UN-DESA Policy Brief No. 37

Why global health funds should be consolidated

Over the past decade, international donors increased financing for health in developing countries substantively. Much of the additional support has come from the rapid expansion of so-called vertical funds, such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria, and GAVI, which provides vaccines for children. These funds support the prevention, control and treatment of specific communicable diseases. Despite the benefits they have brought, the funds have been criticized for bypassing broader national health priorities and for adding to the fragmentation of donor support of health systems in low-income countries.

Donor-supported health financing would need to be better embedded in broader health sector development programmes to overcome such shortcomings. In this regard, the case can be made to consolidate the various disease-specific vertical funds and programmes into a "global health fund", which would align disease-specific interventions with broader (horizontal) national health programmes.

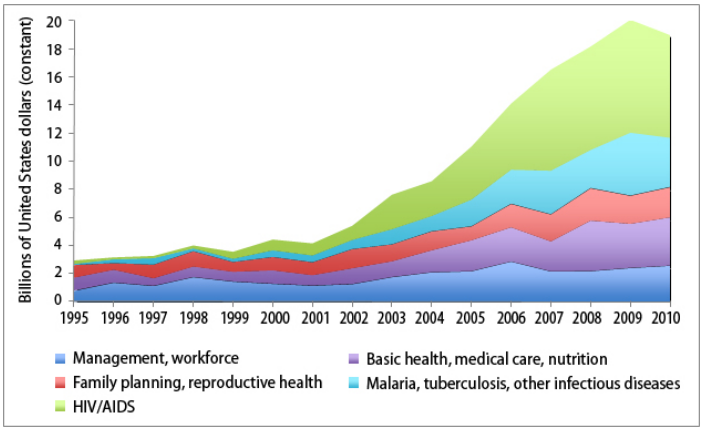
Disease-specific health funds have been purpose effective, but …

Disease-specific aid for HIV/AIDS, tuberculosis, malaria and other infectious diseases have been effective in distributing anti-retroviral treatment for millions of people living with HIV/AIDS and in immunizing millions of children in the developing world. These programs currently represent 60 per cent of all aid for health to developing countries, compared with 25 per cent for basic health, medical care, nutrition, management and workforce combined, as shown in the figure.

While important, these communicable diseases form only one dimension of broader health problems in recipient countries. Measured in DALYs[1], HIV/AIDS, tuberculosis and malaria account for 5.2 per cent, 2.7 per cent, and 4.0 per cent, respectively, of the total disease burden in low-income countries respectively. In comparison, diarrhoea represents 7.2 per cent, and maternal and perinatal conditions represent 14.8 per cent. Non-communicable diseases nowadays represent almost a third of the disease burden. Yet, they are largely ignored by donors and draw less than three per cent of official development assistance allocated to health.

As discussed in detail in the *World Economic and Social Survey 2012 (WESS 2012): In Search of New Development Finance*, concentrating external resources on particular diseases may skew health sector policies away from national health priorities. There is a risk that the global focus on communicable diseases does not coincide with national concerns about other diseases, the development of effective and equitable health systems, and efforts to deal with broader determinants of health (such as food security, nutrition and diet, water and sanitation, and living and working environments). For example, more than half of all aid for health in Mozambique — a country that suffers from severe underinvestment in the health sector and that is heavily aid-dependent — is dedicated to the fight against HIV/AIDS, while only 7 per cent are directed towards basic health infrastructure and 4 per cent to basic health care.

Figure 1. **Total ODA to health sectors in developing countries by purpose**



Source: OECD StatExtracts (http://stats.oecd.org/Index.aspx?datasetcode=CRS1).
Note: Includes all donors reporting to OECD/DAC.

Are vertical funds effective financing mechanisms?

There are a number of important reasons underlying the vertical approach of the global funds, despite the recognized downsides. Disease-specific interventions hold the promise of quick, demonstrable and readily quantifiable results, which can be directly linked to funding. This is a particular concern for philanthropic donors, who value clear success indicators, as well as for official donors seeking to demonstrate the impact of aid.

1 DALY stands for disability-adjusted life years, and takes into account both premature death and disability caused by disease

There is also a strong political consensus on the need to address the targeted health issues on a global level. This is most obvious in the case of the HIV/AIDS pandemic, which is seen as a global health emergency with potential repercussions not only in the most strongly affected countries, but in donor countries as well. Their effective control is thus a "global public good", which can only be produced by the collective efforts of all countries. In addition, there is evidence that aid disbursed through global health funds has often been disbursed more efficiently than traditional bilateral aid.

In practice, however, the disbursement of aid through disease-specific global funds has given rise to tensions with the development of health systems in recipient countries, especially in low-income countries. In the area of HIV/AIDS in particular, governments in developing countries have to coordinate their interventions with numerous bilateral donors, more than 60.000 NGOs working in this area, and the vertical funds. In Mozambique, a joint donor fund for health-sector specific budget support exists side by side with numerous bilateral programmes. The Global Fund, which originally participated in the common fund, had to be taken off-budget again because it proved too difficult to harmonize procedures.

In addition, the vertical funds often implement programmes through NGOs, which further exacerbates the fragmentation of health systems. As a result, there is unnecessary duplication of infrastructure, and under-resourced health ministries are faced with increased administrative burdens and an intensified internal "brain drain" of health professionals from general public facilities to those supported by funders. In Ethiopia, activities supported by the Global Fund have led to the movement of health workers from the public sector to the private sector, non-governmental organizations, and bilateral organizations, owing to the prospect of higher salaries and compensation. Studies of Global Fund programmes in Zambia and the regions of Europe and Eurasia reported proactive recruitment of qualified staff through the offer of higher salaries and other incentives.

The concentration of aid for health in vertical programmes, rather than in support of the development of health systems, has thus contributed to the continued absence of effective health systems, especially in countries relying heavily on development assistance. This in turn has driven funders to continue funding through vertical mechanisms. Both the Global Fund to Fight AIDS, Tuberculosis and Malaria and GAVI have responded to these concerns by providing support for health system strengthening, as discussed below. However, this remains a relatively small part of their financing, and is closely tied to their specific purposes.

The way forward

There could be significant long-term benefits from shifting resources from vertical programmes to health systems support, and delinking such support from disease- and intervention-specific programmes. Support to health systems development, allowing recipient countries greater flexibility in allocating health spending in line with national priorities, and ensuring that disease-specific interventions strengthen national systems could provide broader and more sustainable health improvements and avert the need for such vertical approaches in the future. For example, GAVI and the Global Fund could usefully fund investments in the educational infrastructure and training of new health professionals, and not only in-service training for existing staff on disease interventions. While the Global Fund and GAVI themselves have taken some important steps in this direction, notably through establishment of the *Health System Strengthening Platform*, their specific mandates set a limit to these efforts.

More generally, there is an urgent need to reduce the serious fragmentation of the aid for health architecture. Existing multilateral and bilateral vertical programmes should be consolidated into a simpler and more flexible disbursement system.

Therefore, consideration should be given to:

- consolidating global funds in health into a single "global health fund" to reduce fragmentation and transaction costs;
- improving the governance structure of the consolidated global health fund to ensure adequate representation of the interests and priorities of recipient countries; and
- complying with agreed aid effectiveness principles, so as to ensure national ownership through alignment with national development strategies and priorities. ■

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