



Séminaire sur les canaux d'acheminement de l'aide :  
bilatéral, multilatéral et fonds fléchés

# **Trust Funds and Vertical programs: What contributions to sectoral policies?**

## **Literature review, the case of health sector**

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# Outline

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- 2. Trust Funds and Vertical Programs: Why?
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# 1. Concepts of Trust Funds and vertical programs

- As a reminder, the concept of vertical funds is closely linked to the concept of trust funds
- They are funds that mobilize and/or use concessional resources from public or private donors
- They allocate their resources to a specific sector, an objective, or to a limited number of objectives
- If programs are fuelled by trust funds and if these resources don't flow through government budget, they are considered as « vertical funds »
- Be careful: not all trust funds finance vertical programs, and not vertical programs are financed by trust funds
- The impact of vertical funds and programs can sometimes be difficult to assess because of the complexity of financial arrangements

## 2. Trust Funds and vertical programs: Why?

- There are two dominant trends that explain the strong increase of such funds:
  - Around 2000: a new debate on aid effectiveness and the need to target specific goals to reach concrete and measurable results
  - Global public good awareness
- Other motivations :
  - New (rich) private funds able to finance vertical funds
  - The need to pool resources to reach a critical size and to have a significant impact
  - The possibility to associate civil society and private sector to the governance
  - Better tracking resources
  - Less bureaucracy

## 3. Benefits and disadvantages for donors

- It depends of the funds but there are 6 main expected advantages:
  - From donor point of view : a better effectiveness and efficiency of aid
    - *Resources in favor of a sector are « secured »*
    - *A better coordination between donors of a fund is expected*
    - *Possibility to include new donors (emerging countries and private)*
    - *Lower unit cost*
  - Less risky: less responsibilities in case of failure, lower risk of design error, better reporting
  - Ability to invest in a sector where it would have been impossible alone
  - Higher flexibility in allocation, easy to commit resources depending on events going on at the moment
  - For a bilateral donor : Ability to influence multilateral institutions agenda (*oftenly underlined by DAC members*)
  - For a multilateral donor : better visibility, broader activity, higher influence

## 3. Benefits and disadvantages for donors

- Disadvantages and risks for the donor:
  - A good coordination between members can be costly
  - Risk of low visibility and influence, even with a high financial contribution
  - Misalignment between priorities of the funds and priorities of the donor: Risk of « Trojan strategy » by the donor
  - Multiplicity of funds: loss of effectiveness and difficulty to manage (more than 1000 at WB)

## 4. Expected benefits for recipient countries

- More resources? What about fungibility?
  - In aid literature, aid is considered as partially fungible on the whole
  - For Trust funds : An open debate in the (short) literature:
    - *No evidence that the emergence of multi-bi leads to a decrease of traditional multilateral resources (Eichenauer & Reinsberg, 2014)*
    - *Harper (2014): No evidence of fungibility of aid targeted on HIV*
    - *But for WB : resources dedicated to trust funds are not additional resources and come from government budget formerly dedicated to traditional aid*
    - *Few examples of real additionality*
    - *Global Funds assessment : « We don't know if there would have been more, as much, or less money for HIV without the GF »*
    - *Gavi Assessment: Additionnality but many donors have reduced their contribution to WHO for instance*
    - High difficulty to assess the conterfactual

## 4. Expected benefits for recipient countries

- Impact of Trust funds on Aid effectiveness?
  - Better ownership?
    - *Large consensus which considers that TF and Vertical programs have favoured ownership*
    - *But results are weaker than expected*
    - *Better progress for funds which target a unique country*
    - *But weaker results for funds which target several countries or global public goods : priorities of funds are not always well tailored to the country needs and strategy*
    - *The weak predictability of resources of funds may slow ownership*
    - *Bad results of Country Coordination Mechanisms of Global Fund*

## 4. Expected benefits for recipient countries

- Impact of Trust funds on Aid effectiveness?
  - Better coordination and harmonization?
    - *On the whole: positive effect of TF and VP but less than is being said*
    - *Mono-donor funds and bilateral programs (PEPFAR for instance) have more difficulty to coordinate with other donors than pluri-donor funds.*
  - Fragmentation ?
    - *The multiplicity of trust funds have led to an increase of fragmentation*
    - *In particular in health sector*
    - *A recent study in 12 French-speaking sub-Saharan countries shows that the multiplicity of funding schemes has led to a very high fragmentation with in particular: i) non-alignment with budgetary cycle of the country; ii) preference for donors' priorities; iii) multiplicity of procedures*
  - BUT *on the whole, better coordination could compensate fragmentation*

## 5. TF, vertical programs and Health systems

- Old and common criticism: TF and VP have weakened Health Systems (HS)
- TF and VP are accused of:
  - Negative effects on people not targeted by TF and VP
  - Lead to health services fragmentation
  - Distort national priorities
  - Attract best local health care workers because of higher wages
  - The financing of many vertical programs is off-budget: negative externalities
  - Problems of transparency and difficulty for the recipient country to know what's happened in its own country : Difficulty to plan a relevant strategy with priorities and precise allocation of its resources
  - Be careful: it's not a question of opposing vertical approach with integrated approach but rather how can we better integrate TF in HS

## 5. TF, vertical programs and Health systems

- Littérature review:
  - *Gavi: No evidence of a positive effect on HS*
  - *Global Funds: Because of high amounts of money coming in some developing countries, HS of some have suffered*  
*Simultaneously, the weakness of some HS have limited potentiel positive impacts of Global funds intervention*
  - *Nevertheless : a recent study underlines that GF and GAVI have produced positive effects on HS in countries in conflict: in particular, they would lead to an increase in health services supply and in health-care workers and to improve management processes.*
  - *PEPFAR: A recent study on 12 African countries shows that PEPFAR has produced negative externalities on HS and notably have slowed the decrease of neonatal mortality.*
- Response of TF: « we do more effort » but some studies consider it inadequate : There is a room for high improvement

## 6. Allocation

- Common criticism of aid: Mismatch between targeted intervention and needs:
  - *The same with Trust funds and vertical programs : inadequacy with disease burden*
  - *Insufficient attention paid to chronic disease : 54% of the disease burden in developing countries but only 2% of aid dedicated to health*
  - *Debate around the weight of performance in terms of governance (CPIA) in allocation*
  - *GAVI : it neglects poorest middle income countries*

## 7. Assessment of vertical programs effectiveness

- Vertical programs are not easier to assess (even if they focus on a limited number of objectives)
- Common criticism :
  - *Top-down approach, weak sense of responsibility of actors*
  - *Some diseases are "abandoned"*
  - *1 issue / 1 response: low effectiveness when causes of a disease are numerous*
- BUT many arguments can be advanced in support of VP:
  - *VP maximises impacts*
  - *Deliver results faster when health systems are weak*
  - *Better visibility for priority disease*
  - *Improve governance, transparency and monitoring by promoting results-oriented culture*

## Conclusion

- Rigorous assessments are still too few
- Vertical programs are more and more integrated (and so less and less « vertical »)
- The review does not conclude in favor or against TF and VP : it's not the question
- But the review brings some key elements about benefits and disadvantages of TF and VP in different contexts.
- In particular, multi-donors funds are relevant for global public goods and make easier mobilization of high level of resources
- There is a risk of excessive proliferation of trust funds which could lead to a high fragmentation and thus a global inefficiency
- In context of fragility or conflict, VP and TF are very relevant