Multisectoral Global Funds: experiments in governance and the financing of global priorities

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Abstract

Multisectoral Global Funds (MGFs) are emerging as important new mechanisms for the financing of development and other global priorities. MGFs like the Global Fund for AIDS, Tuberculosis and Malaria are distinctive because they are administered and financed by multiactor coalitions of governments, international organizations, the private sector and civil society, they operate independently of any one institution and are tied to particular issue or policy areas. This article considers the desirability of MGFs as instruments for international financial mobilization, resource allocation and as a form of experimentation in global governance. It is argued that 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 may be more operationally nimble than traditional mechanisms and capture some of the benefits of collaboration among different actors. However, MGFs may also result in a less coherent response to global problems, duplicate existing structures and be weakly democratically accountable.

Introduction[1]

Multisectoral Global Funds (MGFs), as identified in this article, are emerging as an increasingly popular and important mechanism for the mobilization and distribution of international financial resources. Several such funds already have annual disbursements that exceed the core budgets of major UN agencies, and new funds with even broader mandates are currently being proposed. At first glance, these powerful instruments for globally coordinated action represent a departure from traditional forms of multilateral governance because non-state actors share decision-making powers and financing responsibilities with national governments, as in other forms of 'networked', multiactor governance that are developing at the global level. Yet comparatively little is known about the way these funds operate, whether they are desirable as instruments for financing major international initiatives, and what implications they might have for global governance more broadly. This last question seems especially important considering that, even though a key principle behind these funds is that they be 'additional' to existing sources of finance, the proliferation of MGFs may come at the expense of established international organizations – both in terms of resource flows and of their prestige in the international system.

The funds described here are different from the official trust funds that have been administered by the World Bank and other international organizations for decades. MGFs are dedicated to a specific issue or policy area of global significance and they are explicitly multisectoral and multiactor. They operate as partnerships between the ‘official’ sector (governments and intergovernmental organizations at various levels) and business (including private charitable foundations and individual corporations), NGOs of different types and geographies, and other actors, such as education and research institutions. MGFs operate independently of any one institution, and are usually set up either as new entities with their own legal identity, as alliances with legally constituted financing arms, or as the financing arms of international agreements.

The principal case study in this article is the new Global Fund for AIDS, Tuberculosis and Malaria (GFATM). The fund, which has so far collected more than $2bn in pledges from governments and the private sector, is a major international enterprise that is likely to set an important precedent for future efforts like it in other areas of global concern.[2] The research presented here is based on a detailed study of the negotiation process to establish the fund and its subsequent start-up phase, a period that raised many of the difficult technical and political choices involved in establishing MGFs. Two other funds with fairly similar characteristics are used as secondary case studies – the recently established Global Alliance for Vaccines and Immunization (GAVI) and its financial instrument, the Vaccine Fund[3], whose mission is children’s immunization, and the Global Environment Facility (GEF), which derives its mandate from multilateral environmental agreements formed in the early 1990s.[4] Some basic facts about these funds are outlined in Table 1.

This article critically evaluates the potential of multisectoral global funds as financing instruments, and, as some see them, pilot programs for new and improved global governance.[5] MGFs aspire to be innovative and more effective than traditional instruments in a number of areas. First, they are designed to be ‘lean’, ‘non-bureaucratic’ and ‘quick to act’ – qualities that are often seen to be lacking in institutions and financing channels with broader mandates. Second, they promise an aggressive focus on results, to the point of withholding funding to non-performing recipients. Third, by giving non-state actors a major stake in their governance and activities, MGFs seek to realize the benefits of multisectoral collaboration and the principles of ‘networked governance’, including the harmonization of activities across sectors and leveraging the expertise and knowledge of civil society and the private sector. Finally, because of their comparative advantages compared to other funding sources, and because they can be used to focus attention and create a sense of urgency around a particular issue of global significance, MGFs are seen as magnets to raise additional funds from both public and private sources.

Table 1: GFATM, GEF and GAVI/the Vaccine Fund

	GFATM	GEF	GAVI
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

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

Political context: MGFs and international organizations

Before considering the merits of multisectoral global funds, it is important to understand the political context in which they are currently being created. Multisectoral global funds, with their emphasis on decentralization and rejection of bureaucracy, their orientation towards specific issues and tasks in support of a focus on 'results' and the embrace of the notion of partnership, in which non-state actors are key players and international organizations are seen as stakeholders playing narrower, targeted roles, seem at least in part to be a response to the perceived inadequacies of existing multilateral processes and institutions, and of the United Nations and its agencies in particular. Their popularity also reflects the political implausibility of raising much-needed new funds through the UN. In many respects, however, they remain reliant on the infrastructure and expertise of UN agencies.

The history of the United Nations' involvement with the GFATM reveals a great deal about attitudes towards the UN, in particular among donor governments. Participants in the GFATM negotiating process describe an atmosphere of 'hostility' towards the UN from several key governments during the period of the fund's creation. One of several examples of this was at a meeting to discuss the fund in early June 2001, the UN (and particularly the World Health Organization) was almost forced out of negotiations because of a perception that it was trying to "grab the money".[6] As one US government official put it, "If we wanted to increase WHO's budget, we would. We don't want [the GFATM] to become part of a UN agency". Later, during the fund's negotiating process, a lengthy debate ensued about whether the fund should be co-located with the UN technical programs (WHO and UNAIDS) in Geneva. Despite the potential synergies in terms of shared technical knowledge and the ability of WHO to provide administrative support services, several national delegations strongly resisted this because they feared it would give the UN too much control over the fund.

In interviews conducted for this article, US government officials and private charitable foundations in particular set out a number of criticisms of the UN.[7] First, they regarded the UN as too bureaucratic and administratively unwieldy to efficiently manage its own resources, let alone those of a global financial mechanism. Second, they criticized the UN's corporate governance and political culture as being unsuited to making difficult decisions about the allocation of funds. One US government official argued that because the UN's 'board of directors' and its 'clients' are both drawn from the same group (its member states), it is politically obliged to provide a level of financial support to even undeserving recipient countries. Moreover, the UN's lengthy negotiating procedures were regarded as an impediment to reaching rapid international agreement on the kinds of urgent global problems addressed by MGFs. The organizational design and governance arrangements of the GFATM, discussed below, clearly reflect a desire to avoid the above pitfalls. Third, the UN and its agencies were seen as more interested in 'capturing' new sources of funding and using them to advance their own institutional objectives (or in conducting turf wars among UN agencies) than in being partners in a collaborative arrangement such as the GFATM. In contrast to their attitude to the UN, the US government and other donor governments were generally more comfortable assigning the World Bank significant responsibility in the GFATM, which is reflected in the decision to name the Bank as the fund's trustee (the Bank also plays a key role in the GEF).[28]

Despite this deep ambivalence about the UN's role, UN agencies will nevertheless play a major role in the GFATM, providing capacity building and technical assistance both at the country-level in the preparation and implementation of project proposals, and providing technical and administrative support to the fund's Technical Review Panel, which has the key task of assessing funding proposals and making recommendations to the board. Moreover, in part because Secretary-General Kofi Annan was a key instigator of the fund, the GFATM remains very closely publicly associated with the UN.

The paradox of UN involvement in MGFs is that even those who are generally suspicious of the UN are forced to acknowledge that, because of their technical and in-country operational expertise, UN agencies are often essential to the success of this kind of enterprise. As a GAVI board member interviewed for this study described it, UNICEF and WHO are the most important partners in GAVI because the alliance is totally dependent on them for the delivery of core functions. Moreover, as the discussion in the rest of this article makes clear, MGFs must answer the same difficult questions about governance, accountability and organizational design that the UN and other international organizations faced in their organizational development, and it is not necessarily easy to come up with a better answer.

Evaluating the potential of MGFs

This section considers the claims of MGFs to innovation in four main areas: their governance arrangements, the introduction of a system of performance-based funding, the notion of multisectoral collaboration and the potential of MGFs to mobilize significant additional funds to address global problems.

1. Governance Arrangements

The GFATM was instigated with the often-repeated mantra that it not be 'another bureaucracy'. MGFs have been conceptualized as financial instruments, not implementing agencies, so that they do not themselves become large technocratic organizations. The governance structure of the GFATM and the other MGFs profiled in this study (outlined in Table 1) partially reflect this – they have relatively small governing boards based on constituency representation and, at least by the standards of most UN agencies, pared down secretariats consisting of only a small number of professional staff.

The preference for small, constituency-based governing boards is designed to achieve ease of decision-making while trying to represent as many actors as possible through the use of a constituency structure. The representational structure of the pared down MGF boards has had mixed success. One potential problem is that board members may be either unwilling or unable to act as genuine representatives of their constituency groups. For example, the East and Southern Africa representative on the GFATM board, Uganda, angered other key states in the region including South Africa, by failing to establish adequate consultation processes with them in the first months of the board's operations. Another risk of such structures is that board members will fail to act collectively in the interests of the fund rather than for their own groups. Participants in the Transitional Working Group (TWG) process through which the GFATM was negotiated characterized it as a highly political contest between different national and regional 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. This seems to have been reflected in the final composition of the fund, where key criteria such as which countries are eligible for funding were left extremely broad in order to satisfy different national constituencies.

Moreover, the manner in which MGFs select their board members has raised concerns about lack of transparency and, by extension, democratic accountability. Unbound by procedural restrictions, the GFATM board was set up in a fairly ad hoc manner. According to participants in the selection process, board membership was mainly a function of a country's participation in earlier discussions about the fund, and in the case of donor governments, the most powerful states were simply 'there by rights'. This enabled the board to be assembled quickly and with some flexibility, both of which were important considering the urgency of the issues the fund was responding to. However, such methods are also less transparent and potentially less accountable than the formal processes that are used to select the sitting members of key UN committees or the governing entities of international agencies, such as elections or formal rotations.[9]

In creating MGFs, many donors have advocated for small secretariats that are run according to modern management principles, in an attempt to avoid the perceived inefficiencies and wastefulness of existing international organizations. The lean secretariat model is the subject of some skepticism, however. GAVI's secretariat for example, is so small 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 (and uneven) support from the donor government and multilateral agencies that constitute them. As GAVI's application and implementation workload increases, such a small secretariat may be neither realistic nor appropriate.[10] 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. It is almost inevitable that over time, MGFs will need to develop more formalized rules and procedures relating to many aspects of their governance and processes.

Early experience suggests that MGFs will face an ongoing tension between the extent to which they adopt the principles of private sector management or those of the international public sector. During the GFATM negotiations, some stakeholders also saw the criteria used to recruit secretariat staff as a means of injecting private sector management practices into the fund. For example, the United States pushed (unsuccessfully) for a requirement that the successful candidate for Head of Secretariat have significant private sector experience. Other constituencies, including some donors and many recipient country governments, were more wary of attempts to run the fund according to private sector principles and expressed a preference for candidate who was more integrated into the international public sector.

Another aspect of the governance tensions facing MGFs is the extent to which inclusiveness and consultation is compromised in favor of being seen as 'quick to act' in different aspects of fund operations, such as in administrative decision-making and the disbursement process (in contrast to they way many international organizations are perceived). The GFATM was assembled in a matter of months – a remarkably short period given the size and scope of the task – because Secretary-General Kofi Annan and other key instigators feared a loss of momentum and donor confidence if the fund did not come together quickly. This was judged to be more important than a more lengthy but inclusive negotiating process of the kind usually located at the United Nations. For similar reasons, the GFATM, taking its lead from GAVI's strategy, moved very quickly, once established, to make its first grants. In the GAVI context, the rapid pace of applications and tight deadlines this entails has been criticized for preventing nations from developing adequate funding applications.[11]

Table 2: Governance arrangements of MGFs compared

	GFATM	GEF	Vaccine Fund/GAVI
Board and secretariat 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 – GEF is a treaty instrument, and board only includes	Yes (GAVI), No (Vaccine Fund)

		governments	
Private sector on board	Yes, one foundation and one industry	No, see above	Yes (GAVI), No (Vaccine Fund)
Research community on board	No	No, see above	Yes (GAVI), No (Vaccine Fund)
Multilateral agencies on board	Yes, ex-officio without voting rights	No, see above	Yes (GAVI), No (Vaccine Fund)
Decision rules	Consensus; when votes necessary, two-thirds of donors and private sector, two-thirds of recipients and NGOs required	Consensus; when votes necessary, 60% of donors, 60% of participants required	GAVI – consensus; simple majority voting. Vaccine Fund – consensus, largely ceremonial.

2. Performance-based funding

The introduction of new forms of program accountability – and specifically the use of 'performance-based funding' – is emerging as a central element of MGFs' claim to innovation. Performance-based funding explicitly links continued funding with program outcomes, as measured by performance in meeting agreed targets. This contrasts with more traditional methods of program accountability employed by many bilateral and multilateral financing channels, which tend to focus on the reporting of program inputs rather than on program outcomes. GAVI, which has pioneered this model, uses a system of ‘performance-based shares’, in which $10 of funding per child to strengthen health systems is delivered in advance and an additional $10 per child is paid as a retrospective reward for successfully meeting targets for the number of children immunized. 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.[12] Funding eventually stops altogether if countries fail to meet targets. In response to the perceived success of that model the GFATM chose to develop a similar program accountability regime.

There are several potential advantages of performance-based funding. First, performance-based funding is seen as ‘donor friendly’ by making it easier for donors to demonstrate to their constituents that funds are not being wasted and to show tangible results from fund activities. Second, aggressively linking funding to performance is said to improve program outcomes. The incentive to misuse funds or spend them on overheads, rather than directly on program recipients, is minimized. Rewarding high-performing recipients can also draw more attention to the most successful and innovative program strategies, which should promote a faster convergence towards good practice. From the fund’s perspective, restricting funding to reasonably high-performing recipients may improve the overall outcomes of the fund, even if that success is more unevenly distributed across countries or funding recipients. Third, by giving recipients the autonomy to use funds as they choose as long as they meet targets, performance-based funding should increase country-level ownership of MGF activities. Finally, lower transaction costs for recipients may result when the primary obligation of funding recipients is to report their performance in meeting targets, and not describe in detail how they have managed program inputs.

For the reasons set out above, performance-based funding is seen as highly politically attractive, especially to donors. However, performance-based funding also carries with it several serious potential disadvantages. First, an aggressive focus on meeting outcomes-based targets may distort recipient decision-making in undesirable ways. In order to satisfy donors, governments will have an incentive to manage their funding through dedicated vertical structures that speed progress towards meeting specific targets, but which might lead to higher transaction costs than if funds were submerged into overall health budgets.[13] There is a further risk that performance-based funding will tend to direct funds to those projects whose results are easily measurable and hence more satisfactory to donors, rather than on projects focused on strengthening capacity whose results may be slower to emerge or less visible.[14] Recipients of funding might also be tempted focus their activities on better off groups where easier gains can be achieved. Second, performance-based funding may simply reinforce existing gaps between the capacities of different grant recipients, having the circular effect of perpetuating the very factors that made recipients unable to meet their targets in the first place. Third, such a system has the potential to penalize excessively short-term dips in performance. Finally, the metrics used to assess performance may be inappropriate in complex conditions. Performance-based funding regimes may be easier to implement in MGFs with a narrowly focused organizational mission such as the Vaccine Fund, where immunization coverage rates are a measurable, controllable and relevant metric on which to base funding allocations. For funds like GFATM, whose mission is more complex and diffuse, it would seem to 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). It may be necessary for MGFs to address the potential problems associated with performance-based funding by implementing remedial and support processes with the aim of ensuring that funding recipients are able to receive additional tranches of funding even if they experience initial problems in meeting their targets.

3. Multisectoral collaboration

By giving non-state actors a major role in governance arrangements and in other activities, MGFs and other kinds of global policy networks based on similar principles, seek to harness the benefits of multisectoral collaboration in ways that could not be achieved by simply consulting these groups.[15] Partnership with the private sector and civil society occurs in a number of ways. First, non-government actors may be given a seat alongside governments on the governing boards of MGFs, as GAVI and the GFATM have done. This is a contentious issue. According to one view, multisectoral governance is a pre-condition for realizing the benefits of multisectoral collaboration, because the private sector and civil society can only be expected to seriously engage when they are treated as equal partners. Others argue that non-government actors cannot be held accountable for the responsible use of funds the way (democratically-elected) national governments can. By this logic, only governments should have the authority to make the kinds of decisions made by a fund like the GFATM, which have the potential for major impact on the lives of many people. This tension reflects a much broader debate about the democratic accountability of NGOs and their role in global governance.

Multisectoral collaboration is also built into the structure of MGFs at the country level. GFATM and GAVI have established country coordination mechanisms (CCMs) that are the interface between the fund and recipient countries. These mechanisms are usually led by governments, but include other national stakeholders such as NGOs, the private sector and the research community, who jointly prepare consolidated national funding proposals and who oversee key aspects of the country's relationship with the MGF. In some cases, the existence of such a mechanism is a condition of a country receiving funding. The country coordination model contrasts with the typical structure of the donor-recipient relationship in organizations like the World Bank, which is focused almost exclusively on national governments and with the model used by the GEF, where governments develop and implement proposals in cooperation with international organizations, which effectively must approve a project before it is put to the GEF's executive board.

The major benefits of CCMs are their ability to bring all key national stakeholders together. This approach opens channels of communication, allows for coordinated action and may foster innovation because of the very different perspectives represented. However, while it is tempting to regard this kind of national partnership as unambiguously positive, CCMs, like national governments, may come to be controlled by small groups who do not consult widely or secure broad domestic support. Moreover, 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 recipients. The very existence of a fund entails more reporting and other administrative requirements for developing countries, which represents an opportunity cost in terms of the time invested by senior government officials in particular.

For some, the CCM concept is also an expression of skepticism about the capacities or intentions of national governments, and the view that NGOs are often better partners at the country-level. During the GFATM negotiations, the US government proposed allowing individual NGOs to establish a direct relationship with the fund, so that they could make funding applications directly rather than only through the approved CCM. 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. In doing so, the US seemed to be signaling that at least in some countries, it had more faith in NGOs than it did in governments to realize the objectives of the GFATM. Interestingly, this position pitted the US against the World Bank who, as trustee of the GFATM, strongly opposed dealing directly with NGOs.[16]

There are several aspects of multisectoral collaboration that specifically relate to the private sector. For example, corporations may act as a supplier of commodities or other services to MGFs, such as the bulk procurement of vaccines from the private sector that GAVI has undertaken, and that the GFATM is carrying out in order to purchase medicines and other products such as bed nets and condoms. MGFs do this with the aim of securing much lower prices from companies than would be attainable if procurement was decentralized.

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 article argues is key to the success of public-private partnerships – that involvement in these alliances must ultimately be profitable for business. However, as NGO critics, among others, have pointed out, the conditions for industry participation can be onerous. In the GAVI context, demands by the private sector for 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, could outweigh the benefits of reduced prices on commodities procurement.[17] With the enmeshment of the private sector in the governance structures of MGFs, there is a risk that policy choices by MGFs will be distorted even when procedures are in place to avoid conflicts of interest between individual partners' interests and board decision-making.[18]

Another major role for the private sector in MGFs is as providers of specialized knowledge or of access to in-country networks. A US government official used the example of the way in which Coca Cola, who was a member of the GFATM's Transitional Working Group, could bring its in-country distribution expertise to bear on the distribution of bed nets and other commodities for funding recipients. Participants in GAVI also spoke positively about the role of the Gates Foundation in encouraging innovation and new ideas, and for infusing 'business thinking' into its core activities, which were once the exclusive domain of national governments and international organizations. In those cases where private charitable foundations are the principal contributors to MGFs, as is the case with the Gates Foundation and GAVI, these funds may increasingly come to resemble, culturally and operationally, the foundations that support them. Over time, 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.

4. MGFs as magnets for additional funding

One of the key expectations underlying the creation of MGFs such as the GFATM is that they will be able to mobilize additional resources that could not be raised through existing national or international financing channels. When Kofi Annan announced in April 2001 that the world needed to raise a further $7-10bn a year to fight AIDS, TB and malaria, the explicit aim was that a global fund would mobilize a substantial portion of those extra funds, from both public and private sources.

There are several reasons MGFs are seen as magnets for additional funds from national governments. First, because they address specific issue areas, the creation of MGFS can be used to build momentum and create a sense of urgency around particular global problems, increasing their political visibility and importance. Second, they allow governments to publicly demonstrate their commitment to addressing a high-profile global problem like the AIDS crisis, as the G8 nations did in 2001 when they announced their contributions to the GFATM. Third, because they are sold as innovative pilot programs or partnerships, governments find it easier to justify their contribution to domestic constituents. Increasing core funding to an international organization (which may be discredited domestically) or even increasing bilateral aid tends to be much more difficult. Finally, MGFs can argue for additional resources from governments on the basis that they are filling a global 'gap' (or providing a global public good) that would not be provided through their existing bilateral efforts, such as global commodities procurement.[19]

That said, there are several reasons why claims about the ability of MGFs to attract additional public resources may be overstated. First, unlike contributions to membership-based international organizations, contributions to MGFs are usually voluntary and so governments will only contribute to those funds they find politically attractive, which explains the patchy participation by governments in the GFATM and GAVI.[20] Second, donors tend to be highly conscious of the contributions of other industrialized countries. For example, in the most recent GEF replenishment negotiations, the United States announced that it would hold constant its contribution to the facility in dollar terms. This effectively means that in order for the GEF's funding to grow over the coming four-year period, other countries would have to increase their contributions in percentage terms. Japan and France in particular are refusing to do this, taking the view that the US is 'freeriding'. Perhaps most crucially, 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]

Beyond public resources, MGFs aim to become magnets for substantial private sector funding. Indeed, some see the private sector and not national governments as the major source of contributions for MGFs in the longer 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. The long-term future of MGFs, according to this view, is philanthropy by wealthy individuals, usually acting through private charitable foundations – 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.[22]

The emphasis on attracting funds from the private sector has worried some developing countries and NGOs, who are concerned that donor governments could use this focus on the private sector to distract attention from their core responsibilities.[23] The United States already argues that donations from US foundations and corporations should effectively be considered part of its national contribution to the GFATM. Indeed, foundations themselves sometimes take the philosophical view that certain global activities are mainly the responsibility of governments. Strong reservations have been also expressed about soliciting corporate donations from industries that may have an economic stake in

MGF activities through procurement decisions. For this reason, the Vaccine Fund does not accept corporate donations from pharmaceutical companies.

The size of the private sector's potential contribution to MGFs is in any case difficult to gauge. In the funds profiled in this article, the GFATM has so far failed to attract major private resources, while the GEF has well-developed co-financing arrangements with the private sector, rather than direct contributions. GAVI is the exception – the $750m contribution from the Gates Foundation far exceeds any government contribution. Several factors seem to affect the willingness of private charitable foundations and individual corporations to contribute to MGFs. First, they are more likely to make contributions comparable to those of national governments if they are given a formal stake in the governance of the fund, as the experience of GAVI in particular suggests. Second, they are more likely to support funds that are not perceived as government-driven or, as the director of a major a charitable foundation interviewed for this article described the GFATM a 'politicians' fund'. Third, private sector donors want to retain the identity of their contributions. Charitable foundations 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 – in GFATM negotiations it was generally seen as unacceptable.[24] For similar reasons, once one major private contribution has been made to an MGF, they may crowd out other private sector interest. The Vaccine Fund has found it hard to attract additional private contributions because of the size of the Gates Foundation's contribution as a share of the fund. Some of those interviewed for this study argued that the Gates Foundation would have leveraged its contribution to raise additional funds more effectively by not putting up such a substantial sum up-front.[25] Finally, the tax and regulatory environment in different national jurisdictions can have a significant influence on the level of giving, especially by wealthy individuals. Ultimately, if MGFs intend to vigorously pursue private resources, they need a comprehensive and professional fundraising strategy.[26]

In the longer term, one of the greatest challenges for MGFs may be to sustain a predictable level of contributions. Because many funds are often 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 as 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 stagnating funding base for MGFs and their beneficiaries are substantial. For example, MGFs may fund expensive and capital intensive programs that cannot then be supported in later years 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. Moreover, 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, although this is clearly a problem that established international organizations like the UN also face.

MGFs can undertake a number of measures to improve the sustainability and predictability of their funding bases, including securing multi-year pledges from donors,[27] withholding certain benefits to nations who do not contribute or are in arrears,[28] co-financing arrangements with the private sector in order to reduce the ongoing financial burden for global funds and to increase the impact of funded projects[29] and funds matching with organizations such as the World Bank to leverage an MGF's funds in order to secure larger disbursements.

Conclusions

If the current experiments with multisectoral global funds are seen as successful, they can be expected to proliferate in other areas, and the creation of global funds with even broader mandates is foreseeable. What would a world with many more of such instruments look like? One possibility is that will make holistic thinking on longer time horizons more difficult. The stratification of financing into issue-based silos risks neglecting the critical synergies between policy-making across issues, leading to more ad hoc policy-making and a less coherent response to global problems. Broad-based international organizations may ultimately be better positioned to make these connections and to make financing decisions accordingly.[30]

There is considerable debate about whether broad-based international organizations can be held sufficiently democratically accountable through the national governments that constitute them.[31] However, lines of accountability would seem to even weaker for MGFs. Unlike agencies within the UN system, there is no supervisory body or constituency to which MGFs as corporate entities, or the individual actors in them, may be held accountable for fund outcomes or particular decisions. Experience so far suggests that the governance arrangements of MGFs can be ad hoc and that national participation in them is uneven, making it easier for them to be captured by a few powerful states or, as in other forms of international organization, by unelected policy specialists and experts.[32] Formal inclusion of the private sector and NGOs in governance arrangements creates additional challenges in terms of ensuring accountability and avoiding potential conflicts of interest. Some thought is now being given to ways in which MGFs and similar partnership-based mechanisms might become subject to international monitoring and to certain rules designed to make them more accountable, but it may be difficult to do this while retaining the spirit of independence and experimentalism which is seen as key to their success.[33]

There is also a risk that, in spite of their attempts to reduce bureaucracy and wastefulness, MGFs will merely duplicate existing governance structures. Issue-based funds add to an already crowded landscape of international bodies and financial instruments with overlapping organizational missions. MGFs may also increase transaction costs at the country-level by creating a new layer of application and reporting requirements for these countries.

For all of these potential problems, however, the future of MGFs is at least as much about politics as it is about their underlying merits. MGFs like the GFATM currently have political momentum, the interest of some powerful states and, partly as a result, an ability to generate focus on important global issues that international organizations are struggling to achieve. If governments and the private sector invest their energies and resources into these instruments because they perceive them as delivering results, MGFs may indeed be able to mobilize genuinely additional funds for global priorities, which would help in meeting globally agreed objectives like the Millennium Development Goals. Moreover, MGFs may prove to be a politically viable way to advance the global public goods agenda because they can be sold as dedicated financial mechanisms to fill specific global gaps.

While this article has sought to put the aspirations of MGFs into perspective, these instruments, like other forms of multisectoral and networked governance, also promise a great deal. Certain kinds of multiactor collaboration, or carefully implemented performance-based funding systems, for example, may indeed produce success stories that can then be replicated elsewhere in the international system. Multisectoral global funds are at least somewhat less encumbered by the rigidities of more established entities, and so they offer an arena for experimentation and innovation in global governance.

Notes

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[1] This article is based on a study commissioned by the United Nations Department of Economic and Social Affairs in 2002. The author wishes to thank John Langmore and Johan Scholvink for their support of this research and Ngaire Woods, Sanjeev Khagram, David Simon, Jeffrey Sachs and Anthony Clunies-Ross for their comments.

[2] This article draws on more than 35 interviews with participants in the negotiating process to establish the GFATM and with other relevant experts, and on a study of internal documentation and options papers charting the choices facing the fund in its start-up phase.

[3]While the Vaccine Fund is a financing and fundraising instrument and GAVI is an alliance with no financial mechanism in this study, they are considered together. Although 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, which disburses funding based on the recommendations of the GAVI board. In the GFATM and the GEF these functions are not separated.

[4] It should be noted that, of the three financial instruments profiled in this study, the GEF has the weakest involvement of non-state actors in its governance processes, which are a key characteristic of MGFs as defined here.

[5] The claims made by proponents of MGFs are similar to those made about other forms of 'networked governance' at the global level. These transnational governance mechanisms, which have been referred to as global policy or issues networks, might carry out a number of functions such as placing particular issues on the international agenda, setting standards and international norms, gathering and disseminating valuable knowledge (Wolfgang H. Reinicke and Francis Deng with Jan Martin Witte, Thorsten Benner, Beth Whitaker, and John Gershman, *Critical Choices: The United Nations, Networks, and the Future of Global Governance,* Global Public Policy Institute, 2000) or, in the case of MGFs, mobilizing and allocating international financial resources. The growing interest in the concept of global public goods is another manifestation of the same trend, especially in terms of the disaggregation of key governance tasks. Indeed, proponents of a global public goods agenda have cited 'networked governance' as an important means of producing and in some cases financing these goods (see for example Inge Kaul, Pedro Conceicao, Katell le Goulven, Ronald U. Mendoza (eds.), *Providing Global Public Goods: Managing Globalization*, Oxford University Press, 2003).

[6] The United States and Japan are said to have been the most hostile countries towards the UN at that meeting, according to participants interviewed for this study.

[7] These reservations were less likely to be expressed by recipient governments, CSOs and even some donor nations such as France. Indeed in GFATM negotiations some delegations like the CIS countries argued for a greater role for the UN technical agencies in the operation of the fund.

[8] In interviews conducted for this study, US government officials and others were more sanguine about the Bank's operational efficiency and decision-making processes, but concerns about institutional 'capture' of the fund by the Bank remained an issue. As one US government official put it, 'the Bank has a reputation for taking over everything it touches'. In pre-fund negotiations some recipient governments and CSOs were also worried that the Bank's fiduciary role would be overly expansive, and that the Bank's standard operating procedures would be imposed on GFATM disbursements.

[9] 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 (comprising more than 170 countries) that meets every three years to determine the overall direction of the facility, while still leaving most operational decisions to a smaller governing board.

[10] Transitional Working Group paper, November 2001: 14-15

[11] Mark Shoofs and Michael W. Phillips, "Global Disease Fund to Be Strict for Better Chance to Get Results", *Wall Street Journal*, 13 February 2002

[12] Ruairf Brugha and Gill Walt, "A global health fund: a leap of faith?",*BMJ*, Volume 323, 152-154, 21 July 2001, p.153

[13] Ibid, p.154

[14] Similar risks arise when donors seek to apply to performance management principles to MGFs themselves. In recent years, donors have strongly backed a project led by the GEF Secretariat to develop programmatic indicators in order to quantify the results donors can expect for different levels of funding within the facility's four-year financing periods. According to GEF officials interviewed for this study, this

is having the effect of distorting GEF's portfolio in favor of projects with shorter time horizons at the expense of 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).

[15] As defined here, MGFs can be seen as one type of 'global public policy network', defined by Wolfgang Reinicke, "Global Public Policy Networks – The Other World Wide Web", in *Foreign Affairs*, Winter 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.

[16] 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 during GFATM negotiations. 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.

[17] Anita Hardon, "Immunisation for All?: A critical look at the first GAVI partners meeting", *HAI Europe*, volume 6, number 1, March 2001.

[18] GFATM and GAVI have taken such measures. GFATM has 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 key nations including France, NGOs and the UN technical agencies.

[19] 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.

[20] 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 a comparable GDP – has not pledged any support to the fund.

[21] The GEF is mainly financed out of existing ODA flows, rather than being additional (see Inge Kaul, Katell Le Goulven and Mirjam Schnupf,, "Financing Global Public Goods: Policy Experience and Future Challenges", in *Global Public Goods Financing: New Tools for New Challenges*, UNDP Office of Development Studies, pp.10-24, 2002).

[22] Sally K. Stansfield, "Philanthrophy and Alliances for Global Health", *Global Public Goods Financing: New Tools for New Challenges*, UNDP Office of Development Studies, pp.94-101, 2002

[23] Oxfam Great Britain, "Global HIV/AIDS and Health Fund: Foundation for action or fig leaf", unpublished paper, June 2001

[24] Transitional Working Group paper on governance, November 2001

[25] 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.

[26] Bernard Rivers, "Risk and Opportunity Factors for the Global Fund during its First Year of Operation", unpublished paper, December 8 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

[27] 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.

[28] 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).

[29] 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. 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 (The World Bank Group, "Effective Use of Development Finance for International Public Goods", in *Global Development Finance 2001*, chapter 5, 115-135, April 2001, p.115).

[30] At a national level, proliferation of issue-based global funds also runs counter to the trend in development practice towards integrated country-owned plans such as PRSPs, which are supported by non-earmarked funds. This may limit the flexibility and coherence of national policies.

[31] For competing views on whether international organizations can be held democratically accountable, and whether this matters, see Robert A. Dahl, "Can International Organizations be Democratic? A Skeptic's View", in Shapiro and Hacker-Cordón, eds., *Democracy's Edges*, pp. 19-36, 1999 and Robert O. Keohane, "Global Governance and Democratic Accountability", Miliband Lecture, London School of Economics 2002

[32] As Ngaire Woods argues the deeper question, and the one in need of more detailed study, is that of whose interests these new forms of global governance are furthering ("Global Governance and the role of Institutions' in David Held and Anthony McGrew, *Governing Globalization*, Polity Press: Cambridge, 2002).

[33] For proposals along these lines see for example Inge Kaul and Katell le Goulven, "Institutional Options for Producing Global Public Goods", in Inge Kaul, Pedro Conceicao, Katell le Goulven, Ronald U. Mendoza (eds.), *Providing Global Public Goods: Managing Globalization*, Oxford University Press, 2003 and Thorsten Benner, Maria H. Ivanova, Charlotte Streck and Jan Martin Witte, "Moving the Partnership Agenda to the Next Stage", *Progress or Peril? Partnerships and networks in global environmental governance. The Post-Johannesburg Agenda*, Global Public Policy Institute, 2003