index.aspx?DataSetCode=SURVEYDATA)). The specific data point is: of \$35.9 billion channeled by donors to 27 fragile states in 2010, 20.2 percent (\$7.33 billion) was channeled to the government using its systems. The 27 countries included in this analysis are: Afghanistan, Burundi, Cameroon, Central African Rep., Chad, Comoros, Congo, Dem. Rep., Ethiopia, Gambia, Guinea-Bissau, Haiti, Kenya, Liberia, Nepal, Niger, Nigeria, Papua New Guinea, Rwanda, Sao Tome & Principe, Sierra Leone, Solomon Islands, Sudan, Tajikistan, Timor-Leste, Togo, Tonga, and Uganda. These 27 countries were selected using three criteria: (a) countries included in the OECD's list of states in fragile settings ([www.oecd.org/dac/conflictandfragility/46043478.pdf](http://www.oecd.org/dac/conflictandfragility/46043478.pdf)), which consolidates those compiled by the Brookings Institute, the World Bank and Carleton University; (b) countries included in the OECD's 2011 Survey on Monitoring the Paris Declaration; and (c) countries that are recipients of financing from the World Bank's International Development Association.
- <sup>62</sup> *Ibid.* Based on the analysis described in note 61, the governments of the Democratic Republic of the Congo (DRC) and Chad received under 3 percent of funding through country systems. The specific estimates are: of \$5.62 billion channeled by donors to the DRC in 2010, an estimated 2.4 percent (\$132.7 million) was channeled to the government using its systems; and of \$473 million channeled by donors to Chad in 2010, an estimated 2.9 percent (\$13.5 million) was channeled to the government using its systems.
- <sup>63</sup> Section 2 fully explains this data. It is based on estimates from the OSE using data from the Financial Tracking Service managed by the Office for the Coordination of Humanitarian Affairs (OCHA). The specific estimates are: of the \$4.27 billion disbursed to UN appeals in 2012 as of 19 July 2012, only 0.6 percent (\$24.4 million) was disbursed to local organizations. Local organizations were defined as those having a headquarters in the country for which the relevant appeal was being made.
- <sup>64</sup> Section 2 fully explains this data. It is based on estimates of the OSE using: OECD 2011, *Untying Aid Review*, *Op. cit.* 37, p. 11-17.
- <sup>65</sup> Section 2 fully explains this data. It is based on estimates from Development Initiatives using OECD CRS data, as presented in: Global Humanitarian Assistance, *Tracking Spending on Cash Transfer Programming in a Humanitarian Context*, Somerset, 2012, p. 4. The specific estimates are: of \$147.4 billion in aid as disbursed in 2010, (0.78 percent) \$1.14 billion was recorded as being in support of cash transfers.
- <sup>66</sup> OECD, *Aid Effectiveness 2005-10: Progress in Implementing the Paris Declaration (Paris Declaration 2011 Survey)* (Paris, 2011), p. 55. Available at: [www.oecd.org/dac/aideffectiveness/48742718.pdf](http://www.oecd.org/dac/aideffectiveness/48742718.pdf); On the impact on national and local staff,

see also OECD, *International Engagement in Fragile States: Can't We Do Better?* (Paris, 2011), p. 25. Available at [www.oecd.org/dataoecd/14/14/48697077.pdf](http://www.oecd.org/dataoecd/14/14/48697077.pdf)

- <sup>67</sup> Organisation for Economic Cooperation and Development (OECD), *The Paris Declaration on Aid Effectiveness, (Paris Declaration)* (Paris, 2005). Available at: [www.oecd.org/dac/aideffectiveness/43911948.pdf](http://www.oecd.org/dac/aideffectiveness/43911948.pdf), para. 17
- <sup>68</sup> Enzo Caputo, Andrew Lawson, and Martin van der Linde, *Methodology for Evaluations of Budget Support Operations at Country Level, Issue Paper. Report for the EC* (European Commission, Brussels, 2009) p. 14. Available at: [www.worldbank.org/ieg/nonie/docs/issue\\_paper.pdf](http://www.worldbank.org/ieg/nonie/docs/issue_paper.pdf)
- <sup>69</sup> OECD, *2011 Survey on Monitoring the Paris Declaration: Survey Guidance, (Paris Declaration Survey Guidance)*, (Paris, 2011). Available at: [www.oecd.org/site/dacsmpd11/46138662.pdf](http://www.oecd.org/site/dacsmpd11/46138662.pdf), p. 21
- <sup>70</sup> Section 3.2 discusses these findings. See: OECD, *Evaluation Conjointe des Opérations d'Aide Budgétaire au Mali, 2003-2009* (Joint Evaluation of GBS: Mali) (Paris, 2011). Available at: [www.oecd.org/dataoecd/30/46/48670047.pdf](http://www.oecd.org/dataoecd/30/46/48670047.pdf), which found this to be the case where budget support funds made up a 'critical mass' of the resources available to the government. In addition, when high levels of aid bypass country systems, this can limit the potential for other aid funds channeled through country systems to strengthen their capacity. See for example: David Booth, Andrew Lawson, Tim Williamson, Samuel Wangwe and Meleki Msuya, *Joint Evaluation of General Budget Support: Tanzania 1995-2004, Revised Final Report* (ODI and Daima Associates, London and Dar es Salaam, 2005). Available at: [www.odi.org.uk/resources/docs/3234.pdf](http://www.odi.org.uk/resources/docs/3234.pdf). For a discussion of the effects on systems strengthening from the degree of discretionary power that governments have over donor funds channeled through their systems, see also International Development Department (IDD) and Associates 2006, *Joint Evaluation of General Budget Support, 1994-2004: Synthesis Report* (Joint Evaluations of GBS) (University of Birmingham, Birmingham, 2006). Available at: [www.oecd.org/document/51/0,3746,en\\_21571361\\_34047972\\_36556979\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/51/0,3746,en_21571361_34047972_36556979_1_1_1_1,00.html).
- <sup>71</sup> These findings are fully explained in Section 3.2. Improvements in the capacity of budgetary systems were found in the following evaluations: IDD and Associates 2006, *Joint Evaluations of GBS, Op. cit. 70*, p. 54-5 (overall improvements to the management of the budget process were made in Uganda, Burkina Faso, Mozambique, Rwanda and Viet Nam, but not Malawi and Nicaragua); Tim Williamson and Catherine Dom, *Sector Budget Support in Practice: Synthesis Report* (ODI, London, 2010). Available at: [www.odi.org.uk/resources/download/4733-english.pdf](http://www.odi.org.uk/resources/download/4733-english.pdf); OECD 2011, *Joint Evaluation of GBS: Mali, Op. cit. 70*, p. 130.
- <sup>72</sup> These findings are fully explained in Section 3.2. See: Booth et al. 2005, *Op. cit. 70*; IDD and Associates 2006, *Joint Evaluations of GBS, Op. cit. 70*; Andrew Lawson, Gyimah Boadi, Ato Ghartey, Adom Ghartey, Tony Killick, Zainab Kizilbash Agha and Tim Williamson, *Joint Evaluation of Multi-Donor Budget Support to Ghana. Volume One: Evaluation Results and Recommendations on Future Design & Management of Ghana MDBS* (ODI and CDD-Ghana, London and Legon-Accra, 2007). Available at: [www.odi.org.uk/resources/docs/247.pdf](http://www.odi.org.uk/resources/docs/247.pdf); Williamson and Dom 2010, *Op. cit. 71*; de Kemp and others 2011, *Op. cit. 70*; Development Research Network (DRN), *Evaluation des opérations d'aide budgétaire de la Commission Européenne à la Tunisie entre 1996 et 2008* (Paris, 2011). Available at: [www.oecd.org/countries/tunisia/48071332.pdf](http://www.oecd.org/countries/tunisia/48071332.pdf); and OECD 2011, *Joint Evaluation of GBS: Mali, Op. cit. 70*.
- <sup>73</sup> This is fully explained in Section 3.2 and is based on surveys of DFID country offices conducted by the UK's National Audit Office in 2008. In 2008, DFID was providing budget support to 13 countries. See: UK National Audit Office (NAO), *Providing Budget Support to Developing Countries (Budget support)* (London, 2008), p. 9, 13. Available at: [www.nao.org.uk/publications/0708/providing\\_budget\\_support\\_to\\_de.aspx](http://www.nao.org.uk/publications/0708/providing_budget_support_to_de.aspx)
- <sup>74</sup> These findings are fully explained in Section 3.2. According to the evaluation, of the ten case studies surveyed, only one tried to address human resource capacity and only two succeeded in improving performance. The European Commission's (EC) Sector Budget Support (SBS) for Zambia's health sector included funds earmarked for addressing staff retention; and the two case studies of SBS for local governments in Uganda and Tanzania tied the disbursement of SBS (provided as investment funds), and the levels of SBS provided, to their performance in annual institutional assessments. Furthermore, local governments were then provided with capacity development funds to address the capacity gaps that were identified through the assessment (Williamson and Dom 2010, *Op. cit. 71*, p. 17-8).
- <sup>75</sup> These findings are fully explained in Section 3.2. According to the evaluation, there is a 'missing middle' in the provision of SBS. This applies both to funding and capacity development, which, according to the evaluation, have focused on upstream policy issues and increasing the supply of service delivery inputs, but not on downstream service delivery processes, *ibid*.
- Section 4.4 discusses the focus on the expansion of service delivery in the context of donors' approaches to risk management. (Donors are permitted to support governments' recurrent spending; see: OECD, *Harmonising Donor Practices for Effective Aid Delivery, Volume 2: Budget Support, Sector Wide Approaches and Capacity Development in Public Financial Management, (Harmonising Donor Practices)* (DAC Guidelines and Reference Series, Paris, 2006), p. 14, 42. Available at: [www.oecd.org/development/aid-effectiveness/34583142.pdf](http://www.oecd.org/development/aid-effectiveness/34583142.pdf))
- In particular, Section 4.4 examines how conditions and financial arrangements, designed to facilitate the monitoring of aid funds managed by governments, can

affect the way these funds are spent. Financial arrangements, such as traceability requirements, can thus limit the government's ability to use aid for the recurrent spending that is also needed to address the capacity gaps affecting the quality and equity of services. See: Williamson and Dom 2010, *Op. cit.* 71.

- <sup>76</sup> Building Markets (formerly Peace Dividend Trust), *Spending the Development Dollar Twice: the Local Economic Impact of Procurement in Afghanistan* (New York, 2009), p. 1. Available at: [www.peacedividendtrust.org/en/Spending\\_the\\_Development\\_Dollar\\_Twice.html](http://www.peacedividendtrust.org/en/Spending_the_Development_Dollar_Twice.html). PDT found that international organizations had a local economic impact of 10-20 percent, whereas the Government of Afghanistan had a local economic impact of 70-80 percent. "Local economic impact" was defined as "the value of production undertaken by local workers and businesses, taking into account Keynesian multiplier effects." In order to obtain this value for aid channeled through country systems and aid channeled through international companies and organizations, the study gathered information on the share of aid that is spent locally, including on goods and services as well as on wages. This local spending is then multiplied by an economic multiplier in order to determine the overall impact on the level of economic activity from aid's local spending. See also: Michael Carnahan, William Durch, and Scott Gilmore, *Economic Impact of Peacekeeping* (Building Markets, New York, 2006), p. 13. Available at: [http://buildingmarkets.org/sites/default/files/economic\\_impact\\_of\\_un\\_peacekeeping\\_march\\_2006.pdf](http://buildingmarkets.org/sites/default/files/economic_impact_of_un_peacekeeping_march_2006.pdf). In this report the authors examined the economic impact of nine peacekeeping missions and found that in 88 percent of cases less than 10 percent of the peacekeeping budgets entered the local economy, and in 44 percent of cases less than 5.5 percent of the peacekeeping budgets entered the local economy.
- <sup>77</sup> ActionAid, *Real Aid: Ending Aid Dependency (Ending Aid Dependency)* (London, 2011), p. 33. Available at: [www.actionaid.org/sites/files/actionaid/real\\_aid\\_3.pdf](http://www.actionaid.org/sites/files/actionaid/real_aid_3.pdf)
- <sup>78</sup> American Red Cross, *Emergency Response to Typhoon Ketsana in the Philippines: Final Report (Typhoon Ketsana)* (Washington, D.C, 2010), p. 9. Available at: [pdf.usaid.gov/pdf\\_docs/PDACQ727.pdf](http://pdf.usaid.gov/pdf_docs/PDACQ727.pdf)
- <sup>79</sup> OECD, *The Development Effectiveness of Food Aid: Does Tying Matter? (Food Aid: Does Tying Matter)* (DAC, Paris, 2006). Available at: [www.oecd.org/document/59/0,3746,en\\_2649\\_33721\\_35423803\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/59/0,3746,en_2649_33721_35423803_1_1_1_1,00.html)
- <sup>80</sup> The poverty gap refers to the average shortfall of the total population from the poverty line.
- <sup>81</sup> Michael Samson, Una Lee and others, *The social and economic impact of South Africa's Social Security System* (Economic Policy Research Institute, Research Paper Number 37, Cape Town, 2004). Available at: <http://epri.org.za/wp-content/uploads/2011/03/rp37.pdf>
- <sup>82</sup> Michael Samson et al. 2004, cited in: Catherine Arnold, Tim Conway and Matthew Greenslade, *Cash Transfers: Evidence Paper* (DFID, London, 2011). Available at: <http://webarchive.nationalarchives.gov.uk/+http://www.dfid.gov.uk/Documents/publications1/cash-transfers-evidence-paper.pdf>
- <sup>83</sup> DFID, *Annual Report and Accounts 2010-11. Volume I: Annual Report (Annual Report)* (London, 2011), p. 97. Available at: [www.dfid.gov.uk/Documents/publications1/departmental-report/2011/Annual-report-2011-vol1.pdf](http://www.dfid.gov.uk/Documents/publications1/departmental-report/2011/Annual-report-2011-vol1.pdf)
- <sup>84</sup> House of Commons, Public Accounts Committee, *Fifty-Second Report: DFID Financial Management (DFID Report)* (London, 2011), Ch. 1, para. 8. Available at: [www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/1398/139802.htm](http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/1398/139802.htm)
- <sup>85</sup> AusAid, *Independent Review of Aid Effectiveness (Independent Review)* (Canberra, April 2011). Available at: [www.aidreview.gov.au/publications/aidreview.pdf](http://www.aidreview.gov.au/publications/aidreview.pdf)
- <sup>86</sup> The Global Fund, *Global Fund Releases an Analysis of Audits and Investigations – 2012 (News Release) (News Release)* (10 July 2012). Available at: [www.theglobalfund.org/en/mediacenter/newsreleases/2012-07-10\\_Global\\_Fund\\_Releases\\_an\\_Analysis\\_of\\_Audits\\_and\\_Investigations\\_2012/](http://www.theglobalfund.org/en/mediacenter/newsreleases/2012-07-10_Global_Fund_Releases_an_Analysis_of_Audits_and_Investigations_2012/)
- <sup>87</sup> Figure A provides a full break down of this estimate.
- <sup>88</sup> This figure is based on estimates of the OSE, using data from the (1) NY pledge data set; and (2) the Government of Haiti (GOH) and International Monetary Fund (IMF) in IMF, *Haiti: Fourth Review Under the Extended Credit Facility - Staff Report and Press Release, (ECF Report)* (Washington D.C., 2012), p. 15 (Table 2a). Available at: [www.imf.org/external/pubs/ft/scr/2012/cr12220.pdf](http://www.imf.org/external/pubs/ft/scr/2012/cr12220.pdf)
- GOH spending expenditure was calculated using the following categories in Table 2a of the IMF ECF Report: "current expenditure" and "capital expenditure" that is domestically financed and that is not Petrocaribe related spending. Averages were taken to provide estimates for the relevant time-frame January 2010 to June 2012. The status of the estimates is as follows: for January to September 2010 they are actual; from October 2010 to September 2011 they are provisional; and from October 2011 to June 2012 they are projected. The figures were converted using UN exchange rates as of September 2012.
- As shown in Figure A, the specific estimates are: from January 2010 to 2012, funding disbursed by bilateral and multilateral donors amounted to \$6.04 billion, an additional \$3 billion in private funding was contributed to NGOs and UN entities, and GOH spending from its own resources amounted to \$2.7 billion.



- <sup>89</sup> Petrocaribe is a programme of the Venezuelan government that enables Haiti (and other Caribbean countries) to purchase oil on favourable conditions. More information is available on the GOH website here: [www.bureaudegestion.gouv.ht/partenaire\\_bilateraux\\_petrocaribe.htm](http://www.bureaudegestion.gouv.ht/partenaire_bilateraux_petrocaribe.htm)
- <sup>90</sup> The IMF is the source of the estimates for GOH spending from its internal revenue and Petrocaribe related spending. See: IMF 2012, ECF Report, *Op. cit.* 88, p. 15 (Table 2a). The ECF report (Table 2a) provides the estimates for spending of GOH internal revenue (“current expenditure” and “capital expenditure” that is domestically financed and that is not Petrocaribe related spending) and capital expenditure that is Petrocaribe related spending. Averages were taken to provide estimates for the relevant time-frame January 2010 to June 2012. The status of the estimates is as follows: for January to September 2010 they are actual; from October 2010 to September 2011 they are provisional; and from October 2011 to June 2012 they are projected. The figures were converted using UN exchange rates as of September 2012.
- <sup>91</sup> The OSE is the source of the estimates for humanitarian and recovery aid from bilateral and multilateral donors, private funding and debt relief, as presented in this report. With respect to debt relief: the OSE has excluded debt relief execution from the analysis of disbursement of the pledges made at the New York conference because it is aiming to provide an accurate overview of the funding that is available for humanitarian and recovery activities from 2010 to 2012. While debt relief obviously plays an important role in putting the GOH back on a sustainable fiscal path in the longer term, it does not equate to new funds available for recovery activities in the short term. For donor specific information on debt relief, see: [www.haitispecialenvoy.org/download/International\\_Assistance/8-ny-debt-relief.pdf](http://www.haitispecialenvoy.org/download/International_Assistance/8-ny-debt-relief.pdf)
- <sup>92</sup> The UN is the source of the estimates for peacekeeping spending: See: Advisory Committee on Administrative and Budgetary Questions (ACABQ), *Budget performance report for the period from 1 July 2010 to 30 June 2011 and proposed budget for the period from 1 July 2012 to 30 June 2013 of the United Nations Stabilization Mission in Haiti*, (United Nations, New York, 2012), p. 1. Available at: <http://daccess-ods.un.org/access.nsf/Get?Open&DS=A/66/718/Add.11&Lang=E>; and ACABQ, *Budget performance report for the period from 1 July 2009 to 30 June 2010 and proposed budget for the period from 1 July 2011 to 30 June 2012 of the United Nations Stabilization Mission in Haiti*, (United Nations, New York, 2011), p. 1. Available at: <http://daccess-ods.un.org/access.nsf/Get?Open&DS=A/65/743/Add.15&Lang=E>. The 2011 ACABQ report provides the peacekeeping expenditure figures as at 30 June 2010, and the 2012 ACABQ report provides expenditure figures as at 30 June 2011, and projections up to 30 June 2012. Averages were taken to provide estimates for the relevant time-frame January 2010 to June 2012.
- <sup>93</sup> Data in Section 1 is primarily based on estimates of the OSE using the New York pledge dataset converted using UN exchange rates as of September 2012. The OSE has gathered information from over 55 bilateral and multilateral donors as part of its efforts to track the pledges made at the *international donors’ conference, Towards A New Future for Haiti*, held in New York on 31 March 2010. This data, referred to as the New York pledge dataset, provides the basis for the estimates of aid to Haiti. The OSE’s website provides analysis of this data by donor: [www.haitispecialenvoy.org](http://www.haitispecialenvoy.org)
- <sup>94</sup> Figure B provides a full breakdown of humanitarian funds.
- <sup>95</sup> Figures D and E, and Table 4 provide a full breakdown of recovery funds.
- <sup>96</sup> These estimates are based on programme funding from donors to the entity listed as the primary recipient.
- <sup>97</sup> Figure B provides a full breakdown of humanitarian funds.
- <sup>98</sup> Figures D and E, and Table 4 provide a full breakdown of recovery funds.
- <sup>99</sup> Section 1.4b provides a full breakdown of these funds.
- <sup>100</sup> For details of humanitarian funding by donor, see: [www.haitispecialenvoy.org/download/International\\_Assistance/3-relief-earthquake-status.pdf](http://www.haitispecialenvoy.org/download/International_Assistance/3-relief-earthquake-status.pdf) and [www.haitispecialenvoy.org/download/International\\_Assistance/4-relief-cholera-status.pdf](http://www.haitispecialenvoy.org/download/International_Assistance/4-relief-cholera-status.pdf)
- <sup>101</sup> *Ibid.* The term grant is used in this report to refer to funding made available directly to programmes or projects, and may include associated technical assistance.
- <sup>102</sup> This breakdown is based on estimates of the OSE using the New York pledge dataset. The figures for funding to the Haitian government reflects the data made available by donors and excludes in-kind goods to the extent possible. The figures for funding to Haitian NGOs and businesses, defined as those with their headquarters in Haiti, are estimates based on the available data. It includes funding disbursed from OCHA’s Emergency Relief and Response Fund for Haiti – a pooled fund to which bilateral donors contributed after the earthquake.
- <sup>103</sup> For a breakdown by country and organization, see: [www.haitispecialenvoy.org/download/International\\_Assistance/1-overall-key-facts.pdf](http://www.haitispecialenvoy.org/download/International_Assistance/1-overall-key-facts.pdf)
- <sup>104</sup> The OSE gathered data on private funding by inviting submissions from bilateral donors and major international NGO consortiums on the amount that organizations in their country had received in private donations.

Note: there may be private contributions not captured by the OSE that were provided directly to Haitian institutions.

- <sup>105</sup> The report presents humanitarian funding from bilateral and multilateral donors and private funding together as they were largely released at the same time, and to similar recipients. The top 10 recipients of humanitarian and private funding were determined by: (1) examining the top 20 recipients according to the Financial Tracking Service (FTS) managed by the Office of Coordination of Humanitarian Affairs (<http://fts.unocha.org/pageloader.aspx?page=search-searchMain>); and (2) selecting the top 10 based on publicly available Haiti specific reports for each organization. (Donor civil and military agencies were included). Each organization was contacted to verify and update the numbers. Table 3 presents the results of this analysis. (Note: the figures in Table 3 may also include contributions classified in this report as recovery funding.)
- <sup>106</sup> Red Cross figures are based on data provided by the Red Cross to the OSE and converted using UN exchange rates from September 2012.
- <sup>107</sup> WFP figures for funding received are based on OCHA's FTS and for funding disbursed are based on WFP documentation, see: WFP, *Annual Performance Report for 2011*, (Rome, 2012), p. 127. Available at: <http://documents.wfp.org/stellent/groups/public/documents/eb/wfpdoc061851.pdf>
- <sup>108</sup> UNICEF figures are based on data provided to the OSE by UNICEF.
- <sup>109</sup> IOM figures are based on data provided to the OSE by IOM.
- <sup>110</sup> Médecins sans Frontières (MSF) figures are based on 2010 and 2011 annual report and converted using UN exchange rates from September 2012, see: MSF, *International Financial Report 2011* (Geneva 2012). Available at: [www.msf.org/msf/articles/2012/06/msf-financial-report-2011.cfm](http://www.msf.org/msf/articles/2012/06/msf-financial-report-2011.cfm) and MSF, *International Financial Report 2010* (Geneva 2011). Available at: [www.msf.org/msf/articles/2011/07/msf-financial-report-2010.cfm](http://www.msf.org/msf/articles/2011/07/msf-financial-report-2010.cfm)
- <sup>111</sup> World Vision figures are based on its report on the two-year anniversary of the earthquake, see: World Vision International, *Two Years On: Haiti Earthquake Response*, (Uxbridge, 2012). Available at: [www.worldvision.org/resources.nsf/main/press-haiti/\\$file/2-year-full-program-report.pdf](http://www.worldvision.org/resources.nsf/main/press-haiti/$file/2-year-full-program-report.pdf)
- <sup>112</sup> Catholic Relief Service figures are based on its financial report available on its website at: <http://crs.org/emergency/haiti/financials.cfm>
- <sup>113</sup> Partners In Health (PIH) figures are based on data provided to the OSE by PIH.
- <sup>114</sup> Save the Children figures are based on data provided to the OSE by Save the Children.
- <sup>115</sup> OXFAM figures are based on its report on the two-year anniversary of the earthquake, see: OXFAM International, *Haiti Progress Report: January – December 2011*, (London, 2012). Available at: [www.oxfam.org/sites/www.oxfam.org/files/20120110-haiti-progress-report-en.pdf](http://www.oxfam.org/sites/www.oxfam.org/files/20120110-haiti-progress-report-en.pdf)
- <sup>116</sup> A historical list of UN appeals is available here: <http://fts.unocha.org/pageloader.aspx?page=emerg-emergencies&section=CE&year=2012>
- <sup>117</sup> These figures for the amount “requested” are based on the revised appeal (issued part way through the calendar year), and not the original appeal for a given year.
- <sup>118</sup> These figures are based on estimates of the OSE using OCHA's FTS. Note that only two out of five grants made from OCHA's Emergency Relief and Response Fund to Haitian organizations from 2010 to 2012 were to projects in the UN appeal.
- <sup>119</sup> The OSE website provides the status of the New York pledges by donor, see: [www.haitispecialenvoy.org/download/International\\_Assistance/6-ny-pledge-status.pdf](http://www.haitispecialenvoy.org/download/International_Assistance/6-ny-pledge-status.pdf). As explained in endnote 97, debt relief is not included in this analysis of the funding made available from the pledges for the recovery efforts.
- <sup>120</sup> Other funds for recovery excludes pledges made at the international donors' conference, *Towards a New Future for Haiti*, held in New York on 31 March 2010. The OSE website provides the status of the other funding by donor, see: [www.haitispecialenvoy.org/download/International\\_Assistance/9-other-recovery-funds.pdf](http://www.haitispecialenvoy.org/download/International_Assistance/9-other-recovery-funds.pdf)
- <sup>121</sup> Office of the Special Envoy for Haiti, *Has Aid Changed: Channelling Assistance to Haiti Before and After the Earthquake*, (UN, New York, 2011). Available at: [www.haitispecialenvoy.org/download/Report\\_Center/has\\_a\\_id\\_changed\\_en.pdf](http://www.haitispecialenvoy.org/download/Report_Center/has_a_id_changed_en.pdf)
- <sup>122</sup> For further information on the HRF, see: [www.haitireconstructionfund.org/hrf/](http://www.haitireconstructionfund.org/hrf/)
- <sup>123</sup> This figure is based on donor reporting to the OSE. To date donors have approved \$30 million in budget support that has been disbursed to partner entities, approved an additional \$15 million, and formally set aside an additional \$27.6 million. (According to OSE data, a further \$33.2 million that was intended for budget support remains in the HRF.)
- <sup>124</sup> For further information on this budget support contribution, see: [www.worldbank.org/projects/P118239/emergency-development-policy-operation?lang=en](http://www.worldbank.org/projects/P118239/emergency-development-policy-operation?lang=en)

- <sup>125</sup> As noted in endnote 101, the term grant is used in this report to refer to funding made available directly to programmes or projects, and may include associated technical assistance.
- <sup>126</sup> This breakdown is based on estimates of the OSE using the New York pledge dataset. The figures for funding to the Government of Haiti using its systems and funding to Haitian NGOs and businesses, defined as those with their headquarters in Haiti, are estimates based on the available data.
- <sup>127</sup> The Background section provides a definition of country systems.
- <sup>128</sup> This table does not include loans made available from the IMF and Venezuela (through Petrocaribe).
- <sup>129</sup> These figures are based on estimates of the OSE using data from the OECD CRS.
- <sup>130</sup> Budget support was excluded from these figures to isolate the additional funding designated to strengthen the government's systems.
- <sup>131</sup> These estimates are based on programme funding from donors to the entity listed as the primary recipient.
- <sup>132</sup> The United States government procurement database is available at: [www.fpds.gov/](http://www.fpds.gov/)
- <sup>133</sup> The EU list of project contracts is available at: [http://eeas.europa.eu/delegations/haiti/projects/list\\_of\\_projects/projects\\_fr.htm](http://eeas.europa.eu/delegations/haiti/projects/list_of_projects/projects_fr.htm)
- <sup>134</sup> The IDB procurement database is available at: [www5.iadb.org/iadbppi/prism/asp/prmmain.asp?pReport=PRM1](http://www5.iadb.org/iadbppi/prism/asp/prmmain.asp?pReport=PRM1). One of the contracts was awarded to Estrella and two to Estrella EATT. Note: that these contracts were reported to and by the OSE as relating to grants in support of the government.
- <sup>135</sup> This analysis includes grant contributions for projects. It does not include core funding; that is, it only includes contributions from bilateral donors or trust funds for specific activities in Haiti. It does not include budget support contributions managed by the agencies.
- <sup>136</sup> UNDP figures for total grants were provided by UNDP to the OSE. UNDP figures for HRF grants are based on: <http://mptf.undp.org>. It does not include core funding.
- <sup>137</sup> IDB figures are drawn from its project website, see: [www.iadb.org/en/projects/advanced-project-search,1301.html?nofilter=&country=HA](http://www.iadb.org/en/projects/advanced-project-search,1301.html?nofilter=&country=HA). All contributions over \$5 million received from January 2010 to October 2012 were included.
- <sup>138</sup> World Bank figures are drawn from its project website, see: [www.worldbank.org/projects/search?lang=en&searchTerm=&countryshortname\\_exact=Haiti&src=](http://www.worldbank.org/projects/search?lang=en&searchTerm=&countryshortname_exact=Haiti&src=). All contributions over \$5 million received from January 2010 to October 2012 were included.
- <sup>139</sup> Haiti Reconstruction Fund, *Financial Report Prepared by the Trustee as of 30 September 2012*, (Washington D.C 2012). Available at: [www.haitireconstructionfund.org/hrf/system/files/documents/HRF%20Trustee%20Report%20-%20June%2030%202012\\_2.pdf](http://www.haitireconstructionfund.org/hrf/system/files/documents/HRF%20Trustee%20Report%20-%20June%2030%202012_2.pdf)
- <sup>140</sup> Global Humanitarian Assistance (GHA), *Tracking Spending on Cash Transfer Programming in a Humanitarian Context, (Tracking Cash Transfer Spending)* (Somerset, 2012). GHA (which forms part of Development Initiatives) shared its extended data analysis, including its Haiti specific data, with the OSE. The OSE estimates for funding from bilateral and multilateral donors to cash transfer programmes in Haiti are based on this data. Section 2.4 explains limitations in this data.
- <sup>141</sup> *Ibid.*
- <sup>142</sup> Estimates of the OSE based on publicly available procurement databases.
- <sup>143</sup> Estimates of the OSE based on publicly available procurement databases. The OSE altered the origin of the vendor from Haiti to international for four contracts awarded to a UN agency; international NGO and international companies (working in collaboration with a Haitian company).
- <sup>144</sup> *Ibid.*
- <sup>145</sup> Two organizations (PIH and MSF) that were part of the top 10 recipients of humanitarian funding and private funding provide Haiti specific expenditure breakdowns as part of their annual reports or audited financial statements.
- <sup>146</sup> Based on data provided to the OSE by the Red Cross movement. For the organization's last publicly available report, see: Red Cross, *Haiti Earthquake 2010: Two-Year Progress Report*, (Geneva, 2011). Available at: [www.ifrc.org/Global/Publications/disasters/1211100-Haiti-earthquake-2-years-report\\_EN.pdf](http://www.ifrc.org/Global/Publications/disasters/1211100-Haiti-earthquake-2-years-report_EN.pdf)
- <sup>147</sup> *Ibid.* Non-specified NGOs include international and local NGOs.
- <sup>148</sup> This data was gathered and analysed by the Office of the UN Resident Coordinator in Haiti, Nigel Fisher, in collaboration with UN Country Team. It presents a breakdown of spending in 2011 by 15 UN funds and programmes operating in Haiti. While some agencies have reported on their programmatic spending, others have reported both their programmatic and operational expenditure. The criteria used for each category is outlined in Endnote 149.

- <sup>149</sup> The 27 countries included in this analysis were selected using three criteria: (a) countries included in the OECD's list of states in fragile settings ([www.oecd.org/dac/conflictandfragility/46043478.pdf](http://www.oecd.org/dac/conflictandfragility/46043478.pdf)), which consolidates those compiled by the Brookings Institute, the World Bank and Carleton University; (b) countries included in the OECD's 2011 Survey on Monitoring the Paris Declaration; and (c) countries that are recipients of financing from the World Bank's International Development Association.
- <sup>150</sup> These figures for use of country systems are based on estimates from the OSE using the OECD Paris Declaration Survey dataset. The Paris Declaration Survey measures the use of three different types of public financial management systems (budgeting, financial reporting and auditing) and the use of procurement systems. Table 10 presents an average of the use of each of these systems.
- <sup>151</sup> The figures for total aid are extracted from the OECD CRS. These figures include debt relief.
- <sup>152</sup> Aid to the government sector is based on "aid disbursed at country level" which excludes humanitarian aid, debt reorganization and regional programmes. Aid to the government sector is further limited to aid that is provided in the context of agreement with a local authority. See: OECD 2011 Paris Declaration Survey Guidance, *Op. cit.* 12.
- <sup>153</sup> The figures for Haiti provided in the Paris Declaration dataset have been adjusted based on the New York pledge dataset.
- <sup>154</sup> OECD 2011 Paris Declaration Survey Guidance, *Op. cit.* 12, p. 14. Refer above to note 152.
- <sup>155</sup> *Ibid.*, p. 16.
- <sup>156</sup> OECD, *Better Aid: 2008 Survey on Monitoring the Paris Declaration: Making Aid More Effective by 2010* (DAC, Paris, 2008), p. 41. Available at: [www.oecd.org/dataoecd/58/41/41202121.pdf](http://www.oecd.org/dataoecd/58/41/41202121.pdf); OECD 2011, Paris Declaration 2011 Survey, *Op. cit.* 66, p. 50; Stephen Knack and Nicholas Eubank, *Aid and Trust in Country Systems* (World Bank, Washington D.C., 2009). Available at: [www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2009/07/20/000158349\\_20090720134118/Rendered/PDF/WPS5005.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2009/07/20/000158349_20090720134118/Rendered/PDF/WPS5005.pdf); and Stephen Knack, *When Do Donors Trust Recipient Country Systems?* (World Bank, Policy Research Working Paper no. 6019, 2012). Available at: [www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2012/04/02/000158349\\_20120402091917/Rendered/PDF/WPS6019.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2012/04/02/000158349_20120402091917/Rendered/PDF/WPS6019.pdf)
- <sup>157</sup> CPIA, or Country Policy and Institutional Assessment, ratings are undertaken by the World Bank of public financial management systems in the countries that receive loans. A centrally coordinated process carried out under tight guidelines and supervision, the assessment consists of a set of 16 criteria in four groups. Each of these is rated on a scale from 1 (very weak) to 6 (very strong). The ratings focus on property rights and rule-based governance, quality of budgetary and financial management, efficiency of revenue mobilization, quality of public administration, and transparency, accountability and corruption in the public sector.
- <sup>158</sup> OCHA's website states: "Governments have other mechanisms to seek funding from the international community. However, governments participate in the consultations and the [appeal process] workshop in the run up to producing the appeal document." See: [www.unocha.org/cap/about-the-cap/faqs#t57n1611](http://www.unocha.org/cap/about-the-cap/faqs#t57n1611)
- <sup>159</sup> These figures are based on estimates of the OSE using OCHA's FTS as of 19 July 2012. Unspecified relates to funding requested by UN entities, where the requesting entity has not been specified.
- <sup>160</sup> OECD 2011, *Untying Aid Review*, *Op. cit.* 37, p.11-12.
- <sup>161</sup> OECD, *Rapport 2011 sur l'engagement international dans les états fragiles: République d'Haïti*, (Paris, 2011), p. 21. Available at: [www.oecd.org/fr/pays/haïti/48697932.pdf](http://www.oecd.org/fr/pays/haïti/48697932.pdf)
- <sup>162</sup> Refer above to notes 142 and 143.
- <sup>163</sup> OECD 2011, *Untying Aid Review*, *Op. cit.* 37. This recommendation excludes food aid and free standing technical assistance that is not associated with a specific programme., see: OECD 2001, *Recommendation on Untying ODA*, *Op. cit.* 20.
- <sup>164</sup> OECD 2011, *Untying Aid Review*, *Op. cit.* 37, p. 11.
- <sup>165</sup> *Ibid.*, p. 17.
- <sup>166</sup> *Ibid.*, p. 11.
- <sup>167</sup> *Ibid.*, p. 17.
- <sup>168</sup> *Ibid.*, p. 11.
- <sup>169</sup> This figure is an extrapolation as follows:  
 A: Amount of total aid from 14 bilateral donors to LDC = \$21.21 billion  
 B: Percent of total aid untied = 86 percent (85.8 percent)  
 Extrapolated amount of aid from 14 bilateral donors that is untied = A x B = \$18.192 billion
- <sup>170</sup> This figures is an extrapolation as follows:  
 A: Amount of bilateral aid untied = \$18.192 billion  
 B: Percent of untied contracts awarded to local firms based on survey results = 4.26 percent  
 Extrapolated amount of untied aid awarded to local firms = A x B = \$775 million



<sup>171</sup> GHA 2012, Tracking Cash Transfer Spending, *Op. cit.* 140.

<sup>172</sup> *Ibid.*

<sup>173</sup> The figures are extracted from the OECD CRS.

<sup>174</sup> OECD 2005, Paris Declaration, *Op. cit.* 1; OECD 2008, Accra Agenda, *Op. cit.* 2.

<sup>175</sup> World Bank and African Development Bank, *Providing Budget Aid In Situations Of Fragility: A World Bank - African Development Bank Common Approach Paper* (2011). Available at: [www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/CAP Budget Aid in Fragile Situations English.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/CAP_Budget_Aid_in_Fragile_Situations_English.pdf)

<sup>176</sup> OECD 2011, Paris Declaration 2011 Survey, *Op. cit.* 66, p. 55. On the impact on national and local staff, see also OECD, *International Engagement in Fragile States: Can't We Do Better? (Can't We Do Better)* (Paris, 2011), p. 25. Available at [www.oecd.org/dataoecd/14/14/48697077.pdf](http://www.oecd.org/dataoecd/14/14/48697077.pdf)

<sup>177</sup> UN, *Civilian capacity in the aftermath of conflict: Independent report of the Senior Advisory Group* (New York, 2011). Available at: [www.civcapreview.org/LinkClick.aspx?fileticket=K5tZZE99vzs%3D&tabid=3188&language=en-US](http://www.civcapreview.org/LinkClick.aspx?fileticket=K5tZZE99vzs%3D&tabid=3188&language=en-US)

<sup>178</sup> According to the Global Humanitarian Assistance (GHA) 2012 report, 9 out of the top 10 recipients of humanitarian aid in 2010 were countries in fragility, and 45 states in fragility received 88.6 percent of international humanitarian assistance in 2010. For more information, see: Global Humanitarian Assistance, *GHA Report 2012* (Development Initiatives, Somerset, 2012), p. 4. Available at: [www.globalhumanitarianassistance.org/wp-content/uploads/2012/07/GHA\\_Report\\_2012-Websingle.pdf](http://www.globalhumanitarianassistance.org/wp-content/uploads/2012/07/GHA_Report_2012-Websingle.pdf)

<sup>179</sup> The World Bank, *World Development Report 2011. Conflict, Security, and Development (2011 World Development Report)* (Washington, D.C., 2011), p. 7. Available at: <http://wdr2011.worldbank.org/fulltext>

<sup>180</sup> OECD, *International Support To Post-Conflict Transition: Rethinking Policy, Changing Practice* (Paris, 2012), p. 21. Available at: [www.oecd-ilibrary.org/development/international-support-to-post-conflict-transition\\_9789264168336-en](http://www.oecd-ilibrary.org/development/international-support-to-post-conflict-transition_9789264168336-en)

<sup>181</sup> OECD 2011, *Can't We Do Better*, *Op. cit.* 176, p. 16.

<sup>182</sup> Global Humanitarian Assistance, *GHA Report 2011* (Somerset, Development Initiatives, 2011). Available at: [www.globalhumanitarianassistance.org/wp-content/uploads/2011/07/gha-report-2011.pdf](http://www.globalhumanitarianassistance.org/wp-content/uploads/2011/07/gha-report-2011.pdf). This assessment by

the authors of the GHA 2011 report is based on changes in the amount of humanitarian assistance received by both countries from 2000-2009, during which period Angola and Serbia were the only two countries to move out of the list of top 20 country recipients of humanitarian aid. Serbia's global rank fell from 13th in 2000-2005 to 49th in 2005-2009 and Angola's fell from 16th to 75th worldwide.

According to the authors, "[i]n practice it is often difficult to say where 'during and in the immediate aftermath of emergencies' ends and other types of assistance begin, especially in situations of prolonged vulnerability" (p. 91). In their definition of humanitarian aid (see below), the authors list the following three types of interventions as examples of emergency responses:

- Material relief assistance and services (shelter, water, medicines, etc.);
- Emergency food aid (short-term distribution and supplementary feeding programmes); and
- Relief coordination, protection and support services (coordination, logistics and communications).

The authors define humanitarian aid as:

- *Aid and action designed to save lives, alleviate suffering and maintain and protect human dignity during and in the aftermath of emergencies* (p. 91); and
- Distinct from other forms of aid in its governing principles (humanity, neutrality, impartiality, independence) and intended time-frame (short-term, in the immediate aftermath of a disaster).

Consistent with the OECD's reporting criteria, humanitarian aid can also include short-term reconstruction and rehabilitation (repairs to pre-existing infrastructure) and disaster preparedness interventions (excluding floods or conflict prevention, for example).

The authors follow donors' own reporting on levels of humanitarian aid provided.

<sup>183</sup> Global Humanitarian Assistance 2011, *GHA Report 2011*, *Op. cit.* 182.

<sup>184</sup> Global Humanitarian Assistance 2012, *GHA Report 2012*, *Op. cit.* 178.

<sup>185</sup> See, for example: Government of Egypt, OECD and Japan International Cooperation Agency, *Capacity Development: Lessons Learned and Actions for Busan and Beyond, Synthesis*

- Report (2011). Available at: [www.oecd.org/dac/governanceanddevelopment/48146228.pdf](http://www.oecd.org/dac/governanceanddevelopment/48146228.pdf) and the *Cairo Consensus on Capacity Development: Call to Action* (29 March 2011). Available at: [www.oecd.org/dac/governanceanddevelopment/48168754.pdf](http://www.oecd.org/dac/governanceanddevelopment/48168754.pdf). For a sector-specific focus on strengthening human resources, see: WHO, *The World Health Report 2006 - working together for health (World Health Report 2006)* (Geneva, 2006). Available at: [www.who.int/whr/2006/en/](http://www.who.int/whr/2006/en/)
- <sup>186</sup> Coordination Nationale de la Sécurité Alimentaire (Government of Haiti), *Evaluation rapide d'urgence de la sécurité alimentaire post-séisme* (Port-au-Prince, 2010), p. 28-29, 51. Available at: [http://reliefweb.int/sites/reliefweb.int/files/resources/BA04B8CFB349CA5B852576E7005CC35E-Rapport\\_complet.pdf](http://reliefweb.int/sites/reliefweb.int/files/resources/BA04B8CFB349CA5B852576E7005CC35E-Rapport_complet.pdf)
- <sup>187</sup> IASC, *Response to the Humanitarian Crisis in Haiti Following the 12 January 2010 Earthquake* (2010), p. 19. Available at: [www.humanitarianinfo.org/iasc/pageloader.aspx?page=content-news-newsdetails&newsid=143](http://www.humanitarianinfo.org/iasc/pageloader.aspx?page=content-news-newsdetails&newsid=143)
- <sup>188</sup> Clermont et al., *Urban disasters – lessons from Haiti: Study of member agencies' responses to the earthquake in Port au Prince, Haiti, January 2010. Report for the Disasters Emergency Committee*, Geneva (DEC, 2011), p. 18. Available at: [www.alnap.org/pool/files/dec-haiti-urban-study.pdf](http://www.alnap.org/pool/files/dec-haiti-urban-study.pdf)
- <sup>189</sup> IASC Global Health Cluster, *Removing user fees for primary healthcare services during humanitarian crises (User fees)* (24 March 2010). Available at: [www.who.int/hac/global\\_health\\_cluster/about/policy\\_strategy/EN\\_final\\_position\\_paper\\_on\\_user\\_fees.pdf](http://www.who.int/hac/global_health_cluster/about/policy_strategy/EN_final_position_paper_on_user_fees.pdf)
- <sup>190</sup> USAID Office of Food for Peace, *Haiti Market Analysis* (Washington D.C., 2010). Available at: [http://transition.usaid.gov/our\\_work/humanitarian\\_assistance/ffp/besthaitireport.pdf](http://transition.usaid.gov/our_work/humanitarian_assistance/ffp/besthaitireport.pdf), p. 26. In FY 2009, USAID's Food For Peace programme launched a three-year pilot project, the Bellmon Estimation Studies for Title II (Best) Project, to ensure that the amendment's requirements are being met. Independent studies and market analyses have been conducted in 20 countries, including in Haiti. For more information on USAID-BEST, see USAID's website: [www.usaidbest.org/index.aspx](http://www.usaidbest.org/index.aspx)
- <sup>191</sup> For a discussion of technical assistance, see the joint evaluations of budget support, commissioned by 24 multilateral and bilateral agencies and 7 partner governments: International Development Department (IDD) and Associates, *Joint Evaluation of General Budget Support, 1994-2004: Synthesis Report (Joint Evaluations of GBS)* (University of Birmingham, Birmingham, 2006) p. 37. Available at: [www.oecd.org/document/51/0,3746,en\\_21571361\\_34047972\\_36556979\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/51/0,3746,en_21571361_34047972_36556979_1_1_1_1,00.html)
- See also: UK National Audit Office (NAO), *Providing Budget Support to Developing Countries (Budget support)* (London, 2008), p. 16. Available at: [www.nao.org.uk/publications/0708/providing\\_budget\\_support\\_to\\_de.aspx](http://www.nao.org.uk/publications/0708/providing_budget_support_to_de.aspx). The NAO describes how DFID combined targeted technical assistance with budget support to achieve best results.
- <sup>192</sup> IDD and Associates 2006, *Joint Evaluations of GBS, Op. cit.* 191, p. 54-55. Overall improvements to the management of the budget process were made in Uganda, Burkina Faso, Mozambique, Rwanda and Viet Nam, but not Malawi and Nicaragua.
- See also: Tim Williamson and Catherine Dom, *Sector Budget Support in Practice: Synthesis Report* (ODI, London, 2010). Available at: [www.odi.org.uk/resources/download/4733-english.pdf](http://www.odi.org.uk/resources/download/4733-english.pdf)
- <sup>193</sup> Sector budget support (SBS) increased the dialogue between the Ministry of Finance and the relevant sector ministry in case studies from Rwanda, Uganda and Zambia, in particular in cases where SBS funds were not accompanied by traceability requirements (see section 4.4 for a discussion of traceability requirements). See: Williamson and Dom 2010, *Op. cit.* 192, p. 78. For examples of these effects in the context of general budget support (GBS), see: OECD, *Evaluation Conjointe des Opérations d'Aide Budgétaire au Mali, 2003-2009 (Joint Evaluation of GBS: Mali)* (Paris, 2011) p. 130. Available at: [www.oecd.org/dataoecd/30/46/48670047.pdf](http://www.oecd.org/dataoecd/30/46/48670047.pdf); and IDD and Associates 2006, *Joint Evaluations of GBS, Op. cit.* 191, p. 54-55.
- <sup>194</sup> See: OECD 2011, *Joint Evaluation of GBS: Mali, Op. cit.* 193, which found this to be the case where budget support funds made up a 'critical mass' of the resources available to the government. In addition, when high levels of aid bypass country systems, this can limit the potential for other aid funds channeled through country systems to strengthen their capacity. See for example: David Booth, Andrew Lawson, Tim Williamson, Samuel Wangwe and Meleki Msuya, *Joint Evaluation of General Budget Support: Tanzania 1995-2004, Revised Final Report* (ODI and Daima Associates, London and Dar es Salaam, 2005). Available at: [www.odi.org.uk/resources/docs/3234.pdf](http://www.odi.org.uk/resources/docs/3234.pdf). For a discussion of the effects on systems strengthening from the degree of discretionary power that governments have over donor funds channeled through their systems, see also IDD and Associates 2006, *Joint Evaluations of GBS, Op. cit.* 191.
- <sup>195</sup> Booth et al. 2005, *Op. cit.* 194 (where budget support was not the primary causal factor for the focus of technical assistance (TA) on PFM reform but increased the scrutiny of the impacts of TA on PFM reform); IDD and Associates 2006, *Joint Evaluations of GBS, Op. cit.* 191, p. 56; OECD 2011, *Joint Evaluation of GBS: Mali, Op. cit.* 193, p. 25-26; and Williamson and Dom, *Op. cit.* 192, p. 95.
- <sup>196</sup> Williamson and Dom 2010, *Op. cit.* 192, p. 100. See also: Jesper Steffensen, *Sector Budget Support in Practice: Desk Study, Local Government Sector in Uganda* (ODI and Mokoro, London, July 2010). Available at: [www.odi.org.uk/resources/docs/6407.pdf](http://www.odi.org.uk/resources/docs/6407.pdf), p. 78.

- <sup>197</sup> Caputo, Lawson, and van der Linde 2009, *Op. cit.* 11 and B. Wood, J. Betts, F. Etta, J. Gayfer, D. Kabell, N. Ngwira, F. Sagasti and M. Samaranyake, *Evaluation of the Paris Declaration: Phase Two Final Report* (Danish Institute for International Studies, Copenhagen, 2011). Available at: [www.oecd.org/dac/evaluationnetwork/pde](http://www.oecd.org/dac/evaluationnetwork/pde)
- <sup>198</sup> Booth et al. 2005, *Op. cit.* 194; IDD and Associates 2006, Joint Evaluations of GBS, *Op. cit.* 191; Andrew Lawson, Gyimah Boadi, Ato Ghartey, Adom Ghartey, Tony Killick Zainab Kizilbash Agha and Tim Williamson, *Joint Evaluation of Multi-Donor Budget Support to Ghana. Volume One: Evaluation Results and Recommendations on Future Design & Management of Ghana MDBS* (ODI and CDD-Ghana, London and Legon-Accra, 2007). Available at: <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/247.pdf>; Williamson and Dom 2010, *Op. cit.* 192; Antonie de Kemp, Jörg Faust and Stefan Leiderer, *Between high expectations and reality: An evaluation of budget support in Zambia* (Ministry of Foreign Affairs of the Kingdom of the Netherlands, The Hague, 2011). Available at: [www.oecd.org/dataoecd/25/31/49210553.pdf](http://www.oecd.org/dataoecd/25/31/49210553.pdf); Development Research Network (DRN), *Evaluation des opérations d'aide budgétaire de la Commission Européenne à la Tunisie entre 1996 et 2008 (Evaluation of EC budget support to Tunisia)* (Paris, 2011). Available at: [www.oecd.org/countries/tunisia/48071332.pdf](http://www.oecd.org/countries/tunisia/48071332.pdf); and OECD 2011, Joint Evaluation of GBS: Mali, *Op. cit.* 193.
- <sup>199</sup> NAO 2008, Budget support, *Op. cit.* 191.
- <sup>200</sup> The 82 percent equates to 18 out of 22 cases from the following studies (of these 22 cases, five are from countries in fragility):
- nine out of ten case studies surveyed by Williamson and Dom 2010, *Op. cit.* 192;
  - four out of seven cases surveyed by IDD and Associates 2006, Joint Evaluations of GBS, *Op. cit.* 191;
  - one out of one case surveyed by Lawson and others 2007, *Op. cit.* 198; Booth et al. 2005, *Op. cit.* 194; OECD 2011, Joint Evaluation of GBS: Mali, *Op. cit.* 193; de Kemp et al. 2011, *Op. cit.* 198 and DRN 2011, Evaluation of EC budget support to Tunisia, *Op. cit.* 198.
- All of the five case studies where spending did not increase are from non-fragile settings (Mozambique, Malawi and Nicaragua).
- <sup>201</sup> According to the UK's National Audit Office, spending in Ethiopia doubled, in absolute terms, between 2004 and 2006 and, over five years, increased from 41.9 percent to 60.9 percent of the total budget (NAO 2008, Budget support, *Op. cit.* 191, p. 12). In Tanzania, spending doubled over four years (Booth et al. 2005, *Op. cit.* 194).
- <sup>202</sup> Williamson and Dom 2010, *Op. cit.* 192; IDD and Associates 2006, Joint Evaluations of GBS, *Op. cit.* 191; Lawson and others 2007, *Op. cit.* 198; Booth et al. 2005, *Op. cit.* 194; OECD 2011, Joint Evaluation of GBS: Mali, *Op. cit.* 193; de Kemp et al. 2011, *Op. cit.* 198; and DRN 2011, Evaluation of EC budget support to Tunisia, *Op. cit.* 198.
- <sup>203</sup> Based on the UK's National Audit Office's survey of DFID country offices. In 2008, DFID was providing budget support to 13 countries. See NAO, Budget support, *Op. cit.* 191, p. 9, 13.
- <sup>204</sup> The World Bank, *Poverty Reduction Support Credits: an Evaluation of World Bank Support* (Washington D.C., 2011), p. 65. Available at: [http://siteresources.worldbank.org/INTPRSC/Resources/prsc\\_eval.pdf](http://siteresources.worldbank.org/INTPRSC/Resources/prsc_eval.pdf)
- <sup>205</sup> Williamson and Dom 2010, *Op. cit.* 192, p. 15-16 and IDD and Associates 2006, Joint Evaluations of GBS, *Op. cit.* 191, p. 69.
- <sup>206</sup> See also the World Bank's review of Haiti's PFM and accountability (World Bank, *Haiti: Public Expenditure Management and Financial Accountability Review* (Washington D.C., 2008). Available at: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/04/16/000333037\\_20080416035906/Rendered/PDF/400660ESW0P10110Box327358B01public1.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/04/16/000333037_20080416035906/Rendered/PDF/400660ESW0P10110Box327358B01public1.pdf)).
- <sup>207</sup> Williamson and Dom 2010, *Op. cit.* 192, p. 17. The EC's health sector budget support programme in Zambia earmarked funds for staff retention. The effects of this measure could not be determined by the time of the evaluation, however, because of low funds to date (the initiative was recent).
- <sup>208</sup> *Ibid.*, p. 17-18 This refers to the two Local Government case studies in Uganda and Tanzania, where the disbursement of SBS, and the levels of SBS to be provided, were tied to district governments' performance in annual institutional assessments carried out by donors. In addition, funds were then made available to local governments to address any capacity gaps identified during these assessments.
- <sup>209</sup> *Ibid.*, p.104.
- <sup>210</sup> *Ibid.*, p. 15. See also: WHO 2006, World Health Report 2006, *Op. cit.* 185. In recognition of the importance of supporting recurrent spending, donors have committed to do so: OECD 2006, Harmonising Donor Practices, *Op. cit.* 13, p. 14, 42.
- The focus on the expansion of service delivery is further discussed in Section 4.4, which examines how donors' approaches to risk management, in particular their use of conditionality and special financial arrangements, can affect the way governments spend aid funds that are channeled through their PFM systems.

- <sup>211</sup> OECD, *Promoting Haiti's Reconstruction: Service Delivery Guidance* (Paris, 2010) (Copy on file with author).
- <sup>212</sup> Building Markets (formerly Peace Dividend Trust), *Spending the Development Dollar Twice: the Local Economic Impact of Procurement in Afghanistan* (New York, 2009), p. 1. Available at: [http://buildingmarkets.org/sites/default/files/pdm\\_reports/pdt\\_spending\\_dev\\_twice\\_report\\_0709.pdf](http://buildingmarkets.org/sites/default/files/pdm_reports/pdt_spending_dev_twice_report_0709.pdf)
- <sup>213</sup> *Ibid.* Building Markets found that international organizations had a local economic impact of 10-20 percent, whereas the Government of Afghanistan had a local economic impact of 70-80 percent. "Local economic impact" was defined as "the value of production undertaken by local workers and businesses, taking into account Keynesian multiplier effects" (p. 5). In order to obtain this value for aid channeled through country systems and aid channeled through international companies and organizations, the study gathered information on the share of aid that is spent locally, including on goods and services as well as on wages. This local spending is then multiplied by an economic multiplier in order to determine the overall impact on the level of economic activity from aid's local spending. See also: Michael Carnahan, William Durch, and Scott Gilmore, *Economic Impact of Peacekeeping* (Building Markets, New York, 2006), p. 13. Available at: [http://buildingmarkets.org/sites/default/files/economic\\_impact\\_of\\_un\\_peacekeeping\\_march\\_2006.pdf](http://buildingmarkets.org/sites/default/files/economic_impact_of_un_peacekeeping_march_2006.pdf). In this report the authors examined the economic impact of nine peacekeeping missions and found that in 88 percent of cases less than 10 percent of the peacekeeping budgets entered the local economy, and in 44 percent of cases less than 5.5 percent of the peacekeeping budgets entered the local economy.
- <sup>214</sup> For example, see: OECD 2011, *Joint Evaluation of GBS: Mali*, *Op. cit.* 193.
- <sup>215</sup> The World Bank 2011, 2011 World Development Report, *Op. cit.* 179.
- <sup>216</sup> Matt Waldman, *Falling Short: Aid Effectiveness in Afghanistan* (Agency Coordinating Body for Afghan Relief, Kabul, 2008), p. 19. Available at: [www.eisf.eu/resources/item.asp?d=1587](http://www.eisf.eu/resources/item.asp?d=1587)
- <sup>217</sup> Action Aid International, *Real Aid: An Agenda for Making Aid Work* (Johannesburg, 2005) p. 22. Available at: [www.actionaid.org.uk/doc\\_lib/69\\_1\\_real\\_aid.pdf](http://www.actionaid.org.uk/doc_lib/69_1_real_aid.pdf)
- <sup>218</sup> Paul Collier, *Breaking the Conflict Trap: Civil War and Development Policy*, World Bank and Oxford University Press, Oxford, 2003, Chapter 5.
- <sup>219</sup> The OSE's analysis presented in Table 8, Section 1.3, suggests that Haitian firms are more likely to win smaller contracts. Haitians successfully competed for contracts under \$1 million, winning 211 out of 219 tenders (\$59.9 million out of \$61.2 million). On the other hand, for contracts over \$5 million, international firms won \$170.7 million out of \$175.9 million, or six out of seven contracts.
- <sup>220</sup> For example, see: World Food Programme, *Purchase for Progress Monitoring and Evaluation System Design Considerations: Final Report*, (Rome, 2010) p. 4. Available at: <http://home.wfp.org/stellent/groups/public/documents/reports/wfp229362.pdf>
- <sup>221</sup> According to WFP's most recent P4P procurement report, the "[s]avings to WFP are even larger if compared to all local food procurement (both P4P and regular local procurement from large scale traders)." The value of the savings estimated here was calculated by comparing the cost of procuring locally against the cost of importing the same commodity. See: WFP, *Summary P4P Procurement Report: Sept. 2008 – June 2012 (Updated August 2012)* (Rome, 2012), p. 23-24. Available at: <http://documents.wfp.org/stellent/groups/public/documents/reports/wfp250327.pdf>
- For more information on P4P purchases before 2010, see: WFP, *Summary P4P Procurement Report: Sept. 2008 – Sept. 2011 (Updated November 2011)* (Rome, 2011), p. 3. Available at: <http://documents.wfp.org/stellent/groups/public/documents/reports/wfp242817.pdf>
- <sup>222</sup> Jepma, 1991 and 1994; Clay et al., 2009 cited in OECD, Paris Declaration 2011 Survey, *Op. cit.* 66, p. 53. For more information, see: Catrinus Jepma, *The Tying of Aid* (OECD, Paris, 1991); Catrinus Jepma, *International policy coordination and untying of aid* (Avebury, Brookfield, VT., 1994); and Edward Clay, Matthew Geddes and Luisa Natali, *Untying Aid: Is it Working? An Evaluation of the Implementation of the Paris Declaration and of the 2001 DAC Recommendation of Untying ODA to the LDCs* (Danish Institute for International Studies, Copenhagen, 2009). Available at: [www.oecd.org/development/evaluationofdevelopmentprogrammes/dcdndep/44375975.pdf](http://www.oecd.org/development/evaluationofdevelopmentprogrammes/dcdndep/44375975.pdf)
- <sup>223</sup> ActionAid 2011, *Ending Aid Dependency*, *Op. cit.* 77, p. 33.
- <sup>224</sup> American Red Cross 2010, *Typhoon Ketsana*, *Op. cit.* 78, p. 9.
- <sup>225</sup> OECD 2006, *Food Aid: Does Tying Matter*, *Op. cit.* 79.
- <sup>226</sup> The study refers to six-month jobs because this was the average length of duration of a job in the companies interviewed for the study. See: Building Markets (formerly Peace Dividend Trust), *Impact Report: Afghanistan Marketplace Initiatives (2006-12)* (New York, 2012), p.15. Available at: [http://buildingmarkets.org/sites/default/files/pdm\\_reports/impact\\_report\\_-\\_afghanistan\\_marketplace\\_initiative\\_optimized\\_20120723.pdf](http://buildingmarkets.org/sites/default/files/pdm_reports/impact_report_-_afghanistan_marketplace_initiative_optimized_20120723.pdf)



- <sup>227</sup> *Ibid.*
- <sup>228</sup> Building Markets (formerly Peace Dividend Trust), *Job Creation in Afghanistan: Putting Aid to Work, Local procurement setting in motion employment and investment* (New York, 2011). Available at: [http://buildingmarkets.org/sites/default/files/pdm\\_reports/pdt\\_jobs\\_report\\_final\\_electronic.pdf](http://buildingmarkets.org/sites/default/files/pdm_reports/pdt_jobs_report_final_electronic.pdf)
- <sup>229</sup> *Ibid.*
- <sup>230</sup> Arnold, Conway and Greenslade 2011, *Op. cit.* 82.
- <sup>231</sup> Samson, Lee and others 2004, *Op. cit.* 81.
- <sup>232</sup> Samson et al. 2004, cited in: Arnold, Conway and Greenslade 2011, *Op. cit.* 82.
- <sup>233</sup> Marc J. Cohen, Doris Wiesmann and others, *Implementing a conditional cash transfer in Haiti: Opportunities and challenges* (International Food Policy Research Institute, Washington D.C., 2007), p. 17. Available at: <http://haiti.humanitarianresponse.info/LinkClick.aspx?fileticket=bKZpLed6rnE%3D&tabid=149&mid=1044>
- <sup>234</sup> Miriam Temin, *HIV-sensitive Social Protection: What Does the Evidence Say?* (UNAIDS, UNICEF and IDS, Geneva, 2010). Available at: [http://www.unaids.org/en/media/unaids/contentassets/documents/priorities/JC1992\\_SocialProtection\\_en.pdf](http://www.unaids.org/en/media/unaids/contentassets/documents/priorities/JC1992_SocialProtection_en.pdf)
- <sup>235</sup> Joseph Hanlon, Armando Barrientos and David Hulme, *Just give money to the poor: the development revolution from the global south* (Kumarian Press, Sterling, 2010).
- <sup>236</sup> Scheuring (2008), *Social cash transfers in Zambia: a work in progress*, p. 20-21, cited in Arnold, Conway and Greenslade 2011, *Op. cit.* 82.
- <sup>237</sup> UK National Audit Office, *DFID: Transferring cash and assets to the poor* (London 2011). Available at: [www.nao.org.uk/publications/1012/dfid\\_transferring\\_cash.aspx](http://www.nao.org.uk/publications/1012/dfid_transferring_cash.aspx)
- <sup>238</sup> Europe Aid, *Social transfers: an effective approach to fight food insecurity and extreme poverty. Concept Note* (Brussels, 2010). Available at: [http://ec.europa.eu/europeaid/infopoint/publications/europeaid/documents/186a\\_socialtransfer\\_en.pdf](http://ec.europa.eu/europeaid/infopoint/publications/europeaid/documents/186a_socialtransfer_en.pdf)
- <sup>239</sup> Scheuring (2008). *Social cash transfers in Zambia: a work in progress*, p. 20-21 cited in Arnold, Conway and Greenslade 2011, *Op. cit.* 82.
- <sup>240</sup> IASC Global Health Cluster 2010, User fees, *Op. cit.* 189.
- <sup>241</sup> See for example: UN General Assembly, *Strengthening of the coordination of emergency humanitarian assistance of the United Nations*, A/63/L.49 (New York, 2008). Available at: [www.un.org/Docs/journal/asp/ws.asp?m=A/63/L.49](http://www.un.org/Docs/journal/asp/ws.asp?m=A/63/L.49). See also: Paul Harvey and Adele Harmer, *International Dialogue on Strengthening Partnership in Disaster Response: Bridging national and international support. Background Paper 1: Building Trust: Challenges for national authorities and international aid agencies in working together in times of disasters* (Humanitarian Outcomes, London, 2011) p. 5, 27-8. Available at: [www.humanitarianoutcomes.org/resources/HumanitarianOutcomesBackgroundPaper12.pdf](http://www.humanitarianoutcomes.org/resources/HumanitarianOutcomesBackgroundPaper12.pdf). For a discussion of the need for flexible financing during the transition, see: OECD, *Conflict and Fragility. Transition Financing: Building a Better Response (Transition Financing)* (Paris, 2010). Available at: [www.oecd.org/dac/conflictandfragility/transitionfinancingbuildingabetterresponse.htm](http://www.oecd.org/dac/conflictandfragility/transitionfinancingbuildingabetterresponse.htm)
- <sup>242</sup> *Ibid.*
- <sup>243</sup> According to the independent evaluation of the response conducted three months after the earthquake for the IASC by Groupe URD and the Global Public Policy Institute (GPPI), bypassing Haitian actors meant that the international community lacked local knowledge about social structures and coping mechanisms. See: Grunewald and Blanche Renaudin. *Real-time evaluation of the response to the Haiti earthquake of 12 January 2010*. Mission Report. Mission: 9-23 February 2010. (Groupe URD and GPPI, 4 April 2010). Available at: [www.alnap.org/pool/files/100517-rapport-demission-final-ang.pdf](http://www.alnap.org/pool/files/100517-rapport-demission-final-ang.pdf)
- <sup>244</sup> For a discussion of the concentration of the response in Port-au-Prince after the earthquake, see: Development Assistance Research Associates, *The Humanitarian Response Index 2011, Focus on Haiti: Building Back Better?* (2011), p. 14. Available at: <http://daraint.org/wp-content/uploads/2012/02/HRI2011-FocusOnHaiti.pdf>
- <sup>245</sup> Bengtsson, Linus et al., *Internal Population Displacement in Haiti. Preliminary analyses of movement patterns of Digicel mobile phones 1 January to 11 March* (Karolinska Institutet and Columbia University, 2010), p. 3, 10-11. Available at: <http://haiti.humanitarianresponse.info/LinkClick.aspx?fileticket=ZPH8pFFkMnU%3D&tabid=149&mid=1045>
- <sup>246</sup> Partners In Health, *Tackling Acute and Chronic Disasters: 2010 Annual Report* (Partners In Health, Boston, 2010). Available at: [http://parthealth.3cdn.net/fdb20a0a7ef6b71153\\_06m6icn3q.pdf](http://parthealth.3cdn.net/fdb20a0a7ef6b71153_06m6icn3q.pdf)
- <sup>247</sup> Based on information provided by PIH, which partnered with ZL to oversee the expenditure of the \$2.5 million in support of the General Hospital.

- <sup>248</sup> Peter DeVillez and others, *Evaluation of DG ECHO's Action in the Water and Sanitation/Public Health Sector in Zimbabwe. Main Report* (AGEG Consultants eG, May 2011), p. 17. Available at: [http://ec.europa.eu/echo/files/evaluation/2011/Zimbabwe\\_Final\\_Report.pdf](http://ec.europa.eu/echo/files/evaluation/2011/Zimbabwe_Final_Report.pdf)
- <sup>249</sup> *Ibid.*
- <sup>250</sup> *Ibid.*, p. 21-22.
- <sup>251</sup> *Ibid.*, p. 16.
- <sup>252</sup> *Ibid.*, p. 16.
- <sup>253</sup> For a recent strategy paper by DFID that addresses the possibilities for using budget support as a modality for building capacities within public institutions (especially in the health sector) for disaster risk management: DFID, *Promoting innovation and evidence-based approaches to building resilience and responding to humanitarian crises: A DFID strategy paper* (London, 2012). Available at: [www.dfid.gov.uk/Documents/publications1/prom-innov-evidence-based-apppr-build-res-esp-hum-cris.pdf](http://www.dfid.gov.uk/Documents/publications1/prom-innov-evidence-based-apppr-build-res-esp-hum-cris.pdf)
- <sup>254</sup> Sylvie Hidalgo, *Inter-Agency Real-Time Evaluation of The Humanitarian Response To The Earthquake In Haiti 20 Months After* (IASC, 2011), p. 27. Available at: [www.alnap.org/pool/files/1395.pdf](http://www.alnap.org/pool/files/1395.pdf)
- <sup>255</sup> François Grunewald, *The Health Response in Haiti after the Earthquake: Some Food for Thought*, 6 June 2010, Groupe URD, p. 19. Available At: <http://haiti.cridlac.org/xml/eng/doc18821/doc18821-contenido.pdf>
- <sup>256</sup> Hidalgo 2011, *Op. cit.* 254, p. 27.
- <sup>257</sup> The Haiti PDNA follows the Damage and Loss Assessment Methodology (DALA), developed by the UN Economic Commission for Latin America and the Caribbean (UN-ECLAC) in 1972. The UN-ECLAC's DALA handbook, revised in 2003, distinguishes between direct damages to assets at the time of the disaster, indirect losses incurred from the disaster's effects on the flow for the production of goods and services, and the macroeconomic effects of the disaster. See UN-ECLAC and The World Bank. *Handbook for Estimating the Socio-economic and Environmental Effects of Disasters* (2003), p. 9. Available at: [www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/03/13/000333038\\_20090313015538/Rendered/PDF/475830WP0v10Handbook0Box338862B01PUBLIC1.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/03/13/000333038_20090313015538/Rendered/PDF/475830WP0v10Handbook0Box338862B01PUBLIC1.pdf)
- The DALA outlines a flexible methodology for estimating these, the Haiti PDNA specifies the following: "Damage is estimated at the replacement value of physical assets wholly or partly destroyed, built to the same standards as prevailed prior to the disaster; Losses are estimated from the economic flows resulting from the temporary absence of the damaged assets; From the damage and losses, the disaster's impact on economic performance, employment, and poverty can be assessed" (Government of Haiti, World Bank and the United Nations, *Haiti Earthquake PDNA: Assessment of Damage, Losses and General and Sector Needs* (March 2010), p. 19. Available at: [http://siteresources.worldbank.org/INTLAC/Resources/PDNA\\_Haiti-2010\\_Working\\_Document\\_EN.pdf](http://siteresources.worldbank.org/INTLAC/Resources/PDNA_Haiti-2010_Working_Document_EN.pdf)
- <sup>258</sup> These values were calculated in March 2010 using an exchange rate of 42 Gourdes to \$US 1 (*Ibid.*)
- <sup>259</sup> *Ibid.*, p. 6.
- <sup>260</sup> Christian Aid, *Haiti: Unconditional Cash Transfers – Lessons Learnt* (Humanitarian Briefing Paper, January 2012), p. 4. Available at: [www.cashlearning.org/downloads/resources/casestudies/Haiti%20cash%20response%20briefing%20paper.pdf](http://www.cashlearning.org/downloads/resources/casestudies/Haiti%20cash%20response%20briefing%20paper.pdf)
- <sup>261</sup> AFL-CIO Solidarity Center, *A Post-Earthquake Living Wage Estimate for Apparel Workers in the SONAPI Export Processing Zone* (March 2011). Available at: [www.solidaritycenter.org/Files/haiti\\_livingwagesnapshot030311.pdf](http://www.solidaritycenter.org/Files/haiti_livingwagesnapshot030311.pdf)
- <sup>262</sup> The Brookings – Bern Project on Internal Displacement, *Operational Guidelines on the Protection of Persons in situations of Natural Disaster* (UN IASC, January 2011, p. 42). Available at: <http://ochanet.unocha.org/p/Documents/Operational%20Guidelines.pdf>
- <sup>263</sup> *Ibid.*, p. 31, 34.
- <sup>264</sup> OECD 2005, Paris Declaration, *Op. cit.* 1, para. 21, p. 4.
- <sup>265</sup> OECD 2011, Busan Outcome document, *Op. cit.* 2, paragraph 18. a, p. 4.
- <sup>266</sup> OECD, *Managing Risks in Fragile and Transitional Contexts: The Price of Success? (Managing Risks in Fragile Contexts)* (Paris, 2012). Available at: [www.oecd-ilibrary.org/development/managing-risks-in-fragile-and-transitional-contexts\\_9789264118744-en](http://www.oecd-ilibrary.org/development/managing-risks-in-fragile-and-transitional-contexts_9789264118744-en); Wood et al. 2011, *Op. cit.* 197.
- <sup>267</sup> OECD 2012, *Managing Risks in Fragile Contexts*, *Op. cit.* 266, p. 104.
- <sup>268</sup> *Ibid.*
- <sup>269</sup> *Ibid.*, p. 27-28.
- <sup>270</sup> *Ibid.*, p. 68.

- <sup>271</sup> Knack and Eubank 2009, *Op. cit.* 156.
- <sup>272</sup> CPIA, or Country Policy and Institutional Assessment, ratings are undertaken by the World Bank of public financial management systems in the countries that receive loans. For more information, see the discussion in Section 2.1 and endnote 157.
- <sup>273</sup> Knack and Eubank 2009, *Op. cit.* 156.
- <sup>274</sup> *Ibid.*
- <sup>275</sup> Stephen Knack 2012, *Op. cit.* 156.
- <sup>276</sup> In its 2012 paper, “Managing Risks in Fragile and Transitional Contexts,” the OECD advised and reiterated that although one aid channel is no less politicized than another (i.e., that channeling funds as project support or pooled funding is no less politicized than through country systems), deciding whether or not to channel funds through country systems is often more politicized. See: OECD 2012, *Managing Risks in Fragile Contexts*, *Op. cit.* 266.
- <sup>277</sup> Catherine Dom and Anthea Gordon, *Budget Support in Fragile Situations* (Oxfam, Oxford, 2011). Available at: [www.oxfam.org/sites/www.oxfam.org/files/dp-budget-support-fragile-situations-111111-en.pdf](http://www.oxfam.org/sites/www.oxfam.org/files/dp-budget-support-fragile-situations-111111-en.pdf)
- <sup>278</sup> There are exceptions, however, with some donors placing greater restrictions on the provision of GBS in fragile settings in their policies and implementation guidelines. For more information, see the discussion of recent developments in GBS policy in Canada, Germany and the Netherlands in: Dom and Gordon 2011, *Op. cit.* 277, p. 25, 99-100.
- <sup>279</sup> *Ibid.*, p. 44.
- <sup>280</sup> According to the authors, less humanitarian aid can be understood as a “possible indicator of some form of stabilization more conducive for budget support” while more humanitarian aid in a country can indicate high needs for financial support (*Ibid.*, p. 44, 201). The authors also refer to similar findings by the OECD’s International Network on Conflict and Fragility, that there is no pattern in transition financing. See: OECD, *Transition Financing*, *Op. cit.* 241.
- <sup>281</sup> IDD and Associates, *Joint Evaluations of GBS*, *Op. cit.* 191, Ch. 6.
- <sup>282</sup> DFID 2011, *Annual Report*, *Op. cit.* 83.
- <sup>283</sup> House of Commons, *Public Accounts Committee 2011*, *Op. cit.* 84.
- <sup>284</sup> AusAid 2011, *Independent Review*, *Op. cit.* 85.
- <sup>285</sup> The Global Fund 2012, *News Release*, *Op. cit.* 86.
- <sup>286</sup> For example, requiring a fiduciary risk assessment of PFM and procurement systems before these systems are used. For more information, see the discussion in: OECD 2012, *Managing Risks in Fragile Contexts*, *Op. cit.* 266, p. 92-94.
- <sup>287</sup> For more information on conditionality, and the OECD’s best practice recommendations, see: OECD 2006, *Harmonising Donor Practices*, *Op. cit.* 13, Ch. 2.
- <sup>288</sup> Williamson and Dom 2010, *Op. cit.* 192. See also the studies of the effectiveness of conditionality in: U4 Anti-Corruption Helpdesk 2004, cited in OECD 2012, *Managing Risks in Fragile Contexts*, *Op. cit.* 266, p. 101. While conditions were found to be effective measures for reducing exposure to institutional risks and resulted in some short-term gains, U4’s studies found that conditions had little impact on political reform or the contextual risks of corruption (see Section 4.1 for the OECD’s definition of contextual risks).
- <sup>289</sup> The 2010 sector budget support evaluation, which also assessed the impact of conditionality and special financial arrangements on the effectiveness of SBS, found that of the 10 case studies reviewed, two-thirds involved traceable funds. See: Williamson and Dom 2010, *Op. cit.* 192.
- <sup>290</sup> The effects of traceability can also include wider distorting effects on the budget, including further derogations from country systems (the use of parallel cash management and budget execution systems and bypassing procurement systems, for example) and a tendency to focus dialogue and funding on the areas of the budget that aid is funding. According to the authors of the SBS evaluation, this reflects the tendency for traceable funds to acquire, in practice, some of the dynamics of project funding, as a result of their budgeting and reporting restrictions. The role of the public sector institutions that participate in sector financial management (including the MOF) can therefore be diminished, as traceable funds simply pass through them from donor to the specific projects or PIUs they are supporting. For more information, see the discussions of traceability in Williamson and Dom 2010, *Op. cit.* 192, p. 82, 96.
- <sup>291</sup> Recurrent and development (or investment) budgets typically intend to cover, respectively, current and capital expenditures, defined by the OECD as “[s]pending on wages, benefit payments and other goods and services that are consumed immediately” and “[i]nvestments in physical assets such as roads and buildings that can be used for a number of years” (OECD, *Budget Practices and Procedures Database Phase II: Final Glossary* (Paris, 2007). Available at: [www.oecd.org/governance/budgetingandpublic-expenditures/39466131.pdf](http://www.oecd.org/governance/budgetingandpublic-expenditures/39466131.pdf)). According to the authors of

the SBS evaluation, donors' preference for supporting specific, tangible projects, is also reflected in their preference for supporting the development or investment budget (see also: Cheryl Williamson Gray, *Public Expenditure Management Handbook* (The World Bank, Washington, D.C., 1998), Ch. 3 and David Webber, *Integrating Current and Development Budgets: A Four-Dimensional Process* (OECD Journal on Budgeting, Volume 7, No.2, 2007). Available at: [www.oecd.org/gov/budgetingandpublicexpenditures/43411965.pdf](http://www.oecd.org/gov/budgetingandpublicexpenditures/43411965.pdf)

In practice, developing countries' investment budgets can include recurrent expenditures associated with specific projects' operational costs. This is especially the case with donor-supported projects that are recorded in the investment budget (see: Williamson and Dom 2010, *Op. cit.* 192, p. 142). This can also illustrate how budget support can acquire the dynamics of project funding, discussed in endnote 290 (for example as a result of traceability requirements that funds be separately identifiable in the development budget, including any recurrent costs covered by aid).

For more information on the origins of both dual budgeting and the tendency for aid funds to support the development budget, see also: Gray 1998 and Webber 2007 (cited above).

<sup>292</sup> In its 2012 paper on managing risks in fragile settings, the OECD refers to findings from U4's studies of the EC's use of aid suspension as a sanction that while political relations between the donor and partner government were damaged, there is no "consistent evidence that the levels of corruption were reduced or that governance improved as a result of donors pulling out of countries" (U4 Anti-Corruption Helpdesk 2004, cited in OECD 2012, *Managing Risks in Fragile Contexts*, *Op. cit.* 266, p. 100). (For more information on U4, a resource centre based at the Chr. Michelsen Institute in Norway that gathers research and information on anti-corruption initiatives, see their website at: [www.u4.no/](http://www.u4.no/)).

<sup>293</sup> *Ibid.*

<sup>294</sup> Dom and Gordon 2011, *Op. cit.* 277, p. 36.

<sup>295</sup> OECD 2011, *Joint Evaluation of GBS: Mali*, *Op. cit.* 193, p. 25-26.

<sup>296</sup> *Ibid.*, p. 28.

<sup>297</sup> Williamson and Dom 2010, *Op. cit.* 192, p. 94.

<sup>298</sup> The ARTF replaced an interim mechanism called the Afghan Interim Authority Fund (AIAF), which was established at the Bonn Conference. The AIAF was managed by UNDP and was primarily used to pay for civil servant salaries. For more information, see: Bureau for Crisis Prevention and Recovery (BCPR), *Final Report on the Afghan Interim Authority Fund*

(AIAF) (UNDP, New York, 2003). Available at: [www.undp.org.af/publications/KeyDocuments/AIAF\\_Final\\_Report.pdf](http://www.undp.org.af/publications/KeyDocuments/AIAF_Final_Report.pdf)

<sup>299</sup> Erin Coppin, Marcus Manuel and Alastair McKechnie, *Fragile states: measuring what makes a good pooled fund* (ODI, London, Project Briefing, No. 58, August 2011). Available at: [www.odi.org.uk/resources/details.asp?id=5925&title=poole-d-funds-fragile-states-aid-south-sudan-afghanistan-liberia](http://www.odi.org.uk/resources/details.asp?id=5925&title=poole-d-funds-fragile-states-aid-south-sudan-afghanistan-liberia)

The ARTF was also designed to follow the national fiscal year, or solar year (SY) (which typically begins around March 21st and ends around March 20th of the following calendar year).

<sup>300</sup> These numbers exclude World Bank fees. For more information on actual and expected donor contributions to the ARTF, see: The World Bank, *ARTF: Administrator's Report on Financial Status, As of August 21, 2012 (end of Asad 5th month of SY1391)* (ARTF Report) (2012), Table 5. Available at: [http://siteresources.worldbank.org/INTAFGHANISTAN/Resources/Afghanistan-Reconstructional-Trust-Fund/ARTF\\_Financial\\_Status\\_Report\\_August\\_21\\_2012.pdf](http://siteresources.worldbank.org/INTAFGHANISTAN/Resources/Afghanistan-Reconstructional-Trust-Fund/ARTF_Financial_Status_Report_August_21_2012.pdf)

<sup>301</sup> The World Bank, *ARTF Financing Strategy SY1391-1393* (2012). Available at: [http://siteresources.worldbank.org/AFGHANISTANEXTN/Resources/305984-1326909014678/ARTF\\_Financing\\_Strategy\\_SY1391\\_1393.pdf](http://siteresources.worldbank.org/AFGHANISTANEXTN/Resources/305984-1326909014678/ARTF_Financing_Strategy_SY1391_1393.pdf)

<sup>302</sup> Also includes IMF, IDA and ADB debt service. For more information, see: The World Bank 2012, ARTF Report, *Op. cit.* 300.

<sup>303</sup> The ARTF is also used as a pass-through for funds earmarked to support UNDP Police's Law and Order Trust Fund for Afghanistan (LOTFA).

<sup>304</sup> The World Bank, *Afghanistan Reconstruction Trust Fund: Strengthening the ARTF Governance Structure* (2011). Available at: [http://siteresources.worldbank.org/INTAFGHANISTAN/Resources/Afghanistan-Reconstructional-Trust-Fund/Strengthening\\_ARTF\\_Donor\\_Governance.pdf](http://siteresources.worldbank.org/INTAFGHANISTAN/Resources/Afghanistan-Reconstructional-Trust-Fund/Strengthening_ARTF_Donor_Governance.pdf)

<sup>305</sup> Dom and Gordon 2011, *Op. cit.* 277.

<sup>306</sup> *Ibid.*, p. 36-37. The authors suggest this might be due to perceptions that these interventions are more difficult to implement with success in fragile settings, as opposed to derogations from country systems, which can provide a way to avoid perceived risks. (Note that this finding does not intend to reflect overall donor practices of providing technical assistance or capacity building in fragile settings but applies only to programmes focused on strengthening accountability mechanisms alongside the provision of GBS.)

<sup>307</sup> For more information on GEMAP, see the programme's website at: [www.gemap-liberia.org/](http://www.gemap-liberia.org/)



- <sup>308</sup> UNDP, *Assessment of Development Results: Cambodia. Evaluation of UNDP Contribution* (New York, 2009), p. 37. Available at: [www.undp.org/evaluation/adr/cambodia.html](http://www.undp.org/evaluation/adr/cambodia.html)
- <sup>309</sup> USAID, *USAID Forward: Implementation & Procurement Reform* (Achievements, Issue no.3, February 1, 2012). Available at: [http://pdf.usaid.gov/pdf\\_docs/PDACS878.pdf](http://pdf.usaid.gov/pdf_docs/PDACS878.pdf)
- <sup>310</sup> Verena Fritz and Ana Paula Fialho Lopes, with Edward Hedger, Heidi Tavakoli and Philipp Krause, *Public Financial Management Reforms in Post-Conflict Countries: Synthesis Report* (The World Bank, Washington D.C., 2012). Available at: [www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/06/15/000356161\\_20120615033527/Rendered/PDF/699640WP0P1206070023B0PFM0Web0Final.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/06/15/000356161_20120615033527/Rendered/PDF/699640WP0P1206070023B0PFM0Web0Final.pdf)
- <sup>311</sup> Williamson and Dom 2010, *Op. cit.* 192.
- <sup>312</sup> See, for example: David Booth, *Towards a theory of local governance and public goods' provision in sub-Saharan Africa* (ODI, on behalf of the Africa Power and Politics Programme, Working Paper No. 13, August 2010), p. 16. Available at: [www.institutions-africa.org/filestream/20100812-app-working-paper-13-towards-a-theory-of-local-governance-and-public-goods-provision-in-sub-saharan-africa-david-booth-aug-2010](http://www.institutions-africa.org/filestream/20100812-app-working-paper-13-towards-a-theory-of-local-governance-and-public-goods-provision-in-sub-saharan-africa-david-booth-aug-2010)
- <sup>313</sup> For a discussion of social accountability measures for improving service delivery, see: Dena Ringold, Alaka Holla, Margaret Koziol, Santhosh Srinivasan, *Citizens and Service Delivery: Assessing the Use of Social Accountability Approaches in Human Development* (The World Bank, Washington, D.C., 2011). Available at: <https://openknowledge.worldbank.org/handle/10986/2377>
- <sup>314</sup> See, for example, a political economy approach to identifying bottlenecks in the service delivery chain and developing strategies for addressing them: ODI, *Political economy analysis for operations in water and sanitation: A guidance note* (London, 2012). Available at: [www.odi.org.uk/resources/details.asp?id=6454&title=political-economy-analysis-operations-water-sanitation-guidance-note](http://www.odi.org.uk/resources/details.asp?id=6454&title=political-economy-analysis-operations-water-sanitation-guidance-note)
- <sup>315</sup> This report does not attempt to duplicate efforts to document lessons learned in Haiti as part of humanitarian and recovery activities, nor does it assess the tireless efforts of Haitian and international organizations that have sought to contribute.
- <sup>316</sup> Section 2 fully explains this data. It is based on estimates of the OSE using data from two OECD sources. These sources are the OECD Creditor Reporter Scheme (CRS) (<http://stats.oecd.org/index.aspx?DataSetCode=CRS1>), as of 21 February 2012, and the OECD Paris Declaration on Aid Effectiveness ([stats.oecd.org/Index.aspx?DataSetCode=SURVEYDATA](http://stats.oecd.org/Index.aspx?DataSetCode=SURVEYDATA)). The specific data point is: of \$35.9 billion
- channeled by donors to 27 fragile states in 2010, 20.2 percent (\$7.33 billion) was channeled to the government using its systems.
- <sup>317</sup> Section 1 fully explains this data. It is based on estimates from the OSE using the New York pledge dataset. The specific figure is: of \$6.04 billion in humanitarian and recovery funding, 0.6 percent (\$36.2 million) was channeled to the Haitian NGOs and businesses in programme funds. This amount includes \$2.3 million in humanitarian funds and \$33.9 million in recovery funds.
- <sup>318</sup> Section 1 fully explains this data. They are based on estimates of the OSE using OCHA's FTS. The specific figures are: Haitian NGOs requested \$26.3 million (1.3 percent) out of a total of \$2.01 billion requested in the three appeals; and they have received \$1.6 million (0.1 percent) out of the total \$1.37 billion that has been disbursed through the appeals.
- <sup>319</sup> Section 2 fully explains this data. It is based on estimates from the OSE using data from the Financial Tracking Service managed by the Office for the Coordination of Humanitarian Affairs (OCHA). The specific estimates are: of the \$4.27 billion disbursed to UN appeals in 2012 as of 19 July 2012, only 0.6 percent (\$24.4 million) was disbursed to local organizations. Local organizations were defined as those having a headquarters in the country for which the relevant appeal was being made.
- <sup>320</sup> Section 2 fully explains this data. It is based on estimates of the OSE using: OECD, *Implementing the 2001 DAC Recommendation on Untying Aid: 2010-2011 Review (Untying Aid Review)* (DAC, Paris, 2011), p. 11-17. Available at: [http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=DCD/DAC\(2011\)4/REV1&docLanguage=En](http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=DCD/DAC(2011)4/REV1&docLanguage=En)
- <sup>321</sup> *Ibid.*
- <sup>322</sup> Sections 1 and 2 fully explain this data. They are based on estimates from the OSE using data provided to the OSE by Development Initiatives using OCHA FTS and OECD CRS data, as presented in: Global Humanitarian Assistance, *Tracking Spending on Cash Transfer Programming in a Humanitarian Context*, Somerset, 2012, p. 4. The specific figures are: of the \$2.13 billion in humanitarian funding reported by bilateral and multilateral donors to OCHA's Financial Tracking Service, 2.4 percent (\$50.2 million) was recorded as being contributed to cash transfer programmes; and of \$147.4 billion in aid as disbursed in 2010, (0.78 percent) \$1.14 billion was recorded as being in support of cash transfers.
- <sup>323</sup> Organization for Economic Cooperation and Development (OECD), *The Paris Declaration on Aid Effectiveness, (Paris Declaration)* (Paris, 2005) p. 9. Available at: [www.oecd.org/dac/aideffectiveness/43911948.pdf](http://www.oecd.org/dac/aideffectiveness/43911948.pdf)

- <sup>324</sup> OECD, *The Accra Agenda for Action, (Accra Agenda)* (Paris, 2008). Available at: [www.oecd.org/dac/aideffectiveness/43911948.pdf](http://www.oecd.org/dac/aideffectiveness/43911948.pdf)
- <sup>325</sup> OECD, *A New Deal for Engagement in Fragile States, (New Deal)* (Paris, 2011) p. 3. Available at: [www.oecd.org/dac/aideffectiveness/name,208569,en.htm](http://www.oecd.org/dac/aideffectiveness/name,208569,en.htm)
- <sup>326</sup> OECD, *DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries, (Recommendation on Untying ODA)*, (Paris, 2001). Available at: <http://acts.oecd.org/Instruments/ShowInstrumentView.aspx?InstrumentID=140&Lang=en&Book=False>
- <sup>327</sup> OECD, *Busan Partnership for Effective Development Cooperation, (Busan Outcome document)* (Paris, 2011). Available at: [www.oecd.org/dac/aideffectiveness/49650173.pdf](http://www.oecd.org/dac/aideffectiveness/49650173.pdf)
- <sup>328</sup> This idea emerged during discussions with the authors of the report and the UN Resident Coordinator's Office.
- <sup>329</sup> The Haiti Reconstruction Fund (HRF) is unable to disburse funds directly from the pooled fund to the GOH or other Haitian actors – it can only be disbursed directly to a partner entity (the IDB, UN or World Bank). See: [www.haitireconstructionfund.org/hrf/faq#question4](http://www.haitireconstructionfund.org/hrf/faq#question4)
- <sup>330</sup> These figures are based on estimates of the OSE using data from the OECD CRS.
- <sup>331</sup> Budget support was excluded from these figures to isolate the additional funding designated to strengthen the government's systems.
- <sup>332</sup> Aasmund Andersen, *Desk Review: Aid Management Information Systems in Post-Conflict and Fragile States*, (UNDP and PBSO, New York), p. 18. Available at: [https://s3-eu-west-1.amazonaws.com/rdwebsite/aidmngt/web/docs/Andersen\\_AIMSDeskReview\\_FinalDraftv4\\_Apr10.pdf](https://s3-eu-west-1.amazonaws.com/rdwebsite/aidmngt/web/docs/Andersen_AIMSDeskReview_FinalDraftv4_Apr10.pdf)

