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Multisectoral Global Funds as instruments for financing spending on global priorities

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Abstract

Multisectoral Global Funds (MGFs) are emerging as important new mechanisms for development financing. MGFs like the Global Fund for AIDS, Tuberculosis and Malaria are distinctive because they are governed and financed by multisectoral coalitions of national governments, multilateral agencies, the private sector and civil society, they operate independently of any one institution and are tied to issues or policy areas. This study considers the desirability of MGFs as instruments for international financial mobilization and resource allocation. MGFs hold considerable promise as focal points for generating additional public and private resources to address urgent global problems and to finance global public goods. They are partnership-based and may be more operationally nimble than traditional mechanisms. However, MGFs may also result in a less coherent response to global problems, duplicate existing structures and lack democratic accountability.

Introduction

Multisectoral Global Funds (MGFs) are emerging as an increasingly popular and important mechanism for the mobilization and distribution of new international revenues. Several such funds already have annual disbursements that are as large as or exceed the core budgets of the largest UN agencies, and new funds with even broader mandates are currently being proposed.[1] Yet comparatively little is known about the way MGFs operate or whether they are desirable as instruments for financing additional spending for global purposes. A better understanding of MGFs is also relevant to advancing the debate about the management of other innovative sources of financing for development.[2]

Definition

While official trust funds, usually managed by established international organizations such as the World Bank, have long been used by donors acting individually and collectively to earmark funds for specific purposes, this study proposes that there are several characteristics of MGFs that distinguish them from these mechanisms[3]. These characteristics have several new and important implications for global governance. MGFs, defined here, are:

Multisectoral. These mechanisms are not the exclusive domain of national governments. MGFs actively seek out the private sector as private direct financial contributors or as co-financing partners, and formal governance arrangements may include the private sector, civil society and other stakeholders. [4]

Independent. MGFs operate independently of any one institution. They are constituted either as separate entities with independent legal personalities, as 'alliances' with financing arms for legal purposes, or as the financial mechanisms of international agreements.

Issue-based. The mission of MGFs is linked to issue or policy areas (such as communicable diseases, global environmental protection and children's immunization). This is distinct both from the more generalized mandates of international organizations, and from many of the World Bank managed trust funds, which tend to be smaller and focused on much more specific objectives or programs.

The principal case study used in this study is the new Global Fund to fight AIDS, Turberculosis and Malaria (GFATM), a multi-billion dollar MGF designed to address these three diseases, which together cause almost six million deaths per year. The GFATM was formally proposed in 2001, and held its first board meeting in January 2002. The issues and debates that arose during the fund's fast-tracked but intensive negotiating process are useful in identifying the major competing approaches available in the management of MGFs. The international attention it has received means that the GFATM may set an important precedent for future efforts of this kind, and may encourage the further proliferation of MGFs in the international system. This paper also refers frequently to two secondary case studies - the Global Environment Facility (GEF), a large global fund devoted to environmental purposes that derives its mandate from multilateral environmental agreements and the Vaccine Fund, the financing instrument of the Global Alliance for Vaccines and Immunisation (GAVI) whose mission is the immunization of children.[5]

A global fund as defined here is a financial instrument whose primary purpose is to attract, manage and distribute resources for global purposes.

An actor may participate in a MGF through one or more of the following channels: formal governance or decision-making processes; as financial contributors; or as direct funding recipients.

A multisectoral global fund is defined as one that includes, through one or more of the activities listed above, national governments or intergovernmental organizations (the 'public' sector) and at least one of the following sectors:

1. The private sector, defined here as including: private charitable foundations; corporations and industry groups; high net worth individuals as donors and the general public as donors;

2. Nongovernmental organizations, including

International NGOs (INGOs), national NGOs community-based organizations and think tanks or advocacy groups;

3. Education and specialized research institutions.

Overview: the desirability of MGFs

A number of common ideas emerge from the detailed analysis of management issues for MGFs undertaken in this study.

Strengths

MGFs have the following potential advantages when compared with other instruments for international financial mobilization and resource allocation:

MGFs are potentially powerful vehicles for the financing of global public goods.[6] If they act as financial mechanisms to fund transnational problems which country-by-country programming is unable or unwilling to address, they are less likely to duplicate existing structures and to be genuinely additional to other sources of financing.[7] Earmarking of funds on a collective basis through MGFs makes sense for global public goods where, by definition, not enough money would be spent on them if agents acted alone.

MGFs can be political and resource mobilization focal points. Their increasing popularity reflects that current political reality that major bilateral donors have demonstrated a clear reluctance either to increase their bilateral aid spending or to provide additional financial support to the core activities of established international organizations. MGFs are also more likely to attract substantial private resources. Moreover, these instruments can be used to focus concerted international political attention on urgent global problems that would otherwise not receive priority.[8] MGFs could in principle be explicitly linked to the achievement of internationally agreed targets, such as the Millennium Development Goals.

MGFs aim to be more innovative, results-based and operationally nimble than established institutions. They are generally more organizationally lean, have greater focus because they are financial mechanisms and not implementing agencies and may be less constrained in their ability to support innovative programming and make funding decisions based on performance of recipients.

MGFs' partnership structure leverages the benefits of participation by private sector, civil society and other stakeholders, such as increased country ownership of fund activities, harmonization of activities across sectors and leveraging the expertise and knowledge of the non-government actors. This level of partnership is harder to achieve in structures where governments are the only decision-makers. Because no single donor controls the use of funds in MGFs, tied aid and rent-seeking behavior from donors is minimized. For this reason the Zedillo report advocated the greater use of international mechanisms such as global funds to ensure that aid is not tied to the supply of goods or services from donor countries, but rather is focussed on meeting the needs of recipient countries.

Limitations

Conversely, a number of serious limitations of MGFs also emerge from this study:

The proliferation of MGFs may lead to ad hoc policy-making and an incoherent response to global problems. At a global level, the stratification of development financing into issue-based silos risks neglecting the critical synergies between policy-making across issues. International organizations are better positioned to make these connections and to make funding decisions based on a coherent view of current global priorities. At a national level, proliferation of issue-based global funds contradicts the trend in development practice towards the development of integrated country-owned plans such as PRSPs supported by non-earmarked funds. This may limit the flexibility and coherence of national policies.

MGFs may be duplicative of existing international structures, increasing transaction costs. Issue-based funds add to an already crowded landscape of international bodies with overlapping organizational missions. While MGFs see themselves as financing mechanisms and not new organizations, experience suggests that this distinction is not always clear. Ultimately, MGFs must answer the same questions about governance, accountability and organizational structure that the United Nations and others faced in their organizational development - and they must answer them from scratch. Further, even when they rely mainly on existing structures MGFs add to the transaction costs of recipient countries through additional application, implementation and reporting requirements. This represents a substantial opportunity cost in terms of time for senior government officials.

MGFs are less democratically accountable than existing processes. While international organizations are accountable through the national governments that constitute them, no such mechanism exists for MGFs. Experience so far suggests that the governance arrangements of MGFs can be ad hoc and that participation in them is uneven. Formal inclusion of the private sector and Civil Society Organization (CSOs) in governance arrangements creates additional challenges in terms of ensuring accountability and avoiding potential conflicts of interest.

MGFs may not be genuinely additional at global or recipient country level. While MGFs are premised on being additional to regular financing channels, there is a strong political temptation for them to be used in a substitutive manner.[9] This could have the long-term effect of undermining the financial position and legitimacy of the United Nations and other international organizations. MGFs' emphasis on non-government stakeholders may also draw attention away from the central responsibility of national governments to address global problems, weakening the case for increases in ODA. At recipient country level, funding from MGFs may also be used as a substitute for external assistance or domestic spending.[10]

Governance issues

Table 1 provides an overview of the governance structures of the MGFs featured in this study. This section examines in more detail some of the major governance questions that have arisen for the GFATM and other major funds.

Governing boards

Structure

MGFs have three basic options in constructing their governing boards:

Plenary structures, where, like the UN General Assembly, all actors of a certain status (for example nation-states) have voting rights;

Constituency-based structures, which are based on the concept of representation of different interests, and

Functionally-based governing boards, where members are selected according to skills required by the fund, not their status as members of a particular group.

Constituency-based governing boards have generally been the preferred board structure for MGFs, as is evident from the experience of the GFATM. A constituency-based board was endorsed for the GFATM for two reasons. Consensus was reached early in the Transitional Working Group (TWG) process through which the details of the fund were negotiated that the GFATM should have a 'lean' governance structure, including a relatively small governing board to allow for more nimble decision-making. This ruled out a plenary structure. There was a parallel consensus that all of the fund's multiple stakeholders should be formally represented in the governing body of the fund.

The early experience of the GFATM has raised some of the problems associated with constituency-based governance mechanisms:

Board members may not meaningfully represent or adequately consult their constituency groups. Developing countries in particular have concerns about the extent to which constituency representatives from their regions are serving their interests on the GFATM board. This conflict partly arises from the fact the role of constituent representatives in the GFATM is still evolving, and it is not clear whether the role of board members is primarily to be a direct representative of their constituencies or to act as individuals, with limited obligations to represent constituent interests. The conflict is also a function of the inevitable trade-off between the smaller size of the governing board and the degree to which all stakeholders can have seats at the table.[12]

From a different perspective, constituency structures are criticized for exacerbating factionalism. The TWG process through which the fund was defined is described by several participants as a highly political contest between different constituencies: 'Not once did I hear someone make an intervention that put their own interests aside for those of the fund as a whole', one

TWG member observed of the meetings. These critics argue that this is reflected in the final composition of the fund, where key criteria such as which countries are eligible for funding have been left extremely broad in order to satisfy different national constituencies. By extension, it is argued that a consequence of constituency-based structures is that board members often fail to act collectively and corporately in the interests of the fund rather for their own constituencies, and hence boards tend to shy away from difficult decisions about the use of scarce resources.[13]

Stakeholder representation on governing boards

The recent trend among MGFs has been to give formal representation on governing boards to all major stakeholders, including donor and recipient governments, multilateral agencies, NGOs, the private sector, and in the case of the Global Alliance for Vaccines and Immunisation (GAVI) Board, to research and technical health institutes.[14] In contrast, when its governance was restructured in the mid 1990s, the GEF chose to limit council representation to national governments only.

There are two main competing perspectives on the use of multisectoral governance structures by MGFs:

One view sees multisectoral governance as essential to realizing the concept of partnership underlying MGFs. Giving non-government stakeholders a seat at the table helps to realize the benefits of coalition-building, knowledge-sharing and, in the case of the private sector, the ability to mobilize private resources. Proponents of this view also emphasize the proximity of NGOs to local communities and the limitations of national governments, especially with issues like corruption.

An alternative perspective distinguishes national governments (and sometimes the international organizations who are constituted by them) from other stakeholders on the basis of their democratic accountability to the people who choose them. It follows that other stakeholders, including NGOs, cannot be held accountable for the responsible use of funds in the same way, and so should not be involved in formal decision-making. Moreover, private sector representation on boards presents a clear potential for conflicts of interest, as noted in Private sector participation in MGFs.

Balance between constituencies

A related governance question is the appropriate breakdown between stakeholder representatives on governing boards (see table 1). While GFATM's board is dominated by national governments, which are split equally between donor and recipients (as is the case with the GEF council), governments are in the minority on GAVI's board, with three representatives for developed countries and just two for developing countries. When the geographical origins of other board members are taken into account, just three of the board's [15] members come from developing countries.

Selection of board members

MGFs, unbound by the established procedures of national governments or international organizations, must essentially create their own processes for selecting board members. The processes that were used to select the constituent representatives on the GFATM were somewhat ad hoc and attracted descriptions ranging from 'highly legitimate' to 'dodgy' in interviews conducted for this study:

Each constituent group was responsible for developing its own criteria and selection processes to identify board members. For example, NGOs established a selection committee comprised mainly of former TWG members from prominent NGOs involved in the three diseases. The World Economic Forum was in charge of convening a consultation process for selecting the private sector representative. The processes used by constituents varied, although there was a perception among members of the TWG that while the NGO selection process was conducted in a transparent and fair manner, the private sector process was overly reliant on personal networks and did not engage broader participation from the private sector. Donor country representation on the fund board was driven by size of contribution to the fund, and in the words of one World Bank official, some major G8 countries were simply 'there by rights'.

In many cases, those who were involved in early discussions about the fund, and who were then invited to join the TWG became members of the fund board. For example, all country representatives who currently sit on the fund's board were also members of the TWG.[15] The

TWG selection process itself, which was mainly driven by the UN Secretary-General and the G8 countries, has been criticized for its lack of transparency and for not applying clear criteria to determine who should and should not participate.

Decision rules

Decision-making by consensus is the norm for the governing bodies of all of the MGFs discussed in this study. This is generally accepted as a preferred basis for decision-making in partnership arrangements like these. In situations where the board is unable to reach a consensus and a vote is required, MGFs have different procedures, as documented in Table 1. The Global Environment Facility (GEF) council requires proposals to have the support of 60 per cent of participants (one country-one vote) as well as 60 per cent of donor support (one dollar-one vote) for them to be approved. G8 donors control over 60 per cent of the funding and developing countries make up a majority of the participants, providing a balancing mechanism. Similarly, the GFATM divides the governing board equally between government donor and private sector constituencies and government recipient and NGO constituencies and requires a two-thirds majority of both to be accepted.[16] The impact of the voting rules of both the Global Environment Facility (GEF) and the Global Fund to Fight AIDS, TB and Malaria (GFATM's) is that overwhelming support must exist for agreement to be reached. For this reason, the GEF council has avoided votes completely, an approach that has the undesirable consequence of keeping important but contentious issues off the table at council meetings, according to some participants.

Role of Secretariats

Size of Secretariat

MGFs are created partly in response to the perceived inefficiencies and wastefulness of large global and national donor agencies. During the GFATM start-up phase, stakeholders repeatedly stressed that the Fund should not be 'another bureaucracy'. Kofi Annan echoed this, calling for a 'light, responsive and non-bureaucratic' Secretariat. This aim is reflected in the final agreement that the Secretariat, still being assembled at time of writing, should consist of no more than 12-15 professionals. Similarly, GAVI and the Vaccine Fund have set up extremely small secretariats and they claim that approximately 98 per cent of Vaccine Fund resources go directly to countries.

The lean secretariat model is the subject of some skepticism. GAVI's secretariat is so pared down in part because it relies on informally constituted task forces to do much of the critical policy and review work that would otherwise be the responsibility of an operational body. These taskforces do not have dedicated human and financial resources, and so they rely on ad hoc support from the donor government and multilateral agencies that constitute them. The voluntary nature of participation in taskforces has led to gaps in GAVI's work program, and a lack of accountability for delivering outputs. As GAVI's application and implementation workload increases, such a small secretariat may be neither realistic nor appropriate (TWG sub-working group paper, November 2001: 14-15). The concept of an ultra-lean Secretariat for the GFATM may also sit uneasily with the substantial responsibilities that have been assigned to it, including oversight of monitoring, evaluation and proposal review activities and an active role in advocacy and fundraising. The experience of the GEF also demonstrates that secretariats may be asked to take on progressively greater responsibilities.

Skill sets required in secretariats

An important issue in the formation of MGF secretariats is the range of skill sets that should be represented within the secretariat, as opposed to sourcing expertise externally. The issue of whether GFATM should possess in-house technical expertise like that of the specialized UN agencies has attracted debate. This would inevitably require some enlargement of the secretariat. The GFATM argues that the nature of the Secretariat's work will not require it to create specific posts for technical experts because the technical aspects of proposal review are allocated to the Technical Review Panel under the GFATM structure. However, the Secretariat's responsibility for commissioning this panel and overseeing its activities may require some in-house expertise. Philosophical differences have also emerged among fund participants over the criteria used to recruit Head of Secretariat. The United States has pushed for a requirement that the successful candidate has significant private sector experience. Other constituencies have expressed a preference for candidate who is more integrated into the international public sector.

Country-level structures and processes

The process of defining the relationships between funds and recipient countries is one of the most contentious issues for MGFs to resolve, as is the case in many areas of international development practice today. MGFs must decide what kinds of application and reporting requirements are placed on recipients and which country-level entities are eligible to receive funding. This section outlines out some of the competing perspectives. The country-level processes used by the funds profiled in this study are set out in Table 1.

Four basic models for structuring MGF-recipient country relationships can be discerned. The MGFs profiled in this study employ varying combinations of these models:

Implementing agencies: Multilateral organizations and regional development banks act as the intermediary between recipient countries and the fund. Under the GEF model, countries develop and implement proposals in cooperation with multilateral agencies, which effectively must approve a project before it is put to the GEF's executive board. National governments, through designated 'focal points', are the key liaison point between recipient country and the implementing agencies, board and secretariat.

Strengths. The focus on implementing agencies leverages the technical and operational expertise of international organizations and builds on already established relationships between governments and these institutions. It also allows MGFs a filtering process to ensure the credibility of proposals that are submitted for consideration.

Weaknesses. The presence of implementing agencies can reduce country ownership of programs and add an additional layer separating the MGF from funding recipients. The GEF experience suggests that the need for both board and implementing agency approval delays project processing, implementation and disbursement. Implementing agencies may also put pressure on countries to undertake projects for which they have little sense of ownership (TWG sub-group working paper on governance, November 2001), while conversely countries are unable to pursue projects which implementing agencies do not endorse.

Government-centered: The MGF's central relationship is with the national government either directly or by reporting to implementing agencies as in model 1. Governments are held accountable for the results of programs at country level and are the only country-level entity eligible to receive funding.

Strengths. This approach encourages government ownership and ultimate political responsibility for fund activities. Funded programs are likely to be better integrated into existing national structures and planning processes, increasing policy coherence and reducing transaction costs. Generally this involves a simpler and more manageable relationship for the MGF.

Weaknesses. A government-centered approach risks marginalizing NGOs, the private sector and other actors who may be important to successful program delivery. The model will fail if the recipient government is corrupt, wasteful or ineffective.

Country coordination mechanisms (CCMs): An increasingly popular country level structure for MGFs are multisectoral mechanisms, usually led by national governments but designed to bring together key national stakeholders such as NGOs, the private sector and research institutes to form a national focal point for proposal making and implementation. The existence of a CCM is often a requirement of receiving funding. In the GFATM and Vaccine fund, for example, CCMs are charged with producing unified national funding applications and are at the center of country-level reporting and accountability.

Strengths. CCMs foster innovation and improved coordination of activities by bringing together key national stakeholders. They can also overcome some of the pitfalls associated with weak national governments when a government-centered approach is taken.[17]

Weaknesses. CCMs may be controlled by small groups who do not secure broad domestic support. While existing national structures may be used or consolidated to serve as CCMs, if an entirely new structure needs to be created this could significantly increase transaction costs for funding recipients.[18]

Decentralised: A decentralized model for relationships between national actors and MGFs allows individual NGOs or consortiums of NGOs and other actors to apply for funding directly and possibly to establish independent reporting relationships with MGFs. The US government argued strongly for this to be one-track for the operating model of the GFATM. As a result provision now exists for NGOs to apply directly to the fund in certain exceptional circumstances although the decentralized approach has not been adopted generally.

Strengths. Leverages benefits of NGO participation and increases their ownership of activities. This approach may also be a good way of funding more radical and experimental programs, and can be useful if the country coordination mechanism is not sufficiently inclusive of non-government stakeholders or is otherwise not legitimate.

Weaknesses. The decentralized approach assumes a level of motivation, capacity and experience in developing and implementing proposals and reporting progress that country-level NGOs may not possess. It can also significantly increase the administrative burden on MGF through additional application processing and monitoring requirements.

Disbursement speed

Another element of the relationship between MGFs and the country level is the expectations around how quickly an MGF's funding application and disbursement processes should move. MGFs like the Vaccine Fund and the GFATM have emphasized the importance moving as quickly as possible so that recipients get help quickly and the fund can develop a reputation for speed, efficiency and results. However, the 'rapid' pace of applications and 'tight' deadlines in the GAVI process have also been criticized for preventing nations from developing adequate funding applications (Shoofs and Phillips: 2002).

Accountability processes

Program accountability

Program accountability systems are important to MGFs in two ways:

The ability of MGFs to convincingly demonstrate results from funded programs is vital to retaining public and donor confidence, especially in the initial phases of fund operations, where donors have not yet determined the level of their steady-state contributions to the fund.

Monitoring and evaluation (M&E) tools, especially when combined with performance based-funding, are seen as instruments to substantially improve the effectiveness of funded programs.

Table 1 provides an overview of the monitoring and evaluation systems used by the three principal MGFs profiled in this study. This section reviews the unique or contested aspects of program accountability in MGFs.

Performance-based funding

The claim that MGFs do not represent 'business as usual' in development finance in part rests upon new systems of program accountability, and performance-based funding in particular. GAVI and the Vaccine Fund have pioneered performance-based funding, and in response to the perceived success of that model the GFATM is now developing a similar program accountability regime. The GEF is also currently investigating ways of incorporating performance-based funding principles into their operations. The outcome of experiments with performance-based funding is likely to have implications not only for the perceived viability of MGFs but for also the use of such systems by other established bilateral and multilateral donors.

Definition

Performance-based funding formally links disbursements to the outcomes of projects as measured by agreed targets. The Vaccine Fund's radical performance-based funding model is the starkest alternative to more traditional monitoring and evaluation procedures. The Vaccine Fund model makes additional tranches of funding for strengthening health systems conditional on governments' meeting targets for numbers of children immunized. The Vaccine Fund has instituted a system of 'performance-based shares', in which they deliver $10 of funding per child for health systems strengthening in advance and an additional $10 per child as a retrospective reward for successfully meeting targets. Moreover, rather than imposing detailed guidelines on the use of resources, the fund gives governments the freedom to use the funds in whatever way leads to the achievement of targets (Brugha and Walt, 2001: 153).

Merits of performance-based funding

There are a number of potential advantages of performance-based funding models:

Incentive effects can encourage grant recipients to make the most effective possible use of funds and minimize any incentive to misuse funds or spend them on overheads rather than directly on program recipients.

By giving recipients the autonomy to use funds as they choose as long as they meet targets, performance-based funding increases country-level ownership of MGF activities and promotes innovation in program design and delivery.

Rewarding high-performing recipients can draw more attention to the most successful program strategies, which should promote a faster convergence towards good practice.

Lower transaction costs for recipients may occur when performance-based funding is accompanied by fewer reporting requirements. The primary obligation of funding recipients is to report their performance in meeting targets, not in how they have managed program inputs.

From a macro perspective, restricting funding so that only reasonably high-performing recipients are funded may improve an MGF's overall outcomes, even if that success is more unevenly distributed across countries or funding recipients

From the standpoint of the financial sustainability of MGFs, performance-based funding is donor-friendly, making it easier for donors to demonstrate to their constituents that funds are not being wasted.

Several important limitations of performance-based funding can also be identified:

An aggressive focus on meeting outcomes-based targets may distort recipient decision-making in undesirable ways. As Brugha and Walt (2001: 154) argue, in order to satisfy donors, governments will have an incentive to manage their funding through vertical structures that speed progress towards meeting specific targets. Such structures might involve significantly higher transaction costs than if funds were submerged into overall health budgets.

Performance-based funding may simply reinforce existing gaps between the capacities of different grant recipients. Withholding additional funding to countries who fail to meet targets - as the Vaccine Fund does by linking additional funding to strengthen health systems to success in meeting immunization coverage targets - may have the circular effect of perpetuating the very factors that made recipients unable to meet their targets in the first place.

Some models of performance based funding can excessively penalize short-term dips in performance and fail to exercise flexibility and take into account unexpected events that might affect program outcomes. This approach can also inhibit organizations from going though a process of learning from mistakes and building experience.

Performance-based funding may shift the focus of funding towards what is easily measurable and hence more satisfactory to donors. As Ford and Hoen (2001) have argued the push towards producing highly visible results may come at the expense of underfunding critical health systems strengthening and capacity work. Funding recipients may also choose to focus their activities on better off groups where they can achieve easier gains.

Performance-based funding systems will misfire if the metrics used to assess performance are inappropriate, or if target setting is either unrealistically high or insufficiently challenging. This suggests that performance-based funding regimes may be easier to implement in MGFs with a narrowly focused organizational mission. For the Vaccine Fund, immunization coverage rates are a measurable, controllable and, it would seem, relevant metric on which to base funding allocations. For funds like GFATM, whose mission is more complex and diffuse, it will be harder to link performance to a set of targets that recipients can reasonably be expected to control and yet which are also focused on the outcomes or results of fund activities (for example, lower disease burdens and death rates).

Performance-based funding gives recipients an incentive to over-report or exaggerate program outcomes.

The outcome of the current debates about performance-based funding will depend on how individual systems are set-up. At a minimum, it is essential that as the GFATM and the Vaccine Fund have promised, adequate remedial and additional support processes are put in place alongside performance-based funding with the aim of ensuring that funding recipients are able to receive additional tranches of funding even if they experience initial problems meeting their targets.

Corporate-level monitoring and evaluation

Overlaying program-level accountability processes, MGFs are developing corporate accountability and target-setting procedures as part of their strategic planning activities. The GFATM has recently named a set of key outcomes-based metrics based on internationally agreed public health benchmarks that will be used to guide overall fund performance.

The experience of the GEF's corporate-level monitoring and evaluation may offer useful lessons here. In recent years, donors have strongly backed a project led by the GEF Secretariat to develop programmatic indicators to track the progress of the facility in its key focal areas, in order to quantify and define what results donors could expect for different levels of funding. According to GEF officials interviewed for this study, this is having the effect of distorting GEF's portfolio in favour of projects with shorter time horizons. Funding for long-term, higher payoff strategies - such as the development of solar thermal power plants which are not expected to be profitable for at least ten years - has become harder to justify in the context of donor pressure for proven results within the facility's four-year financing windows.

Financial accountability

Fiduciary arrangements are critical in ensuring that funds disbursed by MGFs are used for their intended purposes. The different trustee arrangements used by the three MGFs profiled in this study are summarized in Table 1. The issue of the GFATM's trustee structure attracted considerable debate, and in particular focused on two questions: who would act as trustee and, once it was agreed that the World Bank would serve this role, what kind of accountability relationship the Bank would have with funding recipients.

Participants in the TWG process saw the choice of the Bank (and not, say, a private bank) as trustee as the 'safe' option because of donor confidence in the Bank's financial accountability systems. This argument eventually prevailed. However recipient countries and even some UN officials expressed concern that if the Bank was to become trustee it would impose the standard terms of its country relationships onto them, and that the GFATM would be too Bank-driven. The potential that the Bank becomes too involved in the fund's operations could create the appearance of a conflict of interest between the Bank's fiduciary obligations and their participation in the fund (GFATM Fiduciary Options working paper, November 14, 2001).

A second major issue on financial accountability was identifying whom the Bank would deal with in its function as trustee. The United States government and the Bank were starkly at odds over this issue. The Bank, who deals only with governments in its regular funding processes, refused to establish independent accountability relationships with individual NGOs and other country-level funding recipients. The Bank argued that this would substantially increase its transaction costs and those of recipients, many of whom would in any case lack the capacity to accurately report to the Bank. Partly to address these concerns, the GFATM has decided to institute a system of sub-trustees where a bank or other group at country level provides a bridge between the Bank and funding recipients. This tension between government-centred MGFs and more decentralized structures was also noted earlier.

Private sector participation in MGFs

The relationship between the international public and private sector is being reshaped by developments in global governance on several fronts. The Secretary-General's Global Compact initiative and the creation of the United Nations Fund for International Partnerships (UNFIP) in response to the Turner contribution to the UN are prominent examples of this. In considering the implications of private sector involvement in MGFs, this section raises issues common to public-private partnerships generally, with a focus on those questions of most relevance to MGFs.

The three basic roles for the private sector in MGFs that have emerged are as:

(a) Direct financial contributors or as co-financing partners. The question of how to mobilize direct financial contributions for MGFs, and the desirability of doing so, is considered in the next section.

(b) Suppliers of commodities or other services, at market or reduced prices, or as contributions in kind;

(c) Providers of expertise, knowledge and in-country networks.

In GFATM consultations, private sector representatives sought to play down the primacy of the first role, saying that private sector involvement in the Fund would not succeed unless the private sector were fully recognized as partners - not just as potential donors (GFATM Private Sector Consultation Meeting, unpublished report, December 6-7, 2001) . A US government official interviewed for this study argued that the private sector felt marginalized from the fund during the TWG process because the attitude among many bilaterals was essentially that they should contribute and shut up'.

Co-financing

MGFs are increasingly seeking out opportunities for co-financing with the private sector with the aim of leveraging private sector contributions and creating sustainable markets for products that contribute to the aims of MGFs. This inevitably impacts on the project portfolio composition of MGFs. The GEF climate change team, for example, is seeking to steer its projects towards areas where a modest incremental contribution by the facility can make developing a product like solar fuel cell buses less risky and more economically viable for the private sector. In contrast, then GEF would be unlikely to find private co-financing for a product like solar cookers that, while not especially profitable, might have positive sustainable development impacts.

Service provision and procurement

MGFs, while not implementing mechanisms, often conduct certain activities that require commercial relationships with private industry. A good example is the bulk commodities procurement that GAVI has undertaken with the vaccine industry, and that GFATM is expected to carry out in order to purchase medicines and other products such as bed nets and condoms. MGFs aim to negotiate bulk purchase of commodities at substantially reduced prices. They do this by establishing partnerships with private industry rather than just commercial relationships, leveraging the economies of scale involved in global or regional procurement to obtain cheaper prices, and offering the private sector the prospect of long-term market-opening opportunities in developing countries.

In the GAVI case, early evidence suggests that this strategy has been successful. UNICEF has successfully negotiated substantially reduced prices on vaccines from GAVI partners. Moreover, as GAVI's Executive Director Tore Godal puts it, because they are being treated as partners and there is 'real money on the table' the private sector has seriously engaged with the objectives of the alliance and has begun to modify its production activities to meet anticipated new demand through the fund. The existence of GAVI is also expected to increase incentives for the private sector to undertake additional research into new vaccines.

GAVI's approach recognizes what one US government official interviewed for this study argues is key to the success of public-private partnerships - that involvement in these alliances must be profitable, in the short or long term, for business. However, this reality also raises potentially significant implications for the policy orientation of MGFs. Anita Hardon (2001) describes how this issue was reflected at the first GAVI partners' meeting:

> "Jean Stephenne, president of SmithKline Biologicals (a company producing the combination DTP-hepatitis B combination which is now in great demand) outlined in one of the [GAVI partners'] meeting's keynote speeches the conditions for industry participation in the Alliance. This included a guarantee for "reasonable prices", support for a credible and sustainable market, respect for international property rights, a tiered pricing system including safeguards against re-export of products back from developing countries to high-priced markets, and a prohibition on compulsory

licensing... Industry representatives involved in vaccine development stressed the need to rely on research-based companies to develop the needed new vaccines, and said that they opposed technology transfer proposals. They stressed that vaccine development is too complex for public research institutes and local producers in developing countries. 'Push and pull' mechanisms to accelerate vaccine development were proposed, involving public sector subsidies to companies to conduct clinical trials and set up manufacturing plants. The GAVI partners appeared unconcerned about some possible conflict of interest between the large research-based companies' interest in markets for new products and the public health objective of preventing childhood mortality in developing countries."

GAVI has developed procedures to avoid conflicts of interest between individual partners' financial interests and its decision-making. What Hardon points to, however, is rather more structural and would not be directly addressed by such mechanisms. Similarly, the GFATM elected not to place a pharmaceutical company representative on its board, partly out of conflict of interest concerns and in response to the opposition of some bilaterals including France, NGOs and the UN technical agencies. It remains to be seen how such issues will be managed if the fund conducts extensive procurement activities with the pharmaceutical sector.

New ideas and knowledge sharing

Leveraging experience and expertise is seen as a potentially significant benefit of the private sector involvement in MGFs. A US government official used the example of the way in which Coca Cola, a member of the GFATM's transitional working group, could bring its in-country distribution expertise to bear on the distribution of bednets and other commodities. Participants in GAVI and the Vaccine Fund also spoke positively about the role of the Gates Foundation in encouraging innovation and new ideas and for infusing 'business thinking' into public sector activities. Other participants expressed concern that if private charitable foundations were the principal contributors to MGFs, as is the case with the Vaccine Fund and the Gates Foundation, the funds could increasingly come to resemble, culturally and operationally, the foundations who fund them. This might inhibit the ability of MGFs to integrate effectively with the international public sector and especially to conduct the kind of holistic policy-making that recognizes the implications of fund activities for other global policies and priorities.

Attracting and sustaining financial inflows for MGFs

In the absence of a more stable and regular source of international tax revenue such as those discussed earlier, MGFs must rely on voluntary contributions as their major source of revenue. MGFs tend to have an even less secure funding base than established international organizations that - with notable exceptions - are able to rely on fixed annual or multi-year contributions to their budgets from member nations. If MGFs are to be considered viable financial instruments for development financing, much rests on their ability to attract and sustain predictable funding arrangements.

Attracting resources

One of the expectations underlying the creation of MGFs such as the Vaccine Fund and the GFATM is that they will be able to mobilize additional resources that could not be raised through established public and private financing channels.

Mobilizing public resources

There are several reasons MGFs are seen as magnets for additional donor funding:

Because they address specific issue areas, the creation of funds can be used to build momentum and create a sense of urgency around a particular global problem. High profile MGFs have demonstrated their capacity to attract substantial initial donor resources and the likelihood of longer-term commitments if the fund demonstrates success. Secretary-General Kofi Annan's public call for the creation of a new global health fund and his ambitious $7-10bn target for the fund reflects this strategy. MGFs also allow governments to make high-profile pledges that demonstrate their commitment to a particular issue to local and international political constituencies. In this way, the G8 countries in Genoa used the concept of a global fund to tangibly signal their commitment to these problems. If large donors like the United States make substantial contributions, a demonstration effect may occur encouraging other states to follow suit.

MGFs are attractive to donors because they are sold as innovative multisectoral partnerships. If they carefully manage their brands, MGFs avoid an association with any one institution, which may be helpful because donors are generally reluctant to increase their core funding to existing multilateral agencies or even their bilateral aid, which may have mixed reputations among their constituents.

Because they often service global public goods, MGFs can make a more convincing case for additional resources, because existing bilateral efforts will by definition be insufficient to address the problem the fund is addressing. The UK government, for example, has linked its future support for the GFATM to the fund's ability to fill global gaps in development assistance, such as global commodities procurement that are not met by existing aid initiatives.

Expectations about the ability of MGFs to attract additional public resources could be misleading, however:

Unlike contributions to membership-based international organizations, national contributions to MGFs are generally voluntary, and so governments are less likely to contribute to funds that address issues which are not politically attractive or which do not align with the strategic objectives of the donor's bilateral aid program. This is evident from the patchy levels of donor participation in the GFATM and the Vaccine Fund, although the GEF has better coverage among OECD countries.[19]

Donors tend to be highly conscious of the levels of contributions of other industrialized countries. While this might create a virtuous cycle if major donors make substantial initial contributions to MGFs, in practice the reverse often happens. The US's initial $200m contribution to the GFATM was announced as 'seed money' but has, to date, set the precedent for other national contributions, none of which have exceeded this amount, although several countries have contributed more as a percentage of global output.[20] The recent GEF replenishment negotiations provide another striking example of this. The United States announced early on that it intended to maintain its contribution to the Facility in the coming replenishment period in dollar terms. This effectively meant that in order for the GEF's funding to grow over the coming four-year period to reflect its substantially expanded mandate, other countries would have to increase their contributions in percentage terms. Japan and France in particular well opposed to this, taking the view that the US was 'free-riding'. However, the US finally pledged $ 500 million over the next four years, a 16 per cent increase over its contribution to the previous replenishment.

Even if MGFs do succeed in attracting significant resources, it does not follow that these resources will necessarily be genuinely additional to existing bilateral aid and other donor spending. A senior World Bank official interviewed for this study said that he expected that the vast majority of funds committed to the GFATM would be substitutive of existing spending.[21] The question of the additionality represented by MGFs has major global governance implications, as noted elsewhere.

Mobilizing private resources

The ability to mobilize significant private sector resources is one of the key ways in which MGFs distinguish themselves from other financing mechanisms. A prior question in considering how MGFs can attract private resources, however, is how much private sector support should be relied upon in the first place. Two broad competing views can be identified:

The more traditional view is that private sources cannot and should not be relied upon in the long-term as major donors to MGFs. This view emphasizes the limits to the commitment of the private sector and in particular individual corporations to directly funding non-profit activities. While major contributions from charitable foundations are seen as much more promising than corporate giving, even foundations sometimes take the philosophical view that there are certain tasks that are mainly the responsibility of governments. A USAID official interviewed for this study explained the relatively low level of US foundation interest in the GFATM as arising from a perception that 'government is already doing it'. Developing countries and NGOs have also expressed concern that the focus on attracting private resources could be used by donor governments to distract attention from their core responsibility to provide development assistance (Oxfam, 2001: 4). The United States already argues that donations from US foundations and corporations should effectively be considered part of its national contribution to MGFs. Strong reservations have also been expressed about soliciting corporate donations from industries who have an economic stake in MGF activities through procurement decisions. For this reason, for example, the Vaccine Fund does not accept corporate donations from pharmaceutical companies.

At the other end of the spectrum, some stakeholders express the view that the private sector and not national governments should be seen as the major source of contributions for MGFs in the medium to long-term. A US government official interviewed for this study argued that if in 5 years, the majority of funds for the GFATM are not coming from private sources, the fund will have failed. According to this view, winning the confidence of the private sector should be considered a key test of the fund's success. Some argue that the long-term future of MGFs lies in philanthropy by private individuals - with 57,000 individuals whose fortunes exceed $30m, they represent a cumulative wealth of $8.37 trillion. The Gates Foundation argues that 'given financial incentives and technical support' many of these individuals would be willing to commit substantial resources for global purposes. (Stansfield, 2002: 100).

Factors affecting willingness of private sector to contribute

Several factors seem to affect the willingness of private charitable foundations and individual corporations to contribute to MGFs:

The degree to which the fund is perceived as government-driven. A director at a major US private charitable foundation interviewed for this study said his foundation would probably not contribute to the GFATM because it was a 'politicians' fund'. He characterized the negotiation phase of GFATM as being dominated by politics, preoccupied with debates about the fund's administrative and governance questions.

The private sector wants formal inclusion in fund governance arrangements. Private donors like the Gates Foundation are unlikely to contribute at a level comparable to national governments without a seat on the table in decision-making in MGFs. In pre-GFATM consultations, the private sector requested that it have four representatives on the governing board - it ultimately had two seats allotted to it (see Table 1).

Loss of 'identity' of corporate and foundation contributions. The larger and more general the fund, the harder it is for the private sector to retain the identity of their contributions. Private foundations in particular tend to have specific strategic goals and funding priorities that a broad-based fund like GFATM may not necessarily be able to accommodate. The implication of this is that in order to secure higher levels of private contributions to MGFs, foundations and corporations may need to be offered a menu of specific projects with clear and tangible outcomes to fund from which to choose, rather than just being solicited to make general contributions. However this kind of earmarking of funds for donor purposes can distort resource allocation decisions, and in GFATM negotiations it was generally seen as unacceptable (TWG sub-group working paper on governance, November 2001).[22]

The tax and regulatory environment in different national jurisdictions can have a significant influence on the level of giving by wealthy private individuals in particular. The US tax code was reformed in 1986 to allow high net worth individuals to contribute to "improve public welfare" to avoid a wealth tax of 60 per cent or more. The UK, Japan, and the EU have all seen recent increases in both individual and corporate contributions for public goods due to changing regulatory environments (Stansfield, 2002).

Fundraising strategy

If MGFs intend to vigorously pursue private resources, they need a comprehensive and professional fundraising strategy. Bernard Rivers (2001) argues that if the GFATM is to undertake serious fundraising from foundations, corporations, wealthy individuals and the general public in particular it will need either a dedicated team within the fund itself or as the UN Population Fund, UNICEF and GAVI have done, it will have to set up a legally independent NGO or network of NGOs to raise funds and represent its interests.[23] The Vaccine Fund, as GAVI's fundraising arm, has appointed a board of eminent persons such as Nelson Mandela and Amartya Sen whose principal role is to raise awareness of the

Fund's activities and solicit additional resources. Funds like the GFATM, whose governing boards are constituency-based, may want to consider the use of patrons to achieve similar ends.

Experience so far

The fundraising performance of the MGFs profiled in this study has varied. The Vaccine Fund has received commitments of almost $1bn to date, three-quarters of which comes from the Gates Foundation. The Fund says it is at best halfway towards its five-year funding goal and is currently targeting government donors and wealthy individuals. Doubt has been expressed about GAVI's ability to attract significant new resources from either the public or private sectors, however, with the Gates Foundation and a few bilateral donors crowding out other interest.[24] The nearly $2bn contributed to the GFATM from public and private sources by the end of February 2002 is substantially below Secretary-General Kofi Annan's target of between $7bn and $10bn in annual resources. The optimists argue that this represents a vote of confidence considering the GFATM is untested (CSIS Task Force, 2001:1) and concerted efforts to attract additional resources have not yet begun. Even though some of these contributions are spread over several years, the Fund's annual resources are still likely to exceed UNDP's current core budget on these figures. Pessimists suggest that the level of early contributions set a benchmark and that it will be difficult to substantially increase this. Moreover, private sector contributions make up only 5 per cent of existing commitments to the Fund.

The experience of the GEF, whose donors are mainly OECD governments, provides conflicting evidence. The facility began in 1991 as a pilot program with an initial donor commitment of $1bn. Its first replenishment in 1994 increased the Facility's resources over a four-year period to $2bn and its second replenishment in 1998 increased resources modestly to $2.6bn. In August 2002, donor countries agreed on a $ 2.9 billion replenishment of the GEF to fund its operations over the next four years.

Sustainability and predictability of financing

Sustainability and predictability of income flows are key challenges for any global financing mechanism, and this may be especially the case for MGFs.[25] Because many funds are created in response to perceived global 'emergencies', and are sold to donors as exceptional responses to deal with exceptional problems, there is a risk that interest fatigue will develop among donors over time when other issues begin to take precedence. Donors may be encouraged to 'issue-shop' between MGFs in response to high-profile emergencies, reducing their support to funds that may be dealing with endemic problems (like the spread of communicable diseases) and not one-off crises. MGFs are also vulnerable to other factors such as loss of donor confidence because of mismanagement of disbursed funds.

The consequences of a declining or even funding base for MGFs and their beneficiaries are substantial:

MGFs may fund expensive and capital intensive programs that cannot then be supported down the line if funding shrinks. MGFs often respond to problems with time horizons of ten or twenty years with financial resources that are committed for just a few years. As Bernard Rivers argues in connection with GFATM 'if a country receives funding to start a large treatment program, but does not in later years receive further funding, what will happen to the people whose treatment was started?' (unpublished paper, December 8). Anita Hardon (2001:5) makes a similar argument in relation to the expansion of vaccination programs under GAVI.[26] The Vaccine Fund is currently heavily reliant on a substantial contribution from the Gates Foundation over a relatively short 5-year time horizon.

Uncertainty about future financial inflows arising from lags between pledging and disbursements or insecure future funding commitments can have a disruptive effect on the operations of MGFs and on funding recipients. One World Bank official interviewed for this study recalled an example of when a multi-donor trust fund administered by the Bank in response to the Asian economic crisis in 1997-98 was disrupted when it took almost two and a half years for a government to finally disburse a major pledge made at a heads of government meeting.

Remedies

MGFs can undertake a number of measures to improve the sustainability and predictability of their funding bases:

Securing multi-year pledges. Donors can be encouraged to commit funds over a longer time horizon. This is one of the aims of the multi-year funding frameworks that are designed to increase core funding to UN agencies. Funding commitments to MGFs to date have tended to be relatively informal. The GEF replenishment process provides a more structured forum for donors to negotiate funding commitments over four-year periods, but as noted above this process can be protracted and political.

Contributions to funds can be made as a percentage of fixed national contributions of the organization that administers them, which may increase predictability of funding - assuming the organization itself does not have a problem of its funding sources being in arrears. The World Heritage Fund is funded through UNESCO in this way (Cecil, 2001: 155).

MGFs can withhold certain benefits to nations who do not contribute or are in arrears. An example of this currently being mooted at the GEF is to place restrictions on procurement by the facility from non-contributing countries or those in arrears (the Asian Development Bank is understood to already have such a policy in place).

Co-financing. While co-financing and the use of leveraging will not by itself increase the reliability of an MGF's funding base, it can be a critical means of reducing the ongoing financial burden for global funds and of and increasing the impact of funded projects. The GEF has pursued what a recent performance review calls 'modest' attempts at co-financing - for example with the IFC or national energy authorities, and is looking to do more, especially with the private sector.[27] The GFATM is also looking to develop a variety of co-financing strategies, such as funds matching. With demand for funds expected to exceed availability, co-financing with organizations such as the World Bank may become an essential strategy to leverage fund resources.

Table 1. GFATM, GEF and the Vaccine Fund/GAVI compared

	GFATM	*GEF*	*Vaccine Fund/GAVI*
Governance structure	Paramount structure is 18 member constituency-based board plus 4 ex-officio members without voting rights Secretariat and Technical Review Panels support Board Partnership Forum advises on fund's strategic direction, conducts advocacy work	Assembly consisting of all member states meets every three years to decide on overall direction and mandate of Facility 32-member constituency-based council is key decision-making structure Implementing agencies, Secretariat, country focal points support Board decision-making	*GAVI:* Loosely and informally constituency-based board structure, 11 rotating members and 4 renewable members. Secretariat, working group and taskforces support Board decision-making *Vaccine Fund:* 11-member board of eminent persons with primary responsibility for fundraising and advocacy. Board considers recommendations of GAVI board and approve funding disbursements.
NGOs on board	Yes, 2 Southern and 2 Northern	No	Yes (GAVI), No (Vaccine Fund)
Private sector on board	Yes, one foundation and one industry	No	Yes (GAVI), No (Vaccine Fund)
Research community on board	No	No	Yes (GAVI), No (Vaccine Fund)
Multilateral agencies represented on board	Yes, ex-officio without voting rights	No	Yes (GAVI), No (Vaccine Fund)
Decision rules	Consensus; if vote two-thirds of donors and private sector, two-thirds of recipients and NGOs	Consensus; if vote 60 per cent of donors, 60 per cent of participants	GAVI – consensus; simple majority voting. Vaccine Fund – consensus, largely ceremonial.
Current annual disbursements	Estimated at $700m in first full year of operations. Expected to grow in year 2.	~$600m per year	~$160m per year over five years currently committed to 53 eligible countries, expected to grow with further rounds of funding awards
Year established	2002	1991, pilot program; 1994 restructured GEF	1999
Role of international organizations	Focused on technical support and assistance with country-level program proposals and implementation	World Bank, UNDP and UNEP are implementing agencies; key drivers of program development and implementation	Vaccine procurement through UNICEF; technical and operational expertise provided by WHO
Role of civil society	Voting members on Board; funding recipients through Country Committee process and may apply independently for funding in limited circumstances.	Formal CSO consultations and participation in council meetings; CSOs eligible to be funding recipients through implementing agencies; small dedicated allocation for small grants directly to grassroots CBOs	Limited representation on GAVI board
Fiduciary arrangements	World Bank is trustee, sub-trustees at national level. Disbursements to be made directly to governments.	World Bank is trustee	UNICEF is trustee
Use of performance-based funding	Yes – model to be developed	No	Yes
Program monitoring and evaluation arrangements	Board has ultimate responsibility for monitoring and evaluation. At country level, country coordination mechanism is center of program accountability, with existing M&E systems used wherever possible to minimize transaction costs.	Mainly conducted by implementing agencies (multilateral agencies) with some external evaluation and an expanding role for Secretariat. Overseen by governing council.	Independent performance audits conducted to verify immunization reporting. Emphasis is on hands-off M&E because of performance-based funding system.
Role of private sector	Financial contributors with board representation for corporations and private charitable foundations.	No role in governance or as direct financial contributors. Some co-financing activities and joint projects with private sector at country-level.	Key role as partners, including vaccine development and delivery. Gates Foundation is principal donor.

Notes

[1] British Chancellor of the Exchequer Gordon Brown has recently added to the growing interest in such instruments by proposing a 'Global Development Trust Fund' that would allocate the additional $50bn in development assistance that is required to meet the Millennium Development Goals. The fund would use a IBRD-like mechanism to leverage public sector capital for private sector borrowing, and would seek to accelerate disbursement of funds over the next decade in order to meet the 2015 targets. Although Brown's proposal has not yet been fully detailed, and it is not clear whether this fund is envisaged to have the kind of active allocative role that would be comparable to the funds discussed in this study, it is indicative of a general political movement towards channeling additional resources through global fund-like instruments. His proposal is also of interest because such a fund would potentially be even more broadly based and substantial than the issue-based funds examined here. George Soros' recent proposal in relation to the use of the IMF's special drawing rights might also involve the creation of a broad-based allocative fund. Further issue-based funds are also being proposed. A Global Health Research Fund is one of several proposals for fund-like instruments raised in a recent volume on financing global public goods (Sachs, 2002: 28).

[2] For example, the distribution of a share of the revenues of an internationally coordinated tax to a network of existing global funds is one of the more politically plausible allocative mechanisms that have been proposed for implementation of such proposals (Cecil, 2001). It has also been proposed that the proceeds of a currency transactions tax be put into a dedicated global fund to fight currency crises (Serageldin, 2000). Many of the issues raised below in relation to MGFs are also relevant to any body that is responsible for managing and distributing substantial funds for global purposes, including the allocative body or bodies that would manage an internationally coordinated tax.

[3] Official trust funds currently contribute about $2bn per year – the equivalent of 4 per cent of ODA – to the financing of global and regional activities (World Bank, 2001: 114)

[4] As defined here, MGFs could be seen as one type of 'global public policy network', defined by Wolfgang Reinicke (1999-2000) as 'loose alliances of government agencies, international organizations, corporations and elements of civil society, such as nongovernmental organizations, professional associations or religious groups that join together to achieve what none could accomplish on its own', - using information sharing, joint action and in this case joint financing to do this.

[5] While the Vaccine Fund is a financing and fundraising instrument and GAVI is an alliance with no financial mechanism, in this study they are usually considered together. While they have separate boards and are legally independent of each other for tax and other reasons, in practice GAVI functions as the policy and operational arm of the Vaccine Fund, who disburses funding based on the recommendations of the GAVI board. In the GFATM and the GEF these functions are not separated.

[6] Not all activities by MGFs address global public goods. For example, a substantial part of the GFATM's operations are concerned with the consumption of health services by individuals. Regional strategies, new drug and vaccine development and combating the spread of communicable diseases such as AIDS and TB across geographical spaces clearly would all have global public goods implications, however.

[7] The positioning of MGFs are vehicles to finance global public goods depends in part on advancing the broader debate about global public goods, including agreement on a detailed definition of Global Public Good (GPGs) and the acceptance of ideas such as dual track accounting to identify the incremental global public goods component of programming. This will help ensure that increases in spending on GPGs though global funds otherwise does not coming at the expense of official development assistance.

[8] The US has engaged the new Global Fund to fight AIDS, Tuberculosis and Malaria with considerable energy. It involved high-level officials in preparatory processes and was the first nation to pledge to the fund. It is argued that the US has not given similar attention to recent UN-led intergovernmental processes.

[9] More empirical work needs to be done to estimate the extent to which MGFs are genuinely additional to other sources of aid spending. This task is made difficult by the lack of transparency in national budget processes.

[10] Anecdotal evidence from the GFATM funding application process indicates that some recipient countries intend to use the fund in this way. It has been argued that to offset this risk, countries should have to prove that that they are not using funding from MGFs as a substitute for concessionary loans or budgetary allocations that they would have undertaken anyway.

[11] Similar concerns have been raised about developing country representation on the GAVI board.

[12] One way of mitigating the concerns about whether constituency-based structures are sufficiently representative or democratic is to build in a paramount plenary body such as the GEF Assembly that meets every three years to determine the overall direction of the facility. Over 170 countries take part.

[13] One member of the GFATM board interviewed for this study argued that this is a key challenge for the fund board emerging out of the GFATM process. With a large number of countries eligible to apply to the fund, he predicts that demand for funds will outstrip resources, which will test the board's ability to make changes to its allocative criteria that will disadvantage some key constituencies.

[14] The GFATM has been criticized for not giving a larger role to public health experts in its governance processes, which is said to lead to the 'politicization' of allocative decisions (The Lancet: 2001). These concerns may be alleviated if the fund's Technical Review Panel rather than its governing board emerges as the key driver of fund decisions.

[15] A senior official in a UN agency interviewed for this study characterized the process of selecting developing country board representatives as being mainly a function of 'who was still around' after a series of international events that discussed the fund. In his account, at a meeting held to discuss the fund in June 2001, several donor nations including Canada asked him to 'just pick a few' developing countries to come to the meeting. Instead he invited all the developing countries who are members of the UNAIDS Program Coordinating Board (PCB) and WHO's own Executive Board. From this initial pool of countries those who participated in the Geneva meetings, negotiations during UNGASS and later the TWG eventually become board members.

[16] The TWG rejected a proposal during the fund negotiations for a weighting voting mechanism which would have been more favorable to donors.

[17] Early reports about CCM processes for the GFATM are generally very positive. A French official who was a member of the TWG has described the atmosphere among participants as creative and constructive.

[18] The GFATM hopes wherever possible to use existing national mechanisms as its country coordination mechanisms, but it is unclear how many countries will be able to do this over a three-disease structure involving multiple health sector and other constituencies.

[19] Only half of the OECD countries have so far pledged to the GFATM, not including the countries represented by the European Commission contribution. To give one example of the unevenness of national contributions, while the Netherlands has pledged $120m to the fund, the highest national contribution as a proportion of GDP, Australia a country with comparable GDP, has not pledged any support to the fund.

[20] Updated information on contributions to the fund can be found at http://www.globalfundatm.org/files/Financial_contributions.html.

[21] For example, the GEF is mainly financed out of existing ODA flows (Kaul, Le Goulven and Schnupf, 2002: 15).
[22] Another proposal designed to maintain the identity of individual private sector contributions is to allow corporations and foundations who meet certain conditions to 'brand' their contributions and activities
[23] This raises its own problems, such as brand confusion between the fund and its fundraising entity and the division of responsibilities between the two bodies (of some concern with GAVI and the Vaccine Fund) (Rivers 2001: 5).
[24] A challenge for the Vaccine Fund's fundraising strategy is the reduced incentive of other donors to come on board because of the size of the Gates Foundation's contribution as a share of the fund. Some have argued that the Gates Foundation should be sought to better leverage its contribution to raise additional funds rather than put up such a substantial sum up-front. Major private donors now regard the Gates Foundation as 'owning' immunization. Observers of GAVI's fundraising strategy also suggested that the limited bilateral contributions made to date were based on personal relationships or other particular circumstances and are unlikely to be replicated by other donors.
[25] The nature of this uncertainty will depend on the funding base. These comments assume that the funding base is sourced from voluntary contributions. However, if funding came from an international tax source, for example, different issues would arise. In principle the revenues of an international tax source would be large enough to support designated MGFs in a sustainable and predictable way. However over time it is expected that, if the tax is effective, the tax base it targets will shrink. Revenues to MGFs could therefore be expected to decline over time or fall until a steady state is reached, unless the shrinking of the tax base is balanced over time by overall world economic growth.
[26] Conversely, some observers of GAVI argue that even if it does not provide continued financing, GAVI will have a lasting positive impact by improving delivery systems and infrastructure at country-level, laying the foundation for future immunization funded from other sources.
[27] In the broader sense, the GEF claims that its resources have on average leveraged four or five times as much in local investment and other external contributions (World Bank, 2001: 115).

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