

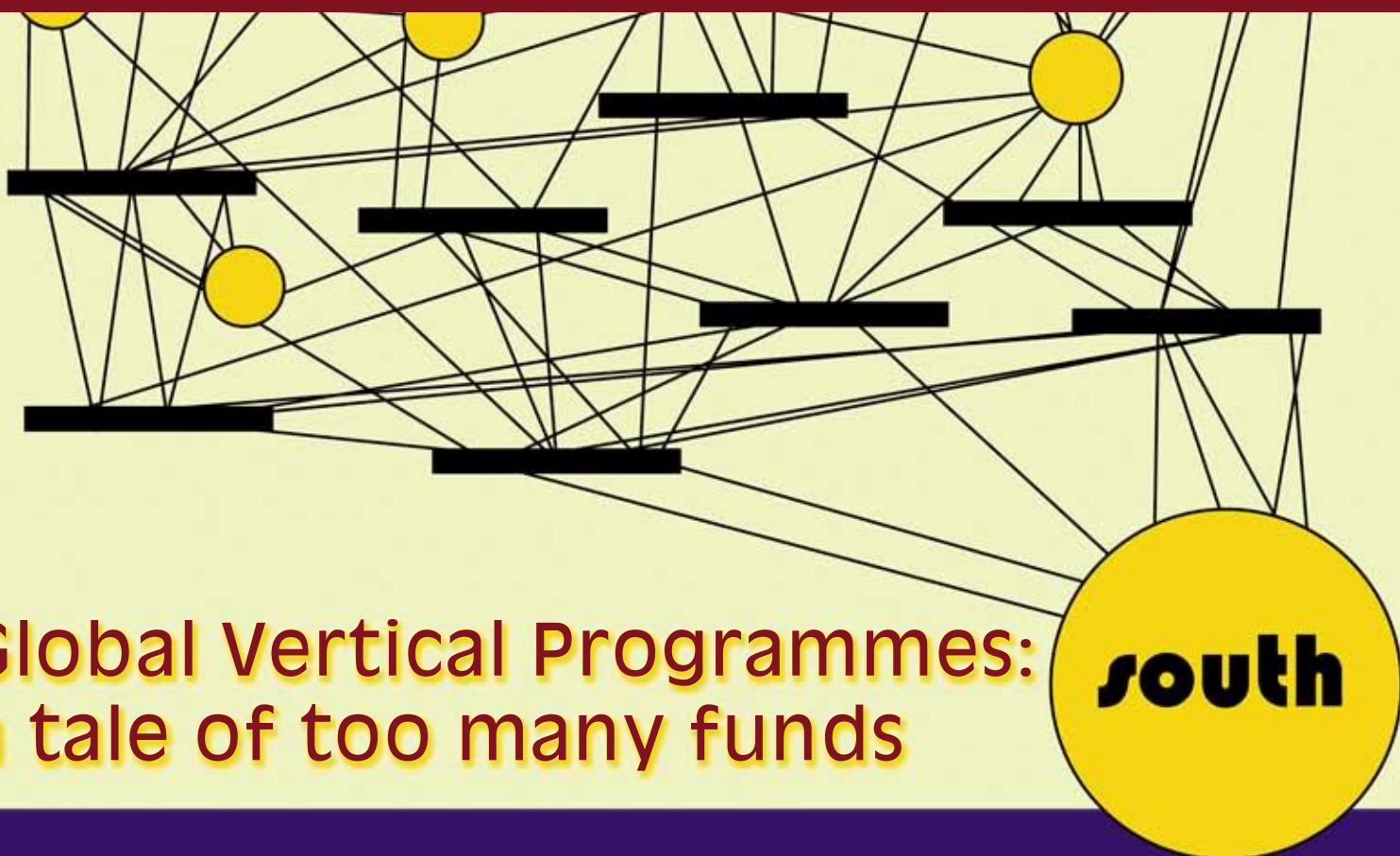
The Reality of Aid

An Independent Review of Poverty Reduction and Development Assistance



RealityCheck

JULY 2008



Global Vertical Programmes:
a tale of too many funds

south

RealityCheck

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about this issue

This issue of Reality Check evaluates the phenomenon of global vertical programmes through the lens of aid effectiveness. Clearly, vertical programmes present benefits but also pose challenges. Yet these benefits and challenges differ considerably amongst themselves and among sectors. The reality of vertical funds is evolving, yet still provides nuanced lessons as we continue to learn how to better deliver aid.

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European Network on Debt and Development (EURODAD)

The Reality of Aid

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Global Vertical Programmes:

The Future of Aid or a Quick Fix?

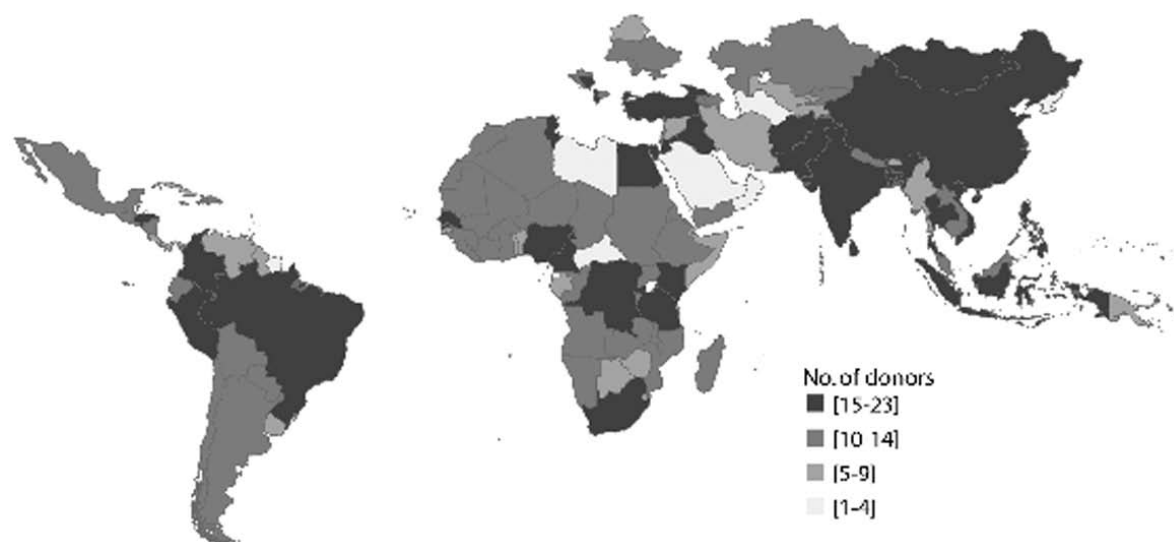
Elizabeth Delph, Eurodad

A change in the playing field

Over the past decade, the development world has witnessed a proliferation of new players such as private foundations, non-DAC bilateral donors and sector-specific vertical programmes. There are currently over 230 international organisations, funds, and programmes – more instruments than the number of developing countries they were created to assist.¹

As a result, developing countries are now coordinating an ever-increasing number of donors, from an average of about twelve in the 1960s to about 33 by 2005. In many countries, up to 23 donors together provide just one tenth of the total aid received in that country (see Figure 1), which means that these countries are managing multiple donors to obtain relatively small amounts. This proliferation has further complicated the aid architecture and has been criticized for being too ad-

Figure 1: Number of donors collectively providing one-tenth of aid (gross disbursements of Country Programmable Aid (CPA), 2005-06)



Source: OECD 2008

¹ IDA 2007

Box 1: Additionality

The level of additionality of vertical funds, or the amount of funds generated in addition to pre-existing funds, is difficult to quantify. Figure 3 shows trends in aid by sector, with a clear increase from 2000, particularly in health and education. In contrast, Figure 4 shows total ODA, minus debt relief. The rise in total ODA (Figure 4) is less impressive, particularly over the past two years. Are vertical funds responsible for the sector increases? In the absence of such funds could the additional money have been channelled through existing bilateral agencies or multilateral organizations such as the World Bank and the United Nations?

Figure 3: Trends in Sector-Specific Aid

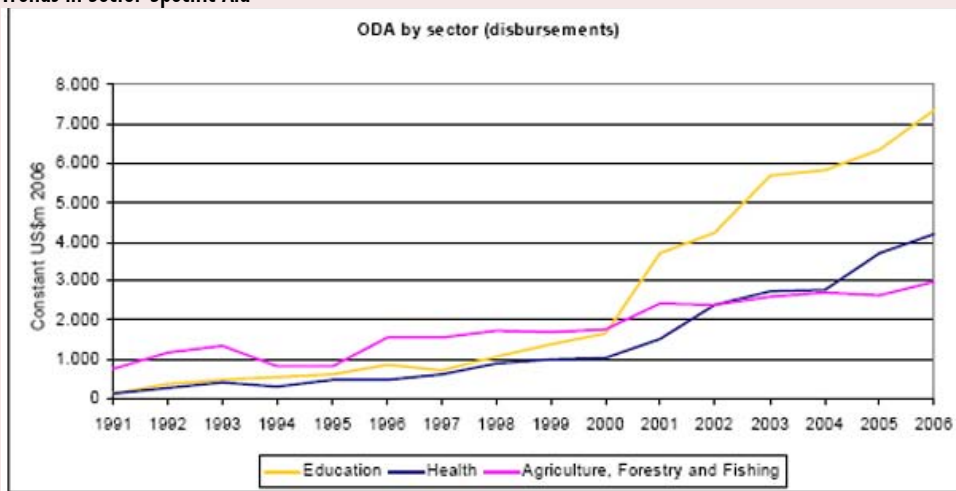
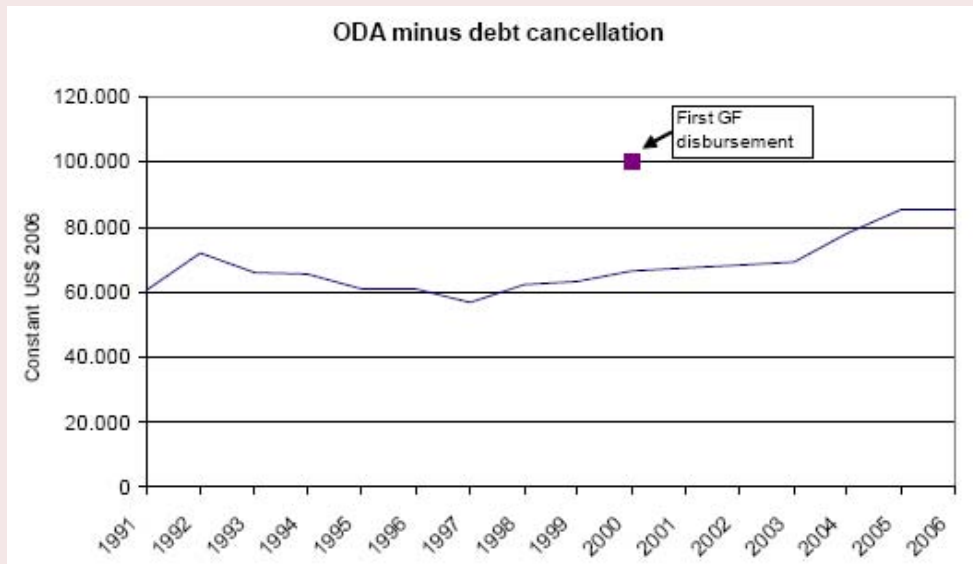


Figure 4: Trends in Total ODA



hoc, disorganized and burdensome for developing country governments.

Global vertical programmes² have been an important part of this general trend, and account for about ten percent of Country Programmable Aid (CPA) for the period 2003-2006.³ In a draft issues paper for the upcoming Accra High Level Forum, the OECD and the World Bank define vertical programmes as “international initiatives outside the UN system which deliver significant funding at the country level in support of focused thematic objectives”.⁴ Examples of vertical programmes include the Global Fund to Fight AIDS, Tuberculosis and Malaria, Global Alliance for Vaccines and Immunization (GAVI), the Education for All-Fast Track Initiative (EFA-FIT), and the President’s Emergency Plan for AIDS Relief (PEPFAR). These were all created within the last ten years. While these programmes have very different models and fund different sectors, they all earmark their funding for one sector or issue.

The rise of vertical programmes has led to a range of responses from the development community. Critics claim that some contribute to the fracturing of aid, a lack of donor harmonisation on the ground, and the weakening of in-country systems. Proponents argue that the emergence of vertical programmes has resulted in unprecedented amounts of money and attention for needy causes, and that such programmes have already proven to be

Box 2: Vertical funds and the Paris Declaration

On March 2nd 2005, 35 donor countries, 26 multilateral donor agencies, 57 partner country governments endorsed the Paris Declaration on Aid Effectiveness, and its five core principles. How do vertical programmes compare against these principles?

1. *Ownership*: Vertical programs can either enhance or detract from the level of country ownership of a program, depending on how closely they work with in-country ministries to obtain consensus on strategies and budgets. Yet some consider that when the priorities of a program are decided by actors outside the country, local ownership is compromised.

2. *Alignment*: Alignment issues arise when a donor does not use in-country systems, such as procurement, financial reporting and budgetary timetables. Due to the results-focused nature of certain vertical programmes, necessary capacity building of these in-country systems is often neglected while parallel systems are set up in order to “get the job done”.

3. *Harmonization*: While progress has been made on this issue, many donors, not just vertical programmes, continue to use separate arrangements and procedures, and do not collaborate or co-fund.

4. *Managing for results*: All too often, the definition of results held by vertical programmes is very narrow, and does not include progress made toward strengthening country systems, i.e. they tend to focus on short-term outputs rather than longer-term outcomes or impact. Furthermore the complexity of the various factors contributing to achieving a given result is often overlooked, with results being simplistically attributed to one or other global program.

5. *Mutual accountability*: Whilst vertical programmes often have their own multi-stakeholder governance structures, these are internally focused. Vertical funds are not held accountable for their performance by the partner government, or by citizens in the developing country.

² Also known as vertical funds, global programs and global initiatives.

³ OECD and World Bank 2008. The OECD defines CPA as the aid that remains after deducting humanitarian aid and debt relief, imputed student costs, administrative costs, promotion of development awareness, research and refugees in donor countries, food aid and aid from local governments, and core funding of NGOs. In other words, it is the aid that the partner countries themselves can program according to their needs. (<http://www.oecd.org/dataoecd/37/20/40636926.pdf>). This percentage also includes PEPFAR, which is a bilateral initiative as well as a vertical program.

⁴ Ibid.

Box 3: Allocative Distortions

When vertical programmes provide a significant source of funding to a specific sector, there is a risk that they can distort priorities and allocation to other sectors. This is most apparent in the health sector, where high levels of funding for HIV/AIDS sometimes overshadows other diseases, such as malaria and the Guinea worm.

An interesting case of this distortion of priorities is found in Rwanda, where malaria is the biggest cause of mortality and morbidity. The amount of funding for malaria is US \$18 million. Meanwhile, HIV/AIDS, with a prevalence rate of 3 percent, receives funding of US \$47 million. (Foster 2006)

effective, focussed financing vehicles with impressive results.

Against this backdrop, it is time to analyse the current status and direction of vertical programmes. Are they truly the best way to support important causes, or are they simply the path of least resistance which avoid some of the more difficult complexities of sustainable development? What are the costs, and what are the benefits? While vertical programmes constitute a spectrum of approaches and models and cannot be spoken about as a group, the following are some generalized arguments for and against vertical programmes:

Challenges:

- 1) Vertical programmes are not sufficiently harmonised with existing country programmes or with other global programmes. As such, there is duplication and overlap in systems, and a lack of clarity on roles and responsibilities among donors and developing countries.
- 2) Vertical programmes are not aligned with recipient country systems and weaken them by establishing parallel channels and by attracting talented staff away from the public sector.
- 3) Vertical programmes can distort and overshadow real country priorities by drawing too much attention and resources to one cause and away from other equally important causes.
- 4) Donor proliferation, to which vertical programmes contribute, create high transaction costs in country, including different reporting requirements by donor and additional tracking and management commitments for the developing country government.
- 5) Once a vertical fund exits a sector or a country, departure can result in a complete collapse of the programme.
- 6) Large amounts of funds and resources dedicated to one sector can strain the absorptive capacity of the recipient.
- 7) Vertical programmes do not provide the flexibility needed on the ground: for example, certain require that "...some vehicles can only be used for transporting people with specific health problems, or condoms can only be distributed to prevent AIDS".⁵ Further, they can impose

Malaria is the single most important health problem in Ghana, accounting for 40 per cent of outpatient visits. Yet, no counterpart institution to the Ghana Aids Commission has been established to address this disease. (Dreschler et al 2006)

In 2006, 42,000 batches of ARVs expired in Uganda before they could be sent to the regional health centres. According to one NMS board member, "The main reason for expiry of drugs is sheer volumes of drugs NMS is handling from vertical programs. Many partners have come in to assist us and a lot of money is poured in. There is too much enthusiasm to supply to a level which the economy cannot handle." (Africa News NMS Board Grilled over Expired Drug 2 October 2006.)

⁵ Goodburn and Cambell 2001

a “one-size-fits-all” global approach without taking country context into consideration.

- 8) Vertical programmes may reinforce the notion that the donors know best, rather than that the recipient can prioritise what to finance.

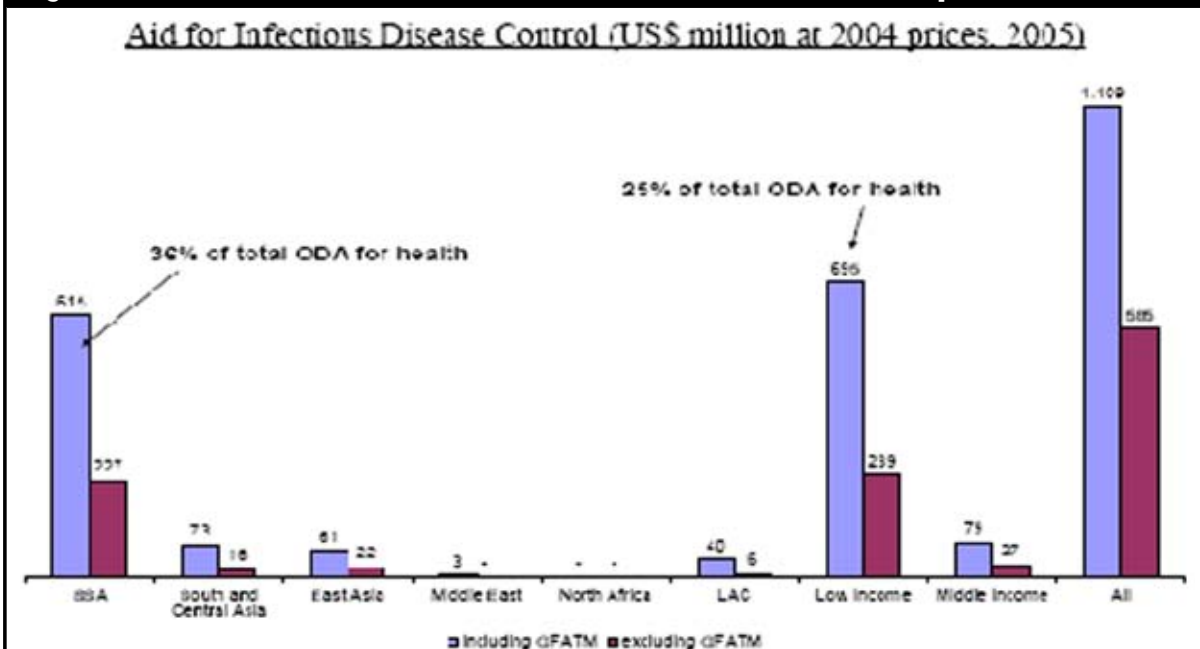
Benefits:

- 1) Vertical programmes have a unique ability to mobilize interest and generate high levels of funding for identified needs. For example, the global smallpox eradication programme, started in the late 1950s, is considered to have accomplished its goal of ridding the world of smallpox. Figure 5 also illustrates this point by graphing the resources dedicated to global infectious diseases with and without the Global Fund.
- 2) Vertical programmes fill the financial gaps in countries, and are a response to a demand for services that the existing country systems do not have the capacity to provide.

In 1980, the World Health Assembly declared: “Having considered the development and results of the global program on smallpox eradication initiated by WHO in 1958 and intensified since 1967 ... the world and its peoples have won freedom from smallpox, which was a most devastating disease sweeping in epidemic form through many countries since earliest time, leaving death, blindness and disfigurement in its wake and which only a decade ago was rampant in Africa, Asia and South America.”

- 3) Vertical programmes often have clear monitoring frameworks, ensuring accountability of the money spent and that results are achieved.
- 4) By following the logic “Do a few things well rather than several things poorly”, vertical programmes are more likely to have a larger impact.
- 5) Vertical programmes create competition among donors, increasing incentives for good performance and providing a larger selection of aid programmes from which developing countries can chose.

Figure 5: Aid for Infectious Disease Control (US\$ million at 2004 prices, 2005)



Source: IDA (2007)

- 6) Vertical programmes are an effective way to “sell” development to the public.
- 7) When implemented thoughtfully and when they implement the principles of the Paris Declaration, they have the potential to strengthen and complement country systems.
- 8) Several vertical programmes have better governance and transparency than other development agencies, e.g. many provide detailed and updated data on their past and future funding, as well as on their decision making processes, and some involve civil society groups on their boards.

Evolving debate

The reality is not as polarised as the above lists make out, and most consider that global vertical programmes cannot all be squeezed into the same box. A commonly heard approach is echoed by the World Bank: “...neither global programmes nor country programmes alone are a panacea to development assistance issues – they have to be conceived, designed and implemented in tandem”.⁶ Some even consider the terms “vertical” and “horizontal” to be no longer relevant in discussing the current state of development actors.

Many vertical programmes are openly aware of the criticisms and problems associated with the vertical approach, and are taking steps to better integrate with country systems and become more “Paris-friendly”. The Global Fund and the GAVI Alliance have both signed the Paris Declaration and can be considered among the more advanced global programmes when it comes to evaluating their practices against aid effectiveness principles. Both are members of the Global Programs Learning Group, which was established in 2006 to focus on aid effectiveness. The Global Fund’s Country Coordinating Mechanism (CCM) structure was

established to ensure country ownership and the expression of country priorities from a cross-sector of society. In India, the CCM comprises members from the private sector, civil society, people living with the disease, and representatives from the Ministries of Health and Finance, as well as members from the Department of Women and Children.

In the education sector, the Education for All – Fast Track Initiative (EFA-FTI), also a member of the Global Programs Learning Group, expressly focuses on alignment, harmonisation and mutual accountability; as such it has fostered country ownership of plans and encouraged coordination amongst donors in-country. Finally, the International Health Partnership, a health coordination initiative launched in September 2007 to address some of the problems that the plethora of health initiatives had caused requires donors and developing countries to comply with certain principles to prevent health programmes from becoming too fractured and un-harmonised.⁷

Still things aren’t quite right

These initiatives are welcome should be implemented energetically, and more should follow their example. Unfortunately, there are still too many global programmes out there that operate in a vacuum. Further, the tendency to add more programmes, without fixing what already exists, is still too prevalent.

One of the biggest and most controversial vertical programmes is PEPFAR. Announced in 2003 by U.S. President George W. Bush, by 2004 it had already disbursed US \$8 billion, more than the amount disbursed by the Global Fund since its 2002 inception (US \$5.6 billion). Besides the fact that PEPFAR openly prioritises the policies and values of the United States government over that

⁶ World Bank 2006

⁷ Yet some consider that the even these coordination efforts are too numerous and contribute to the overall fragmentation and harmonization problems. Briefing on Aid Effectiveness Action for Global Health, April 2008

of the needs of developing countries, it generally side-steps existing country systems, restricts the information on its funding available to the public and, although it also funds the Global Fund, most of its funding is channelled through NGOs and parallel institutions.⁸

In 2005, PEPFAR disbursed 54 percent of its funding to faith-based organizations, non-governmental organizations and private contractors, compared to 23 percent to the host government. <http://www.state.gov/s/gac/progress/other/data/partners/60363.htm>

For such a large donor, these failures have serious repercussions on country health systems around the world, and detract from PEPFAR's notable accomplishments.

In 2006, the Center for Public Integrity (CPI) sued the U.S. Department of State to gain access to PEPFAR's funding data, at that time unavailable. Upon being granted access to this data, CPI noted several instances of erroneous accounting whereby the amount granted to the primary partner was less than ultimately received by the sub-recipient, which in effect inflated the total grant amounts and rendered the data almost useless.

Another worrying trend is the knee-jerk reaction by politicians to announce a new fund, initiative or other such development mechanism for PR value. All too often, vertical programmes play to the worst instincts of public figures, including politicians, and do not include the long-term strategic thinking that is required for effective and sustainable development. NGOs and independent experts can also, intentionally or not, play into the process of funding mechanism proliferation, as they advocate

for more aid to focus on a particular sector. In response to the ongoing global food crisis, Jeffrey Sachs' call for a global agriculture fund⁹ should not be leaped upon as the answer. As many agricultural experts will explain, agriculture is a complicated sector that must be addressed holistically with coordination of a number of different actors at the country level.

In response to the crescendo of concern surrounding climate change, no less than 14 funding initiatives have been announced during 2007 and the first half of 2008. In this sector in particular, "It is hard to escape the impression that, in the rush to do good... donor governments have risked overlooking many of the hard learned lessons and best practices that have been adopted for other development... purposes".¹⁰

One in, two out

Yet global vertical programmes are a reality of the development aid world, and their benefits should not be too quickly discarded. Following are some generally agreed-upon circumstances under which the more global and/or more vertical approach appears appropriate:

- For the provision of global public goods, or goods that the public sector tends to under-provide, such as clean air and prevention of infectious disease.
- In one-off situations, such as a rapid vaccination campaign.
- For fundraising and public awareness-raising at the global level.
- When the program is implemented in a way which responds to specific country circumstances, is supportive of democratic ownership and strictly adheres to the principles of the Paris Declaration.

⁸ <http://www.pepfar.gov/partners/c20024.htm> and <http://www.cgdev.org/content/publications/detail/14569/>

⁹ See <http://blogs.ihf.com/tribtalk/business/globalization/?p=712> and <http://www.eurodad.org/whatsnew/articles.aspx?id=2266>

¹⁰ It is expected that other European governments will announce additional funds related to climate. Porter et al. (2008)

Still, the question remains: why, when so many new programmes are being created, are none being closed down? The advice from the World Bank and the OECD to those who are considering a new vertical programme is to “think twice” whether such a new initiative has any value added.

A more direct suggestion would be: for every new initiative, two existing, malfunctioning initiatives or organisations must be shut down. We have reached saturation point and badly need to rationalise the aid system. This means critically reviewing existing structures and calling for a moratorium on additional

funding mechanisms that do not meet any of the criteria listed above.

In the context of ongoing discussions on aid effectiveness and aid architecture, the NGO community should work toward a consensus on vertical programmes. We should push the thinking toward a shift in the planning, coordination and implementation roles to the country level, and leave the fundraising at the global level. The vertical approach has proven effective in certain areas and has provided us with valuable lessons, one of which is that the global role is inflated, and it is time to let developing countries own their own development.

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Vertical Funds in the health sector

Frazer Goodwin, European Public Health Alliance

Some emerging issues, such as widespread hunger due to high food prices or climate change adaptation, have prompted some to advance the need for new global funds. Whether or not such instruments are the best way to tackle these specific issues, there are lessons available from the use of such vertical approaches in other sectors. The health sector has seen a proliferation of vertical initiatives

alongside a vociferous debate on their impact. Health thus offers other sectors some insights into what vertical approaches can achieve as well as highlighting potential problems.

Vertical funds have been particularly utilised in the health sector due to the fact that specific health problems or diseases enable an issue-focused vertical

**Some thoughts on vertical funds
from aid officials and NGOs...**

**The previous system was broken
and needed fixing.**

Countries prefer a weak "ours" rather than a strong "theirs".

**It is easier to set up a new, shiny, politically
attractive, media-friendly institution
than to fix the boring old structures**

**Vertical funds have not necessarily
diverted resources from
other issues, but instead have shined
a light on the previous neglect.**

The pain of vertical funds is worth the benefit.

**The question is not what else can we
do, but what should we stop doing?**

Are NGOs vertical funds themselves?

So-called vertical programs need to be held accountable for the impact they have on systems, and horizontal systems need to be held accountable for the impact they have on results.

Why is “vertical” a pejorative term?

There is no question that vertical funds have increased health spending.

The important thing is how vertical funds work at the country level, not at the coordination level.

Too often there is a desire to claim results. Instead of talking about attribution, let's talk about contribution.

approach. As time has progressed the number of these initiatives has mushroomed and it is now estimated that there are more than 100. However the character and role that each of these international vertical initiatives play varies enormously. Some initiatives are large such as the Global Fund for AIDS, Tuberculosis, and Malaria, whilst others are of a much smaller scale. They also vary in the extent to which they are merely a vehicle for funding or are programmes for service delivery, or a combination of both.

The health sector is characterised by a high volume of small projects. From 2002 to 2006 there were 20,485 health and population projects but only 4.6% were “aid activities” of more than \$10 million.¹ Yet these larger projects were 68.3% of total Health ODA commitments in the period. Conversely, 67.5% of all health activities in the same period were smaller than half a million dollars taking only 3.6% of health ODA.² The relative share of vertical funds in health is also much higher than in other sectors, with 25% of health ODA provided through global and regional multi-country initiatives as compared to average levels of 16.8% and 6.3% in education.³

The use of vertical funds is so prevalent in the health sector that recently there has been a proliferation of coordinating mechanisms for the sector – or initiatives coordinating the initiatives. 2007 saw a series of high profile, mainly European, political leaders launching health aid coordinating

initiatives.⁴ There is now a process of defining how these are to be operationalised and how they may fit with each other. At this time it appears that the International Health Partnerships and related initiatives (IHP+) coordinated jointly by the World Bank and the WHO will provide the greatest role, although the Franco-German “Providing for Health” initiative has yet to be fully clarified.

Selection of some of the largest vertical funds

Fund	Year	Amount
PEPFAR	2004-2008	\$15 billion
GFATM	2002-2006	\$7 billion
GEF	1999-2010	\$3.8 billion
GAVI	2000-2007	\$3.2 billion
CGIAR	2000-2006	\$2.7 billion
EFA- FTI	2004-2008	\$992 million

There has also been a heated debate across the sector on the value of vertical funds with protagonists frequently adopting extreme positions either championing vertical approaches or castigating the approach as one that undermines the wider provision of health care.

Assessments of the impact and effectiveness of vertical approaches in the health sector are therefore either partisan to either viewpoint, or utilised as such by the protagonists in the debate. Understanding the value and impact of vertical approaches dispassionately in the sector is, therefore, problematic. Nevertheless there are a growing number of commentators that highlight the value of vertical approaches in the sector, whilst also highlighting some of the pitfalls the approach has caused in the sector.

Gorick Ooms is an example of a researcher that has highlighted the success of the vertical approach in improving health outcomes and providing health care service delivery for HIV/AIDS whilst also

1 OECD DAC figures cited in the “Health as a Tracer Sector on Aid Effectiveness” document prepared by WHO and OECD for the Third High Level Forum on aid effectiveness.

2 IBID

3 IBID

4 In 2007 Gordon Brown Launched the International Health Partnership, Angela Merkel and Sarkozy launched the Providing for Health Initiative, the Norwegian Government launched the Global Business Plan for MDGs 4 & 5, which subsequently was rolled into “Delivering Now for Mothers and Children” and Ban Ki-Moon launched the Global Campaign for the Health MDGs.

acknowledging where vertical programmes had undermined health systems.⁵ Ooms has highlighted the significance of whether the particular initiative is vertical financing, or vertical programmes. He has pointed out the problems that have arisen when programmes for HIV/AIDS service delivery have been isolated in an entirely separate block. Where this has happened and HIV/AIDS facilities, staff, and other resources are reserved exclusively for the epidemic it has at best been “sub-optimal use of additional resources whilst at the worst, the AIDS response saps the best resources of the health system”. Ooms advocates for a vertical approach to financing where this is able to mobilise additional resources and the use of this finance in more “diagonal” programming, avoiding the vertical disintegration associated with purely disease specific vertical programmes.

A further contribution has recently been made with a policy brief prepared for the WHO European Ministerial Conference on Health Systems in June 2008.⁶ This paper notes that despite the strong debate around the issue, there is actually a very limited body of high quality research. The review by WHO Europe only found four published studies examining the evidence of effectiveness of vertical and horizontal programmes, only one of which was a comprehensive review of the evidence.⁷ This one review itself was only able to locate five studies

of research quality that met “Cochrane criteria”⁸. The conclusions they draw from the review of all the literature is that vertical and horizontal programmes can be beneficial in different contexts. The briefing in particular recommends the use of vertical approaches for short term and time-limited programmes or in contexts where health systems or the state itself are in such fragile conditions that vertical approaches are required to achieve health outcomes. Over longer periods they conclude that horizontal approaches should be gradually built up, ideally with the use of elements of vertical programmes initially.

Vertical programmes in health have had large impacts on the specific health problems they were established to confront.⁹ That healthcare provision overall has not seen similar improvements is testament to the low funding levels that continue for the sector as a whole. The debate over horizontal versus vertical programmes can only be resolved when the total funds to the sector are sufficient to put in place the long term horizontal programmes that provide the strong systems necessary to deliver health care to all everywhere. Thus, a lesson that that sector could provide to others is that even if vertical initiatives are required to tackle a short term or specific problem, their implementation cannot be a substitute for long term and more horizontal building of the sector as a whole.

5 For examples of his work see: “The right to health and the sustainability of healthcare: Why a new global health aid paradigm is needed” from: http://www.icrh.org/files/academia-doctoraat%20Gorik%20Ooms_0.pdf, or Medicines without Doctors from: http://medicine.plusjournals.org/archive/1549-1676/4/4/pdf/10.1371_journal.pmed.0040128-S.pdf

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8 The Cochrane Collaboration is a group of over 11,500 volunteers in more than 90 countries who apply a rigorous, systematic process to review the effects of interventions tested in biomedical randomized controlled trials, non-randomized and observational studies. The results of these systematic reviews are published in the Cochrane Library.

9 The WHO Europe briefing (see footnote 6) identifies vaccine programmes – particularly polio and smallpox and HIV/AIDS as areas where vertical initiatives have been particularly effective.



Funding for Clean Air: Who will fill the gap?

Lucy Baker, The Bretton Woods Project

The G8 in Japan in 2008 announced the launch of the Climate Investment Funds, to be administered by the World Bank. G8 members have thus far pledged \$6 billion as an ODA contribution to the funds and “welcome commitments from other donors”.

The World Bank and donor governments argue that these funds will provide urgently needed resources faster than the United Nations Framework Convention on Climate Change (UNFCCC) and that

they are intended to “fill an immediate financial gap for urgent actions until a new financial architecture under the post-2012 regime is effective”.

A statement by the G8 on 8 July said: “substantial finance and investments will be needed to meet the urgent challenges of mitigation, adaptation and access to clean energy in developing countries. While the main sources of finance will be the private sector, public resources are essential to help the poorest and to leverage private resources, notably by financing

incremental costs and can be very effective in inducing emissions reduction when national policies provide incentives for low carbon investment”.

Estimations of the amount of funding needed to deal with adaptation vary with Oxfam’s estimates at more than \$50 billion and the World Bank’s at \$9-41 billion. In a recent paper, Benito Muller refers to an “adaptation funding chasm”, and points out that providing adequate funds alone will not be sufficient to achieve adequate adaptation, given the inevitable issues of ‘absorptive capacity’ at the recipient end. He points to the importance of these funds of being “new, additional, predictable, appropriate, equitable and adequate”.

Muller lays out the current situation thus:

- *At present, all international funding mechanisms except the recently operationalised Kyoto Protocol Adaptation Fund are replenished through ODA-type bilateral voluntary contributions/ donations.*
- *The current level of international funding (even including the Adaptation Fund) is woefully inadequate to meet projected costs)*
- *The current bilateral donation instruments are unlikely to ever be able to generate the required levels of funding, especially as it is meant to be additional to ODA.*

NGO and developing country government criticism of the CIFs has been loud and multi-faceted:

- 1) They have side-stepped the process and negotiations of the UNFCCC, and could divert funding away from this. The UNFCCC Adaptation Fund, established at the Conference of the Parties in Bali in 2007 is moving forward but it is feared that additional funds that might have gone into this will instead be diverted into the CIFs.
- 2) It is not clear if bi-lateral donations to the CIFs will be additional to the 0.7 percent ODA

commitment. Any funds for adaptation should be over and above existing aid commitments.

- 3) Whether or not these funds will be in the form of grants, loans or other financial mechanisms has not yet been determined. The provision of loans for adaptation financing is unacceptable and a violation of the ‘polluter pays principle’. In addition, loan-based adaptation can not count towards the fulfilling the UNFCCC adaptation responsibilities of industrialised countries.
- 4) In terms of clean energy technologies, climate funds should at least provide grants equal to the difference in price between conventional technologies and truly clean technologies that would help level the playing field.
- 5) Improvements to the governance structure of the funds have been made since February. However the governance structure of the World Bank, as the administrating body, is not sufficiently inclusive of developing country governments.

A June article by the Third World Network (TWN) states that many countries, including Bangladesh (for the LDCs), China, India, Barbados (for small island states), Argentina, the Philippines, Malaysia and Saudi Arabia called for a new financial mechanisms and new funds relating to various areas (adaptation, technology, mitigation) which would be under the authority and guidance of the UNFCCC’s Conference of the Parties (COP). The G77 and China have put forward the following principles for the funds:

- 1) operate under the authority and guidance of and be fully accountable to the COP of the UNFCCC;
- 2) have an equitable and balanced representation of all Parties within a transparent governance system;
- 3) enable direct access by the recipients; and
- 4) ensure recipient countries’ involvement during the definition, identification and implication of the actions.



Clarion calls for more aid to agriculture, but do we need a new mechanism to spend it?

Lucy Hayes, Eurodad

The current food crisis has put agriculture and rural development back on the political agenda after years of neglect. Whilst politically tempting, NGOs should resist calling for a new global vertical initiative as a means of increasing aid to agriculture. The complexity of agricultural development and the need for a farmer-led bottom-up response are not conducive to such a new vehicle. Rather than further worsening donor fragmentation, we need to review existing aid mechanisms, making them more responsive to local needs – particularly the needs of poor farmers and women headed households.

Development aid is very susceptible to fads and fashions, swings and pendulums according to the wisdom of the day. In recent years, donor (and NGO) focus

has clearly been on responding to health and education needs, partly influenced no doubt by the agreement on the Millennium Development Goals. But agriculture

is clearly back on the agenda. The World Development Report 2008: Agriculture for Development, published in October 2007 is one indication of this. The report said that “it is time to place agriculture afresh at the centre of the development agenda, taking account of the vastly different context of opportunities and challenges that has emerged”. And the current food crisis, which has seen the FAO food index rise 57% in 12 months,¹ has catalysed discussion, debate and new commitments to invest more in rural development. In February of this year, African governments reaffirmed their commitment to spend 10% of their national budgets on agriculture and rural development and the World Bank plans to double its lending to agriculture from US\$2 billion to US\$4 billion.

The background to this is a significant decline in investment in agriculture over the last twenty years. Aid to agriculture dropped dramatically to only 3% of aid in 2005 from 17% of ODA in 1982. And in real terms, donors are now spending only half as much in real terms on agricultural aid as in 1980 - just \$3.9 billion in 2006 compared to \$7.6 billion in 1980. This is despite the fact that 75% of the world’s poor live in rural areas.² The Food and Agricultural Organization (FAO) has estimated that US\$30 billion a year is needed to rebuild agriculture in the developing world. The US and Japan, despite significant decline have continued to be the largest contributors of aid to agriculture, with the World Bank being the most significant multilateral. According to a recent ODI briefing, this decline in aid has been matched by a reduction in State investment in Africa from 11% in 1980 to about 7% in 2002. And “in 17 African countries, this share fell from 6.4 to 4.5% of total government spending over the period, falling well below the 10% commitment made by heads of African states”³.

Not only has aid to agriculture declined, but there appears to be widespread agreement that aid has

been badly invested. The World Bank’s independent evaluation office 2007 report on “World Bank assistance to agriculture in Sub Saharan Africa” criticised the Bank’s strategy for having “sprinkled across various activities (Research, extension, credit, seeds, transport and policy reforms) but without synergies” and advised that “in partnership with others, the Bank could take the lead in fostering a multifaceted approach”. A new report published in April 2008, by the International Assessment of Agricultural Science and Technology for Development (IAASTD) is the result of a three year effort by about 400 experts. It highlights the uneven benefits that people have had from advances in agriculture technology, particularly in Africa, and the “vicious cycle” in which poor smallholder farmers find themselves as a result of the environmental shortcomings of agricultural practice.⁴ And a new report by ActionAid International argues that the focus of donor spending on agriculture bears no relation to the needs of poor farmers.⁵ It argues that aid has not been targeted to the poorest farmers and that critical areas have been left out including lack of credit, lack of support to the production of staple crops and insufficient inputs.

It is clear that ‘on what’ agricultural aid is spent needs to be rethought. But the channels through which this aid is spent also needs review. Despite the decline in aid for agriculture, the sector has not escaped the proliferation of mechanisms seen in other sectors. The World Development Report points to Ethiopia as one example where 20 different donors were supporting more than 100 agricultural projects in 2005. A number of global and regional initiatives have been set up, often implemented through separate vertical funds”⁶. Examples of these include:

- 1) NEPAD’s Comprehensive African Agriculture Development Programme (CAADP);
- 2) Alliance for a Green Revolution in Africa;

1 ODI Natural Resources Perspectives 115: Rising Food Prices: Cause for Concern July 2008

2 ActionAid Agriculture report, Draft forthcoming

3 ODI Opinion 86: Funding to Agriculture: not “how much” but “what for”? October 2007

4 <http://www.agassessment.org/> International Assessment of Agricultural Knowledge, Science and Technology for Development

5 Actionaid Agriculture report, Draft forthcoming

6 ODI, Natural Resource Perspectives: Accra 2008: The bumpy road to aid effectiveness in agriculture, April 2008, www.odi.org.uk/publications/nrp/NRP114.pdf

- 3) International Fund for Agricultural Development (IFAD);
- 4) GEF's Market Led Smallholder Development;
- 5) the Global initiative on Aids, Agriculture and Food Security;
- 6) the Africa Food Security Initiative; and
- 7) the Millennium Villages project.

Some people, no doubt looking to the success of health advocates in raising money for specific health concerns, are using this renewed attention on agriculture to propose that a new Global Fund for agriculture should be established, despite the very different challenges between scaling up aid to agriculture and to health. Jeffrey Sachs has called for a new "Global Fund for African Agriculture" which he argues "could turn the situation around in just a few years." He is estimating that US\$8 billion can be spent by such a fund in Africa each year for seeds and fertilisers. This proposal appears to have come up against some resistance by some such as the World Bank, the African Development Bank, European Commission and others on the Ban Ki-moon Hunger Task Force to which Sachs is an advisor. While these institutions clearly have an interest in blocking new institutions, they are right that governments should think very carefully about setting up new funds and further complicating the aid architecture. The recent announcement by the EC President, Jose Barroso, of the EC's "intention to establish a €1 billion (\$1.57 billion) facility to support agriculture in developing countries",⁷ by using the surpluses from the EU Common Agricultural Policy risks adding to proliferation and earmarking of funds.

The complexity of the agriculture system gives even more reason for caution. Global or vertical funds appear to have been most successful, either where the problem is truly global – such as in the case of global public goods – or where the problem is very straightforward and can benefit from a targeted global action. An example of the first in the area of agriculture is the Consultative Group on International Agricultural Research (CGIAR) which invests in

research and development for agriculture, particularly for developing countries. Polio eradication, which can be tackled with a simple vaccine, is one example of the latter. Another example would be the setting up of the Global Fund for Control of Highly Pathogenic Avian Influenza – which is useful for mobilising funds quickly and responding to a "time-bound issue".⁸

However agricultural development is far from being a time-bound issue. Where there does seem to be considerable agreement in the agriculture sector is firstly that it is very complex – requiring coordination amongst both a number of different actors, state, non-state, farmers' organisations and coordination across different sectors to deal with issues such as infrastructure, agricultural extension, land rights, women's rights, agriculture inputs, health, education, access to finance, biofuels, climate change and environmental protection. These cannot be seen in isolation and earmarked funding risks siloing the different factors. And secondly that agricultural development is very diverse and context specific, requiring home-grown responses that focus on farmers first. Global funds need to define their priorities globally in order to be able to decide how to allocate their finance. But this approach – taken also by Sachs' proposal for increased inputs – contradicts the increasing calls for bottom-up responses. The IAAAST report argues that we need to fundamentally rethink the role of agricultural knowledge, science and technology in achieving equitable development and sustainability.⁹ The focus should turn to the needs of small farms and local markets in diverse ecosystems and to areas with the greatest needs.

It would be ironic if one of the political outcomes of this year of aid effectiveness reporting and negotiation was to result in the creation of yet another aid body. The UNDP estimates that there are already some 1,000 global financing mechanisms and the number of other donors has also increased rapidly in recent years. In the area of health – where vertical funding schemes have developed the fastest, a new

7 See: <http://www.csmonitor.com/2008/0710/p04s04-woeu.html>

8 World Development Report 2008, 264

9 See: <http://www.greenfacts.org/en/agriculture-iaast/>

paper by the NGO alliance Action for Global Health is very frank about the difficulties that this is causing.¹⁰ They complain about the lack of coordination between the different health initiatives and wonder if they add much to what multilaterals were already doing. They conclude that global health campaigns are so numerous that they “are contributing to fragmentation – to the detriment of aid effectiveness in the health sector” and their proliferation “can undermine efforts both for improved harmonisation and alignment as well as absorbing large resources, including for their administration”.

In agriculture a number of coordination mechanisms for agriculture have already been set up. These include at the regional level NEPAD’s Comprehensive African Agriculture Development Programme (CAADP) which uses roundtable processes at the country level to address policy and capacity issues across the agricultural sector although its potential for implementing programmes does not seem to have been fully realised yet. At the donor level, the Global Donor Platform for Rural Development which aims to increase the impact of aid for agriculture through advocacy and outreach at the global level, sharing learning amongst donors and increasing aid effectiveness on the ground through better donor coordination.

The learning from the health sector, which is today scrambling to coordinate the multiplicity of initiatives that have been set up, and the discussions and beginnings of coordination taking place in the agriculture sector, will hopefully prevent NGOs and politicians from knee-jerk reactions to the current food crisis in their attempt to respond to decades of neglect in the sector. The development community

should first be clear if it is more aid for agriculture that is needed immediately or whether we need a clearer analysis of how existing and any new money can be most effectively targeted and channelled to support rural development.¹¹ Finally, and very importantly, it is not all about aid. Many of the obstacles to rural development are linked to poor market access, unfair global trade rules, IMF fiscal conditions and policies in developing countries themselves.

Existing UN agricultural institutions, such as the FAO and IFAD, are weak and need reform in order to provide attractive alternatives to more global funds. These reforms should be based on lessons learned over the past several decades of well-documented aid to agriculture. Despite some World Bank progress in reforming its agricultural investment, many still distrust the institution to respond to poor farmers needs without being compromised by ideology and rich country interests, given its history and governance structure.

A recent ActionAid briefing argues that “a new wave of investment in agriculture is necessary, but it must be of a different nature”. This different nature would mean adjusting “to the needs of women farmers and other small-scale producers, rather than the needs of companies and landlords seeking increased profits” with “country-led and country-designed agriculture and rural development investments”.¹² Multi-stakeholder dialogues around agricultural policies and investments seem to be crucial, but existing financing channels such as budget support, sector support, or even agricultural basket funds are best placed to adapt to this need, rather than creating another global organisation, conceived of and developed from afar.

10 http://www.actionforglobalhealth.eu/publications/afgh_factsheets_and_briefings/briefing_paper_on_aid_effectiveness

11 ODI Opinion 86 2007

12 Actionaid policy briefing, July 2008, Cereal Offenders – How the G8 has contributed to the global food crisis, and what they can do to stop it, www.actionaid.org.uk/index.asp?page_id=101369



When is a vertical fund not a vertical fund?

The case of the
Education for All Fast-Track Initiative (EFA-FTI)

Lucia Fry, Global Campaign for Education

The recent Eurodad workshop of 26th June was a welcome prompt to development campaigners, promoting critical thinking about vertical funds and their comparative value in both political and operational terms. Yet to those of us in the Education world, EFA-FTI seemed a slightly curious bedfellow with the other, more traditionally conceived vertical funds. Because, while FTI largely conforms to the

definition of a vertical fund as proposed by the World Bank, it does not share many of the features typically considered to be characteristics of a vertical fund.

EFA-FTI is a global partnership that joins donors and partner countries through mutual commitments. It supports global EFA goals by

focusing on accelerating progress towards the core EFA goal of universal primary completion (UPC), for girls and boys alike, by 2015. Partner countries commit themselves to developing and implementing a sound and sustainable Education Sector Plan, and to increasing domestic finance for primary education. Donors commit themselves to supporting this sector plan with increased harmonization and financial support.

The theory at least is that in this compact, partner countries take the lead in designing and implementing education programs through broad-based consultation. These programs use benchmarking and monitoring of progress against output and outcome indicators. They emphasize promoting faster progress in quality primary education for all children. Donors, multilateral organizations, and civil society organizations then commit to aligning their support for a country's program, providing support for its capacity development, mobilizing predictable and long-term financing, and harmonizing their procedures as much as possible amongst themselves and aligning with the government systems. This includes technical and financial support from the two FTI-specific funds, respectively the Education Programme Development Fund and the Catalytic Fund to complement bilateral and multilateral financing. These funds, it should be noted, are intended as marginal efforts to respond to countries' needs beyond the major source of anticipated additional funds, which should be normal bilateral channels.

So, FTI notionally avoids many of the pitfalls of vertical funds, keeping the focus very much on country ownership and the whole education sector plan. Perhaps as a result, it has maintained a fragile consensus among a wide cross-section of actors, including some of the more 'fund-skeptical' donors such as USAID. But it has also missed out on some of the evident benefits of vertical funds, including a high political profile, a popular campaign vehicle, and, crucially, large-scale resource mobilisation. Indeed, many of the donors nominally signed up

to the partnership show little sign of changing behaviour either by upscaling bilateral efforts or contributing to the two Funds.

So, has it worked? The Global Campaign for Education (GCE) considers the global total aid requirement to be around \$16 billion per year to achieve UPC, and provide balanced investment across sectors and deliver six EFA goals. Aid to basic education in poor countries has increased significantly over 2002 levels, rising from \$1.7 billion per year to around \$3 billion per year. Countries in the FTI Partnership (currently 35) have shown progress on primary enrolment, have prepared sound bankable plans and increased domestic investment in education. Overall, the number of children out-of-school has dropped by over 30 million since 2000 and the trend in FTI countries is likely to continue, according to trend analysis conducted by FTI. These are considerable signs of progress and should be celebrated. However, aid to basic education has actually fallen in the last two years after reaching an all-time high of \$4.4 billion in 2000. There is dependence on relatively few donors, with just five (UK, US, the Netherlands, World Bank/IDA and the EC) accounting for almost 70% of the global total.

And for all the celebration of success in education, it should not be forgotten that 75 million of the world's poorest and most disadvantaged children remain locked outside the school gates. 1 in 5 adults – 1 in 4 women – are unable to read or write. Secondary schooling and early childhood care remain the preserve of the elite in most poor countries. It is clear that, if FTI is to remain the centrepiece of efforts in achieving EFA, it still has a very long way to go. GCE continues to support FTI, whilst calling for reform and renewal of its original vision – as a global compact that will accelerate the world towards the dream of children reaching their potential through education, and adults being helped to end the blight of illiteracy and ignorance. And to do that, it may just have to learn some lessons from its cousins, the 'truly' vertical funds.

Reality Check

June 2008

The Reality of Aid Project exists to promote national and international policies that will contribute to a new and effective strategy for poverty eradication, built on solidarity and equity.

Established in 1993, The Reality of Aid is a collaborative, not-for-profit initiative, involving non-governmental organisations from north and south.

The Reality of Aid publishes regular and reliable reports on international development cooperation and the extent to which governments in the north and south, address the extreme inequalities of income and the structural, social and political injustices that entrench people in poverty.

The Reality of Aid Management Committee is chaired by Antonio Tujan, Jr. of IBON International.

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