4

Scaling Up Impact: Vertical Funds and Innovative Governance

DAVID GARTNER AND HOMI KHARAS

The challenge of scaling up for development requires innovative institutions with the capacity to leverage the contributions of diverse stakeholders, to support truly country-driven strategies, and to closely link financing to results. This chapter addresses the question of whether large-scale development impact can be achieved by channeling aid resources through vertical funds and, if so, what properties of vertical funds are critical to enabling this success. Vertical funds with more participatory governance structures and a closer link between performance and funding seem to be demonstrating more success in the areas of resource mobilization, learning, and impact. In this chapter we highlight the dramatic expansion of vertical funds over the last decade and analyze institutions in the areas of global health, education, and agriculture.

Vertical funds are global programs for allocating official development assistance that focus specifically on an issue or theme. According to the World Bank's definition, they are "partnerships and related initiatives whose benefits are intended to cut across more than one region of the world and in which the partners: (a) reach explicit agreement on objectives; (b) agree to establish a new (formal or informal) organization; (c) generate new products or services; and (d) contribute dedicated resources to the program."[1] They contrast with more traditional channels for development assistance, which focus on the needs of

1. World Bank (2004a, p. 2).

each partner country through country-based, horizontal, funding allocations. Although vertical funds have a long history, only since the late 1990s have they become the international community's funding vehicle of choice. There are now approximately twenty-seven multilateral vertical funds, of which thirteen have been created in the last fifteen years. In addition, there has been verticalization within the assistance programs of several Development Assistance Committee (DAC) countries, most notably the President's Emergency Plan for AIDS Relief (PEPFAR) in the United States.

Proponents of vertical funds point to several explanatory factors: one, the innovations that can be introduced by a new agency unencumbered by outmoded bureaucratic processes; two, a results focus, which has a clear causal chain between resources, interventions, and outcomes and which rewards partner-country contributions and effectiveness; three, transparency; and four, an appeal to the public and to political leaders through clear goals.[2] But vertical funds also have detractors, who view them as contributing to the fragmentation of the international aid architecture and as increasing coordination costs for partner countries. With the clear focus of these funds on specific areas, their success at resource mobilization is sometimes viewed as coming at the expense of draining resources from other areas.

Amidst this ongoing debate between proponents and skeptics of vertical funds, there is relatively little analysis of the comparative advantages among vertical fund institutions. In this chapter we examine vertical funds across three sectors: global health, education, and agriculture. Significantly, the institutions we focus on vary in terms of their institutional home and degree of autonomy, their level of participation in governance, and their adoption of performance-based approaches. In the global health context, the Global Fund for AIDS, Tuberculosis and Malaria combines a governance structure that includes diverse stakeholders with a fairly strong country-driven process and a close link between financing and performance on program objectives. In the realm of global education, the Global Partnership for Education includes a global structure of diverse stakeholders but is hosted within the World Bank, is working to strengthen its country-level processes, and is in the early stages of implementing a closer tie between performance and results. Within the field of agricultural development, the International Fund for Agricultural Development (IFAD) is an institution established in an earlier era within the United Nations, while the Global Agriculture and Food Security Program (GAFSP) is a new institution, housed in the World Bank, which incorporates more inclusive governance but not performance-based funding.

The next section reviews the literature on global funds and documents the dramatic emergence of a new generation of vertical funds over the last decade.

2. Isenman and Shakow (2010).

In a later section we analyze the innovative governance structures of these institutions. Following that, we compare the performance of vertical funds in health, education, and agriculture in scaling up development impact.[3] Performance is reviewed along three dimensions: the mobilization of money, institutional learning and innovation, and impact on the ground. We argue that performance on each of these dimensions is in turn influenced by novel features of recent vertical funds, particularly the engagement of civil society in governance structures, the strength of country-based planning mechanisms, and the link between financing and results. The purpose of this chapter is to examine how well different vertical funds have performed given the challenges that they were established to address. We do not examine whether the goals for each vertical fund are themselves properly specified but rather focus on the links between specific features of these funds and their ability to deliver results in line with their core mission.

The Emergence of Vertical Funds

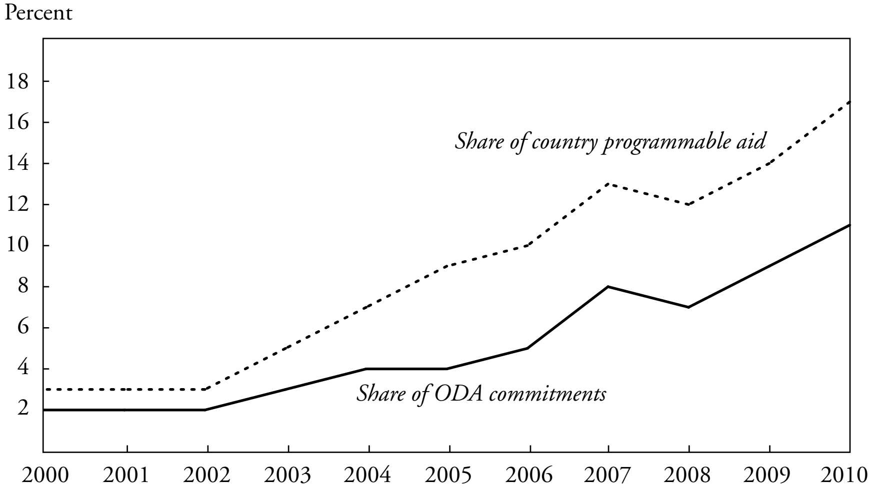
Vertical funds have a long pedigree and some notable successes. One of the first vertical funds was the Consultative Group on International Agricultural Research (CGIAR), a body established in 1971 as a partnership of fifteen agricultural research centers around the world to apply cutting-edge science to foster sustainable agricultural growth to benefit the poor. After the success of public-private research partnerships to achieve food self-sufficiency in developing countries (the Rockefeller and Ford foundations had established centers in Mexico, Colombia, India, and the Philippines), CGIAR was set up to scale up and sustain the impact of these bodies by transmitting the research to other countries while providing a more sustainable funding basis for existing research centers and broadening the number of research centers that would be supported.[4] CGIAR was born out of a strongly felt need to solve a critical global problem, namely a shortage of food and the prevalence of poverty, hunger, and famine in developing countries, especially in rural areas. In the same vein, a new generation of vertical funds has emerged, as the international community confronts a range of global challenges.

Global funds became the vehicle of choice when donors looked for mechanisms to implement the Millennium Development Goals (MDGs). In health, education, agriculture, and climate change, for example, the MDGs created a focal point for plans and resources needed to achieve the targets. Vertical funds

3. Climate is the other sector where important vertical funds are now operating. But the largest and newest of these, the Clean Technology Fund and the Strategic Climate Fund, only came to scale in 2010 and are too new to be evaluated in any meaningful way.

4. The most famous success was the Green Revolution, which was brought about by Norman Borlaug's development of semidwarf, high-yielding wheat varieties.

Figure 4-1. *Vertical Fund Commitments as a Share of ODA Commitments and Country Programmable Aid, 2000–10*



Source: Global Fund (2005); IFAD (2010a); OECD (2012b, table 3a); CTF (2009); SCF (2009); CGIAR (2004, 2010); EFA FTI (2007, 2010a); GAVI Alliance (2001–06); GAFSP (2011a); OECD (2012a).

provided a verifiable mechanism for implementation of these plans and for the allocation of donor money for specified purposes. Such earmarking could not be achieved by using the traditional channels represented by international financial institutions because these use horizontal, country-based, allocation models, rather than sector-specific funding allocations. With country-based allocations, it is not possible to accurately predict how much money would actually be allocated to any sector, such as health or education, for example.

The growing importance of these vertical funds in the broader development universe has been quite striking. At an aggregate level, the top ten global funds now account for around 14 percent of total country programmable aid.[5] The share has grown rapidly, from an insignificant proportion of 3 percent of total country programmable aid from DAC members and multilateral institutions in the year 2000 (figure 4-1).[6] Nine of the largest vertical funds now each account for over $500 million in official development assistance (ODA) annually (table 4-1).

5. Country programmable aid (CPA) is a concept introduced by DAC to denote those elements of aid actually available for country programs and projects (as opposed to items like debt relief, student loans, and refugee assistance in donor countries that are part of ODA but not of CPA).

6. DAC comprises twenty-three of the largest bilateral donor countries and the European Union.

Table 4-1. *Commitments of Major Vertical Funds, 2000–10*
Millions of U.S. dollars

Vertical fund	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*
CGIAR	331	337	357	381	437	452	458	506	542	603	657
CTF	...	...	...	...	...	...	...	...	...	216	1,889
SCF	...	...	...	...	...	...	...	...	...	287	1,750
EFA FTI	...	...	...	...	49	86	486	421	393	245	322
GAFSP	...	...	...	...	...	...	...	...	...	...	643
PEPFAR	...	...	...	...	1,730	2,358	2,745	3,794	5,191	5,680	5,826
IFAD	410	365	317	361	369	429	436	534	520	569	720
GAVI	..	26	113	132	198	182	208	968	748	501	783
GEF	485	459	395	499	619	583	557	1,062	814	711	530
GFATM	...	...	...	993	822	1,452	1,767	2,510	2,233	4,168	3,128
Total	1,226	1,188	1,181	2,365	4,224	5,542	6,656	9,795	10,441	12,981	16,247

Source: Global Fund (2005); GEF (2000); IFAD (2010a); OECD (2012b, table 3a); PEPFAR (2012); CTF (2009); SCF (2009); EFA FTI (2007, 2010a); GAVI Alliance (2001–06); GAFSP (2011a).

Quality of Vertical Funds

Vertical funds generally perform quite well in cross-donor comparisons of aid effectiveness.[7] Table 4-2 is an assessment of the quality of official development assistance. Aid quality is divided into four dimensions: maximizing efficiency, fostering institutions, reducing the transactional burden on recipients, and transparency and learning. The table shows the average scores of bilateral and multilateral funds and, within the multilateral category, the scores of vertical funds, development banks, and other aid agencies.[8]

In each dimension, thirty-one donor countries and large multilateral agencies are ranked against each other, based on a variety of criteria. The table shows that multilateral institutions generally outperform bilateral institutions across all categories, while vertical funds do better than many other multilateral agencies on average. They not only score high marks on criteria such as specialization but also perform well in terms of the share of funds going to well-governed countries and to projects with low administrative costs. However, vertical funds score poorly on criteria like the significance of the aid relationship and the share of aid being recorded on government budgets. Overall, the data suggest that vertical

7. Birdsall, Kharas, and Perakis (2011).

8. Scores are presented as the number of standard deviations away from the mean. That is, a negative score implies that an agency performs less well than the average for all donors.

Table 4-2. *Average Rankings by Donor Type for Each Aid Quality Dimension, 2009*

Donor type	*Maximizing efficiency*	*Fostering institutions*	*Reducing burden*	*Transparency and learning*
Bilateral	–0.03	–0.06	–0.09	0.01
Multilateral[a]	0.15	0.15	0.42	–0.08
Vertical funds	0.24	–0.01	0.57	–0.28
Multilateral banks	0.43	0.33	0.96	0.04
Other	–0.18	0.05	–0.19	–0.09

Source: Birdsall, Kharas, and Perakis (2011, table 11).

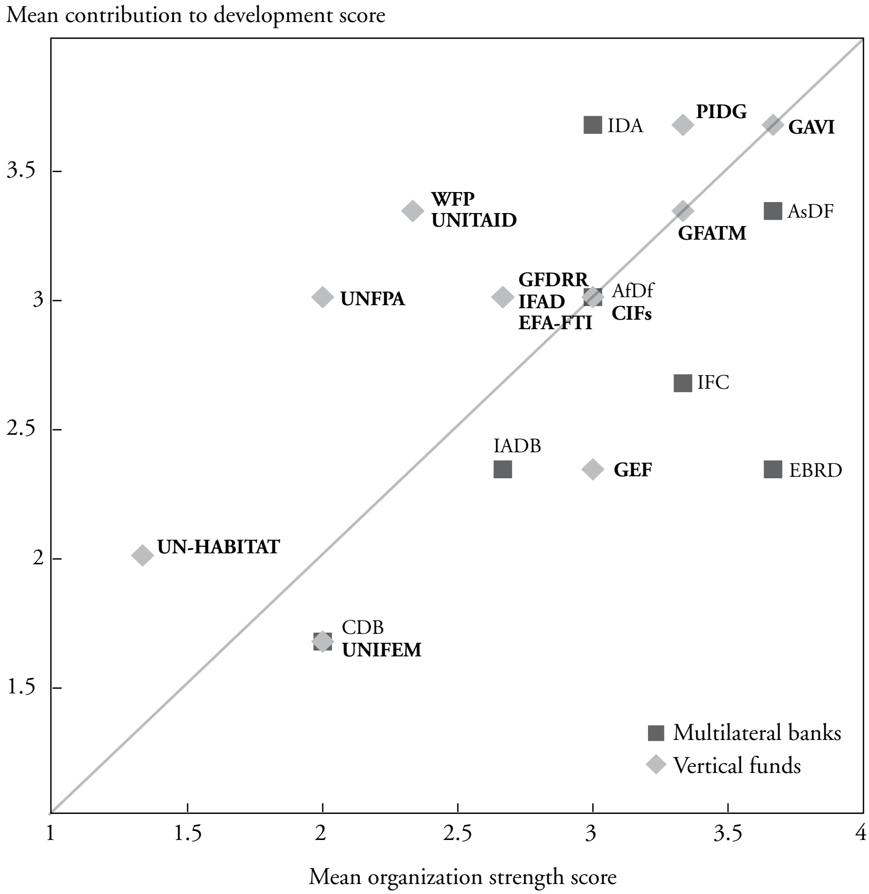
a. The vertical funds in this analysis are the International Fund for Agricultural Development; the Global Fund to Fight AIDS, Tuberculosis, and Malaria; GAVI (formerly the Global Alliance for Vaccines and Immunization); and the Global Environment Facility. Multilateral banks include the Asian Development Fund; African Development Fund; International Development Association (World Bank); Inter-American Development Bank Special Fund; International Monetary Fund Trust Fund; Organization of the Petroleum Exporting Countries' Fund for International Development; and Nordic Development Fund. Other agencies include two EU agencies and five UN agencies.

funds do well in terms of efficiency but somewhat less well on responsiveness to country priorities. That accords with anecdotal evidence of a focus by vertical funds on short-term results instead of on long-term institutional dimensions.

Similar conclusions emerge from the multilateral aid review conducted by the UK's Department for International Development (DFID). In that review, multilateral donor agencies were scored in absolute terms as to their strengths and weaknesses. Among the indicators used by DFID are some that are loosely linked to the development contribution made by an agency (link to international objectives, focus on poor countries, contribution to development results) and others that are linked to the organizational strength of the agency (cost and value consciousness, strategic management, transparency and accountability). We averaged these indicator scores for a dozen vertical funds and seven other multilateral financial institutions (figure 4-2).[9] Vertical funds do very well in terms of their contribution to development (especially the newer ones), and some also do well in terms of organizational strength. For the most part, international financial institutions show the reverse: stronger performance in terms of organizational strength than in terms of contribution to development (they lie to the right of the forty-five-degree line in figure 4-2).

9. DFID uses a four-point scale, with 1 = unsatisfactory; 2 = weak; 3 = satisfactory; 4 = strong. Note that DFID also includes other indicators that do not fall into these broad categories. These are excluded from figure 4-2.

Figure 4-2. *Quality of Vertical Funds and International Financial Institutions*



Source: Authors' estimates, based on DFID (2010).

Comparing Vertical Funds across Sectors

Modern vertical funds have experimented with new governance structures at both the global and local levels that have contributed to their performance. This section reviews the key characteristics of those structures in order to better assess their potential role in shaping the divergent performance outcomes of these vertical funds.

Global Fund to Fight AIDS, Tuberculosis, and Malaria

The Global Fund to Fight AIDS, Tuberculosis, and Malaria was launched in 2002 in response to calls for a comprehensive global response to the AIDS crisis from diverse quarters. The earliest steps toward the creation of such a fund were catalyzed by a bipartisan effort in the U.S. Congress in response to civil society proposals for a new fund to combat AIDS. The G-8 subsequently highlighted its commitment to expanding access to AIDS treatment and United Nations Secretary General Kofi Annan called for action in advance of the UN General Assembly Special Session on AIDS. This special session helped catalyze the formation of the Transitional Working Group, which ultimately designed the Global Fund. Today, the Global Fund is the leading financing mechanism for the global response to malaria and tuberculosis and is among the top two financing mechanisms in the global response to HIV/AIDS.

The Global Fund went further than previous international institutions in terms of multistakeholder participation in its formal governance structures at both the global and national levels.[10] First, the Global Fund provides for wider participation of civil society groups, with separate representatives from the global North and South. In addition, the Global Fund includes a representative of the most directly affected communities of people living with AIDS, tuberculosis, and malaria.[11] Instead of having a single representative from a given foundation or civil society group, the constituency model of the Global Fund establishes a full-fledged delegation designed to reflect the diversity within each sector. The board of directors is divided into a donor bloc (including donor countries, foundations, and the private sector) and a recipient bloc (including recipient countries and civil society groups). Major decisions require the support of two-thirds of each group in the absence of a consensus.

At the national level, the Global Fund established the innovative Country Coordinating Mechanism (CCM). Unlike most development institutions, the Global Fund requires a country seeking funding from the Global Fund to submit a proposal that has been approved by a multistakeholder CCM at the national level. The fund's secretariat recommends that 40 percent of CCM membership consist of nongovernmental organizations, and its guidelines explicitly require that CCM members "be broadly representative of a variety of stakeholders, each representing an active constituency with an interest in fighting one or more of the three diseases."[12] Within the Global Fund's structure the CCM is responsible for developing and submitting proposals that reflect the country's needs, for nominating a principal recipient to lead implementation efforts, and for providing oversight of the implementation of the grant. Although much of the Global Fund's financing is channeled through national institutions, significant financing is also channeled through nongovernmental organizations (NGOs).

10. Bartsch (2007).
11. Bartsch (2007, p. 152).
12. Global Fund (2005, p. 2).

The Global Fund has thus far had impressive success in opening up participation in its country-level processes to diverse nonstate actors. Of the 130 countries funded by the Global Fund, 82 percent had nongovernment actors, representing at least two-fifths of the CCM; 80 percent had at least one private business representative serving on the CCM. NGOs accounted for nearly a quarter of the average membership of these bodies, and people living with the diseases (PLWD) that are the focus of the fund accounted for 8 percent of the average membership. Taken together, NGO, PLWD, faith-based organizations, and the education sector accounted for nearly half of the membership of these bodies.

To ensure independence among these diverse stakeholders, the Global Fund requires that all CCM members representing nongovernment constituencies be selected by their own constituency through a transparent process developed by the constituency itself. Recent case studies of the functioning of the CCMs find that in many countries these institutions contributed to a redefinition of the relationship between civil society and government in the health sector, and in some cases the CCM chair may not be a Ministry of Health official. In Peru, for example, the CCM has evolved through the creation of regional bodies and the development of a conflict-of-interest guide, leading one participant to characterize the national-level process as generating "a dialogue that never before took place."[13] Case studies of forty countries find that the greater the substantive participation of NGOs, the better the CCM performed.[14] This is at least in part because of the seriousness with which the Global Fund supports an inclusive CCM process. For example, in Senegal, the marginalization of civil society in the early years led the fund to threaten to withdraw its funding in 2005.[15] But in less extreme cases, such as South Africa and Gambia, a divided or noninclusive CCM has weakened performance.

Global Partnership for Education

In 2002, at the Kananaskis Summit in Canada, the G-8 committed to creating "a new focus on education for all" and pledged to significantly increase support for basic education.[16] The G-8 also helped to catalyze the creation of a new global partnership based at the World Bank: the Education for All Fast-Track Initiative (FTI). Like the Global Fund, the FTI from the outset sought to establish new country-level coordination mechanisms. Over time it has increasingly sought to leverage the contributions of diverse stakeholders. The FTI's initial approach reflected the principle of rewarding high-performing countries, but only recently has the institution sought to more fully integrate

13. For the guide, see Buffardi, Cabello, and Garcia (2011, p. 8).
14. Global Fund (2008).
15. Cassidy and Leach (2010, p. 37).
16. Kananaskis Summit (2002).

performance-based financing into its work. In 2011 the FTI was renamed the Global Partnership for Education. The Global Partnership for Education provides financing primarily for basic education to countries with endorsed national education plans. It provides financing directly through its Catalytic Fund and contributes indirectly by encouraging other donors to support countries with endorsed plans.

The original framework for the Education for All Fast-Track Initiative provided for governance through a partnership that included donors, recipient countries, nongovernmental organizations, and UN agencies.[17] In 2009 the FTI formally established a board of directors with a composition more heavily weighted toward the donors. An independent midterm evaluation highlights an imbalance between donors and country partners in the governance of the initiative.[18] In 2010 the FTI shifted to equal representation for donors and partner countries and expanded representation for nonstate actors, to include the private sector, the foundation community, and teachers.[19]

The Global Partnership for Education has also relied on country-level processes to guide its work from the outset. The charter of the partnership requires that each country establish a local education group (LEG), which can comprise governments, donors, multilateral agencies, civil society organizations, and other actors working in support of the education sector. With the help of the partnership's support for capacity building, the number of civil society national education councils participating in LEGs increased from eighteen in 2009 to thirty-one in 2011. However, national governments hold the primary responsibility for implementation, and other actors are viewed as serving in a support role.[20] In addition, a local donor group (LDG) for education, composed solely of donors, evaluates government strategy and provides recommendations to the partnership.

The midterm evaluation of the partnership finds that its implementation at the country level was uneven—that the partnership had "remained more of a donor collaboration than a genuine partnership."[21] Reflective of this dynamic, in a number of countries LEGs and LDGs were seen to be indistinct, and in many countries LEGs were not involved in key decisions regarding endorsing the national plan. A more recent evaluation by the secretariat, based on surveys of sixty-one countries, finds that most countries were engaged in some form of joint planning between government ministries of education and the donors on effectiveness targets. However, few countries were working together in monitoring these targets through a joint sector review. A separate review finds that

17. World Bank (2004b).
18. EFA FTI (2009, p. 21).
19. EFA FTI (2010b).
20. Global Campaign for Education (2011, p. 29).
21. EFA FTI (2009, p. xxi).

consultations were generally held only with government ministries of education and finance, but that meaningful participation often did not extend outside the government sphere to nonstate actors.[22]

International Fund for Agricultural Development

At the 1974 World Food Conference in Rome there was agreement that "an International Fund for Agricultural Development should be established immediately to finance agricultural development projects primarily for food production in the developing countries."[23] The World Food Conference itself had been organized in response to the droughts, famines, and food insecurity that had afflicted parts of Africa and Asia in preceding years. The International Fund for Agricultural Development was established in 1977 as an international financial institution within the United Nations system to mobilize resources for agricultural and rural development. This mission emerged from recognition among World Food Conference participants that food insecurity was driven by structural problems associated with rural poverty rather than simply by failures in food production systems.

Unlike some more recently established vertical funds, the International Fund for Agricultural Development (IFAD) does not have formal structures to include nongovernmental organizations in its governance process. IFAD was formed as a partnership between developed countries, OPEC member states, and developing countries, with each of them forming one section of its tripartite membership structure. IFAD's Governing Council currently comprises the 167 IFAD member states, with voting rights partially weighted by contributions to IFAD's operations; approximately one-third of votes are assigned to developing-country members. The second core governance structure is the executive board, with members elected from each of three categories of members according to each bloc's overall share of votes. The executive board has authority over program and project approval, budgetary decisions, and matters relating to policy, pending approval of the Governing Council.

To enhance global-level strategic dialogue with stakeholders in rural development, in 2005 IFAD began working with representatives of small farmers' and rural producers' organizations to create the Farmers' Forum. The forum held its first meeting in 2006 and provides a biennial opportunity for global-level consultation and dialogue with IFAD's stakeholders, to coincide with every second convention of the IFAD Governing Council. Representatives at the forum have observer status during the meetings of the IFAD Governing Council and are invited to deliver a synthesis of their deliberations to a session of the council.

22. Bashir (2009).
23. IFAD (1976, p. 3).

However, IFAD's own evaluation of its partnership with farmers' organizations has identified this relationship as unsatisfactory, because there "is still a lack of organized and ongoing feedback from the meetings between IFAD staff and farmers' organizations at country or regional level." This leads to a key weakness of the forum, namely that "the agenda of the global meeting in conjunction with the Governing Council and the selection of participants are developed late and in an ad hoc manner instead of building upon a continuous process."[24]

At the national level, the Country Strategic Opportunities Programme (COSOP), which was developed by IFAD staff in consultation with government and other stakeholders, frames IFAD's goals and project work. It provides the framework for strategic dialogue on IFAD's operations with key country-level stakeholders in rural development. The COSOP process is intended to ensure that there is wide consultation on opportunities for IFAD-financed projects, to deliver strong project management for results, to ensure that IFAD's operations support the country's own development strategies, and to identify potential synergies and strategic partnerships with other multilateral and bilateral development partners. COSOP also seeks to promote continuous learning through reflection on previous IFAD operations in the country and on lessons learned from wider evaluations of IFAD projects.

Internal evaluations show that IFAD has increased the range and depth of its in-country partnerships with civil society organizations, particularly famers' and rural producers' organizations, which IFAD has identified as key partners.[25] These groups were involved in 81 percent of COSOPs that occurred in the years 2008–09. In 61 percent of COSOPs, they were partners in organizing specific workshops or sat as full members of the country program management teams. In 52 percent of new projects over this period, farmers' or rural producers' organizations were involved as implementing agencies or service providers. However, IFAD has yet to systematize farmers' and rural producers' organization involvement across projects that are not specifically focused on agricultural production or marketing. Areas with lower farmer and producer engagement include projects on rural infrastructure, community development, rural finance, and business services—despite these projects having a significant impact on agricultural development.

Global Agriculture and Food Security Program

The Global Agriculture and Food Security Program (GAFSP) was established following the G-20 meeting in Pittsburgh in September 2009, which sought a multilateral mechanism to assist in the implementation of pledges made at the

24. IFAD (2010b, p. iii).
25. IFAD (2010b, p. i).

G-8 summit in L'Aquila in July 2009. GAFSP's mission is to assist medium- to long-term strategic investments in national and regional agriculture productivity and food security systems—and to do so with greater speed and flexibility than bilateral assistance.

There are two GAFSP financing windows, one that funds public sector projects and another that supports private sector activities. As of June 30, 2011, $897 million had been pledged for the public sector window and $75 million for the private sector window, with pledges made by Australia, Canada, Ireland, South Korea, Spain, the United States, and the Gates Foundation.[26] The public sector financing window is focused on investment and technical assistance projects as part of programs that emerge from sectorwide national or regional consultations. In the case of Africa, such consultations and strategies should be consistent with the framework of the Comprehensive Africa Agriculture Development Programme. GAFSP seeks to foster civil society participation and includes clear and verifiable evidence of stakeholder participation in project design as well as evidence of government commitment to the objectives of the proposal in the form of financial commitments and reform of the policy environment.

GAFSP is organized as a financial intermediary fund administered under the trusteeship of the World Bank. Investments are administered and appraised by supervising entities responsible to GAFSP's Steering Committee, which has formal authority over public window funds. The committee is composed of an equal number of voting members from donor and recipient countries. There are also nonvoting members, who are drawn from potential supervising entities (World Bank, AfDB, ADB, IADB, IFAD, FAO, WFP), the IFC, CSOs (two from Southern CSOs and one from a Northern CSO), and the Special Representative of the UN Secretary General for Food Security and Nutrition. The Steering Committee's decisions are informed by an independent Technical Advisory Committee, which evaluates country proposals according to established assessment criteria and provides recommendations to the Steering Committee. So far, there is little data on the impact of GAFSP's investments. However, GAFSP has allocated 2.5 percent of pledged contributions to in-depth impact evaluations for public sector window investments.[27] The in-depth evaluations will cover about 30 percent of public sector window investments and take place under the auspices of the World Bank's Development Impact Evaluation Initiative.

The International Finance Corporation manages the private sector financing window, under the authority of the GAFSP Steering Committee. Contributors to the window are responsible for investment decisions, which are informed by

26. GAFSP (2011a, p. 8).
27. GAFSP (2011b).

a consultative board composed of representatives from academia, civil society, private financial institutions, and development agencies. The private sector window provides short- and long-term credit guarantees, loans, and equity to the private sector intended to support innovative initiatives to enhance agriculture development and food security. Private sector window investments are evaluated through the IFC's internal monitoring and evaluation process.

Assessing the Performance of Vertical Funds

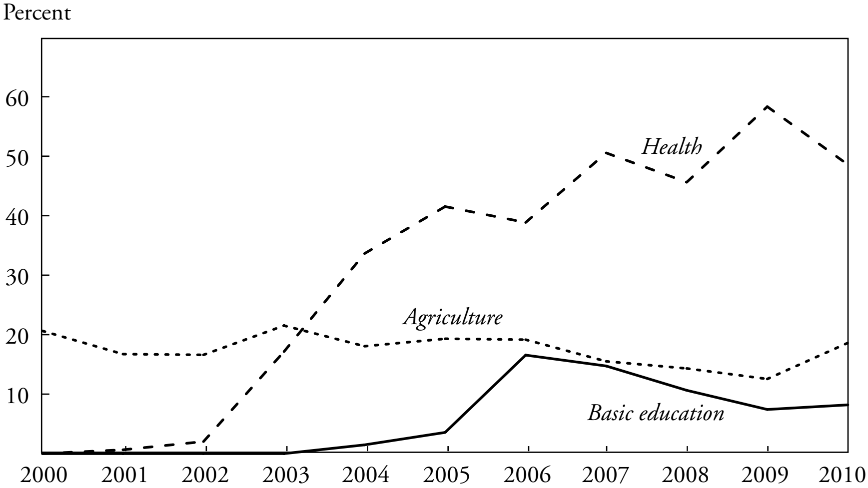
Among vertical funds, there is significant divergence in performance across sectors and across institutions. For example, the DFID review finds the vertical fund for urban development, UN-HABITAT, to be weak in many respects, while a number of global health institutions were given consistently high scores. To gain insight into the dynamics that shape the performance of these institutions, this section compares the performance among vertical funds, with a focus on the health, education, and agriculture sectors. It looks at three indicators of performance: the ability to raise money, learning and innovation, and impact and development results. These indicators reflect the capacity of these institutions to leverage financial commitments for their mission, to adapt and foster improvements in their own work, and to deliver on their ultimate mission in terms of generating results.

Ability to Raise Money

How important are vertical funds in raising money for each sector? Figure 4-3 disaggregates the three sectors. It looks at vertical fund commitments (see table 4-1) compared to commitments in each sector from all DAC donors and multilateral agencies. In health, the comparison is to the sum of two categories provided separately by DAC: health and population programs and reproductive health programs. In education, the comparison is to basic education. Agriculture comprises agriculture, forestry, and fishing.

The results are striking. In health, three vertical funds—the Global Fund for Aids, Tuberculosis and Malaria, the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), and the Global Alliance for Vaccines and Immunization (GAVI)—have become dominant funding channels, now accounting for about 60 percent of all health ODA. Vertical funds have been the key driver of the expansion of global health funding over the last decade. Overall, DAC global health funding nearly quadrupled between 2002 and 2010, and vertical funds accounted for two-thirds of that growth. From a base of less than $1 billion in 2002, global health vertical funds expanded to over $10 billion by 2010. This dramatic expansion was largely driven by new commitments to invest in

Figure 4-3. *Sectoral Commitments of Vertical Funds as a Share of CPA in That Sector, 2000–10*



Source: PEPFAR (2012); CTF (2009); SCF (2009); CGIAR (2004, 2010); EFA FTI (2010a); EFA FTI (2007); GAVI Alliance (2001–06); GAFSP (2011a).

combating AIDS and other leading infectious diseases, such as malaria and tuberculosis. The leading multidonor vertical fund was the Global Fund.

By contrast, in education (the Education for All Fast-Track Initiative, which is now the Global Partnership for Education) and agriculture (CGIAR, IFAD, and GAFSP), vertical funds have remained relatively modest, with between 10 percent and 20 percent of sectoral resources flowing through them. Also, education and agriculture have not experienced anything like the growth trajectory of health vertical funds in absolute terms. Over the past decade, donor commitments to basic education have more than doubled, from just under $1.5 billion to nearly $4 billion by 2010, but so have total aid commitments by DAC countries. If anything, the share of basic education in total aid has slightly declined. Within basic education, the share channeled through vertical funds initially increased, but it peaked at 16 percent in 2006 before declining again to around 8 percent in 2010. Unlike the trajectory in health, the postpeak period reflects a steady decline in commitments to vertical funds for basic education. However, it is possible that the most recent replenishment of the Global Partnership for Education in 2011 may be a precursor to a reversal of this long-term trend. A similar pattern holds for agriculture. Although aid commitments to agriculture rose to $9.8 billion in 2010, the share of aid going to agriculture has remained unchanged over the last decade, staying constant at around

5.9 percent. Despite the creation of GAFSP and generous replenishments of IFAD, the share of agricultural aid being channeled through vertical funds has been slowly falling.

What accounts for the difference in performance in mobilizing the resources of these institutions? One likely reason, highlighted in the previous section, is the divergent approaches to governance adopted by the various vertical funds and the role of diverse stakeholders in catalyzing resource mobilization. Funds that have strong civil society advocates, based on participation in governance, have done better than those without such advocates.

Another likely reason is the clarity of the mission that vertical funds have been able to articulate. Although health delivery is a complex issue even within advanced countries, with substantial disagreement among countries on appropriate public policy, the messages around health aid through vertical funds have been systematically simplified and clarified. Communication strategists suggest that mass campaigns cannot start with a complex problem and solution but need an "escalator to complexity," with a simple entry point on which results can be visibly delivered, creating trust that then permits more complex challenges to be addressed later. In health, that simple message has been about lives saved, through vaccinations, immunizations, antiretroviral treatments, and insecticide-treated bed nets. In the case of health, there is a clear results chain beginning with the inputs bought by aid and progressing to number of lives saved in an easily understood way. Such a clear connection builds confidence that foreign assistance will have the desired impact. Critically, health vertical funds have not tried to address all issues in the health sector, which would have required very complex messaging, but have selected a subset of communicable diseases, where treatments are known and results can be measured.

It has proven harder to apply these same communication principles to other areas, such as agriculture. The issues in this sector are complex and interrelated with many other development issues. A simple causal chain between aid money and lower rural poverty and reduced hunger lacks credibility given the widely differing contexts across developing countries. Most problems, like raising smallholder productivity levels to advanced country levels, cannot be readily solved in the medium term, and identification of the binding constraint on agricultural productivity is not easy nor broadly agreed upon among professionals, with the raging debate over genetically modified food being just one contentious issue.

In agriculture, even technocrats agree that, at best, aid can only be a small part of any solution. For example, IFAD has directly invested $12.0 billion in 860 programs and projects through low-interest loans and grants since beginning operations in 1978. During this time it has used its investment to leverage an additional $19.6 billion of investment in projects, with $10.8 billion coming from project participants, governments, and other actors in the recipient country and $8.8 billion of cofinancing from other donors. Even if all cofinancing were attributed to IFAD activities, the total average investment in agriculture would still amount to less than $1 billion a year, much less than the $20 billion for agriculture that the international community agreed was needed.

So even if the moral imperatives to address illiteracy and hunger are as strong as those in health, the ability to communicate a message that the most cost-effective solutions are as dependent on aid has been far weaker. One important conclusion is that vertical funds are most likely to have a dramatic impact on fundraising when they can be focused on specific development outcomes that are critical to achieving international goals, when the causal chain from resources to outcomes is well accepted, and when such aid can effectively provide a development solution at scale. These challenges in term of messaging are accentuated when the structure of vertical funds fails to foster ownership on the part of civil society actors and other key stakeholders in support of resource mobilization within their home countries. These nonstate actors are often the most successful in generating a more compelling framing of key global challenges.

In the aftermath of the global recession of 2009 and the austerity measures being implemented by all DAC donors, the business model for vertical funds has been challenged, and continued success is by no means assured. In its most recent replenishment, the Global Fund received donor pledges of $11.7 billion, including pledges of over $1 billion from seven countries.[28] This figure was 20 percent higher than the fund's previous replenishment between 2007 and 2010. Despite this success relative to peer institutions, the fund has recently suffered from less reliability in the donor community in delivering on its pledges, leading it to postpone the next round of new grants.[29] Although the fund will provide for a "transitional funding mechanism" to prevent any disruption in existing programs before 2013, its financial outlook changed markedly over the past year. While donors had previously honored 100 percent of their pledges, this figure went down to 80 percent in 2010 and is lower still for 2011 amid the deepening economic crisis in Europe. As a result, confirmed pledges for 2011–13 have shrunk, along with the amount of funds available for financing any new round of proposals.[30]

The Global Partnership for Education also faces resource mobilization challenges, despite recent progress. The most recent replenishment in late 2011

28. Over the past decade, the Global Fund has received donor commitments of nearly $10 billion from the United States, $4 billion from France, and over $2 billion each from the United Kingdom, Germany, and Japan.

29. Jack (2011).

30. Rivers (2011). Some donor countries have highlighted issues related to the fund's oversight based on auditing of grants by the independent inspector general. The audits have revealed $17 million in fraud.

resulted in pledges from donors of $1.5 billion for the period 2011–14. The most significant pledges were from the United Kingdom ($352 million) and Australia ($278 million). Only two other countries, the Netherlands and Norway, pledged more than $100 million. Nearly two-thirds of pledged resources came from just these four countries. Although these numbers are still quite modest, they nonetheless reflect some improvement over the early efforts at resource mobilization and a broadening of the donor base. Between 2006 and 2009, just two countries contributed over 60 percent of the core Catalytic Fund's total resources, and many countries provided only token amounts. From its inception until 2010, the partnership has channeled approximately $1.2 billion to partner countries for financing the expansion of primary education, a tiny fraction of estimated global needs.

A new round of replenishments for IFAD, for the period 2012–14, has also just been concluded, with an announced $1.5 billion target for replenishments.[31] This represents a 25 percent increase over the previous round but will still leave IFAD as a small agency in the agricultural aid sphere. Other agricultural funds, including GAFSP, are also facing funding difficulties. In the case of GAFSP, its allocation from the United States in the recent 2012 Omnibus Spending Bill was just $135 million, far short of the president's initial request for $350 million.

Several studies examine the issue of whether vertical funds are fungible or whether they truly add to the resources available to the sector. Concerns about the fungibility of donor resources for global health are mitigated by the dramatic scale of the increase in overall global health resources over the last decade. With vertical funds accounting for nearly two-thirds of that increase, the overall financing for global health still significantly outstripped these new investments in AIDS, malaria, and TB. It seems highly unlikely that this additional $10 billion would have been committed without the focused effort to combat these diseases, given the trajectory of donor funding for global health. Donor funding for malaria multiplied nearly tenfold between 2001 and 2009, and donor funding for tuberculosis increased to more than five times its 2001 base.[32]

A more challenging issue of fungibility arises with respect to the investments of national governments in the health sector. Yet here again, the scale of the increases argues against the idea that donor investments in global health were mostly fungible. In Southern Africa health expenditures increased by 50 percent between 2002 and 2009, in West Africa these expenditures more than doubled, in East Africa they nearly doubled, and in Central Africa government health

31. IFAD (2011, p. 1).

32. Institute for Health Metrics and Evaluation (2011, p. 80).

spending nearly quintupled.[33] While recent studies find that donor financing for health had a significant negative effect on government health spending when provided to the public sector, such financing had a significant positive effect on domestic health spending when directed to the nongovernment sector, as was the case with much of the new AIDS funding.[34] However, such crowding out did not take place in many countries for which donor financing for global health increased.[35] Overall, there seems to be little evidence that donor health funding through vertical funds is fully fungible; more resources have undoubtedly gone into health programs supported by vertical funds.[36]

In terms of the fungibility of donor financing for basic education, the growth of overall financing for basic education has far outstripped the contribution to the Global Partnership for Education. In fact the 2010 commitments to the partnership by all donors represents less than 13 percent of the overall increase in donor financing for basic education, suggesting that vertical fund investments did not displace other assistance to basic education. In terms of recipients, it is more difficult to ascertain whether donor financing crowds out domestic investment, as there is little evidence on the extent to which aid replaces public funding.[37] While a previous study finds that education aid is fungible and does not add to public spending, a recent study finds that donor financing for education is not fully fungible, which could be expected in a sector in which domestic governments provide between 80 percent and 90 percent of all financing.[38] Education spending increased sharply in eighty developing countries between 1995 and 2007—to twice the amount of health spending and a larger share of total government spending.[39] Anecdotal evidence from some of the initial wave of countries endorsed for funding by the Global Partnership suggests that any crowding-out effect has been somewhat limited. In Gambia and in Ethiopia, for example, the share of the budget earmarked for education increased by a third in the three years after their respective endorsements.[40]

Agriculture is another sector that has historically been susceptible to fungibility concerns. Several studies find no evidence that aid to agriculture increases public spending in that sector in Africa. However, the same studies may show a reverse causation; public spending on agriculture crowds in more aid, perhaps because of

33. Institute for Health Metrics and Evaluation (2011, p. 95).
34. Lu and others (2010).
35. Ooms and others (2010).
36. Van de Sijpe (2010, p. 35).
37. Fredriksen (2008, pp. 6–7).
38. Fredriksen (2008, p. 15). For the fungibility finding, see Van de Sijpe (2010, p. 35). The earlier study is Feyzioglu, Swaroop, and Zhu (1998).
39. Gupta (2010).
40. EFA FTI (2010b).

better overall country performance on poverty reduction.[41] Within agriculture, of course, dedicated funds may well increase spending in certain categories, such as research, but that then comes at the expense of other sectoral priorities.

In sum, it is only health vertical funds that seem to have indisputably raised additional resources for the sector as a whole, as well as for their particular subsectoral priorities. In both basic education and agriculture, the presence of important vertical funds failed to increase the sector's prominence in aid commitments as a whole.

Learning and Innovation

Several vertical funds have joined together into the Global Programs Learning Group to share best practices to improve aid effectiveness and ensure that programs are implemented in a way that accords with the Paris Declaration principles on aid effectiveness.[42] Vertical funds are cognizant of the fact that their programs work best when complemented by strong policy and institutional environments in the sectors in which they operate, but they face difficulties in operationalizing several of the Paris principles.

Among the weaknesses of vertical fund programs are the sometimes weak links between their country strategy and coordination mechanisms with formal government institutions. Unlike traditional donors, who have tended to play an influential ex ante role in the preparation of country strategies and plans, vertical funds have instead sought to facilitate bottom-up leadership. The Global Fund refers to a "radical passivity" in its approach, waiting for country programs to emerge on their own. Vertical funds are forced to adopt such a strategy because of the absence of a strong country presence (one reason for their low administrative costs), but it also reflects an alternative approach based on learning and performance-based funding. Rather than laying out detailed strategies in advance, the vertical funds have tried to focus more on results, with countries free to make adjustments to programs during implementation, as they see fit. The key accountability and incentive mechanism is then a strong linkage between results and the size of funding.

The Global Fund has characterized itself as a learning organization since its founding. One of its most significant features is the extremely demanding level of transparency that it requires of itself and the incorporation of regular independent evaluations in order to foster a culture of continuous improvement.[43] Disclosing its failures is clearly a strength in terms of organizational learning.[44] But this characteristic has also exposed the fund to external critics in ways that

41. Devarajan, Rajkumar, and Swaroop (1999).
42. Isenman (2007).
43. *Lancet* editorial (2011).
44. Dare (2010).

most vertical funds or international institutions have not.[45] Since its creation a decade ago, independent experts have conducted eight evaluations of the fund, each of which has inspired further reforms. Most recently, the Comprehensive Reform Working Group adopted new policies to strengthen accountability and partnerships, improve governance, and adapt the fund's business model.[46]

One of the significant areas of innovation by the Global Fund is in drug procurement. In 2009 the fund adopted the Voluntary Pooled Procurement Initiative to encourage grant recipients to collectively procure drugs and related commodities at lower prices. This effort builds on the fund's important market intervention with respect to malaria treatment: soon after its creation, the fund utilized its large-scale purchasing power to create a sufficient market for the supply of new malaria treatments. Later, in 2004, the fund accelerated the shift to an improved artemisinin-based combination therapy, which expanded the availability of these medicines by dramatically reducing their pricing and reshaped the treatment of malaria.[47]

Another important area of innovation by the Global Fund and other vertical funds for health is their contribution to the development of innovative financing mechanisms. The Global Fund pioneered new forms of collaboration with the private sector to raise resources through a voluntary branding program, which dedicated a fixed percentage of consumer spending to the fund. It greatly expanded the use of debt swaps for global health and worked closely with UNITAID, which is financed through an airline-ticket levy. Other global health funds were the central institutions for innovations in predictable long-term financing; the Global Alliance for Vaccines and Immunizations worked through both the front-loaded International Finance Facility for Immunizations and the Advanced Market Commitments Initiative.

The Fast-Track Initiative has less of a defined track record as a learning organization. However, the FTI did engage in regular reviews of its structure and governance, which led to several different substantial reforms since its creation. Its Steering Committee sought outside experts to evaluate its internal structures and offered a range of options based on comparisons with other vertical funds.[48] The most recent reform of the partnership's governance, and the expansion of the range of actors who can oversee disbursement at the national level, reflect a surprising openness to structural reform.

45. In 2009 the Office of the Inspector General publicly disclosed findings of misappropriated funds in Mauritania, Mali, and Zambia, and the Global Fund subsequently suspended and terminated a number of its grants. Relatively few international institutions or bilateral development agencies match this level of transparency and sanctions following evidence of misappropriation.

46. Global Fund (2011).

47. Sabot (2012).

48. Buse (2005).

Another important dimension on which the FTI contributed to cross-country learning is through its shared leadership of the School Fees Abolition Initiative (SFAI). The conventional wisdom within the World Bank for many years was that user charges were an important financing mechanism for education, but this perspective lacked a clear understanding of what user fees were doing on the demand side. The FTI supported the perspective that eliminating primary school fees was important to expanding primary enrollment, and SFAI sought to share the lessons of early experiences in East Africa and develop best practices for governments seeking to abolish school fees. Through multiple workshops that brought together governments across the continent of Africa and beyond, and through guidance materials developed in partnership with UNICEF and the World Bank, the initiative contributed to South-South learning in an area of major policy change over the last decade.

Both IFAD and GAFSP are committed to learning. GAFSP has aggressively called for in-depth impact evaluations using experimental or quasi-experimental design methodologies for up to 30 percent of its investments. IFAD has explicitly focused on innovation in its strategic statements and practices, and among the noteworthy innovations it has introduced is support for grassroots farmer organizations. Many of these consultation processes have generated new ideas for good practice, but one recent review suggests that IFAD did not sufficiently scale up successful innovations to maximize impact.[49] It concludes that IFAD needs to focus on certain domains "where there is a proven need for innovative solutions and where IFAD has (or can develop) a comparative advantage to promote successfully pro-poor innovations that can be scaled up."[50] In response to the review, IFAD has amended its COSOP guidelines to enhance the role of monitoring and evaluation and increase focus on the drivers, spaces, and constraints that shape pathways to bring activities to scale. This is intended to form part of a move to more programmatic and less project-focused country operations.

Impact and Results

A strong linkage between performance and funding became one of the core founding principles of the Global Fund. The approval of all follow-up funding is linked to an evaluation of the performance of the principal recipient in meeting the agreed-upon program objectives. This approach allows for the redeployment of urgently needed resources to countries and recipients that are better placed to use them and creates strong incentives for national governments and other actors to overcome bottlenecks and improve performance. It also requires flexibility in procedures to permit the shifting of resources to programs that

49. IFAD (2010c, p. 60).
50. IFAD (2010c, p. 75).

have a successful track record. Some scholars have suggested that the fund is the paradigmatic example of a public-private partnership that is "managing for strategic results."[51] A recent analysis of the fund's tuberculosis portfolio finds that successful evaluation that leads to continued funding predicts higher performance in grants for tuberculosis.[52] Analyses of the fund's evaluation of programs demonstrates that the fund's grants performed better over time, so that the second and third round of grants were higher performing overall than the initial round.[53] At the same time, the diversity of the fund's implementers has enabled its efforts to scale up quickly. Civil society groups, the private sector, and multilateral recipients received higher performance evaluation scores than government implementers.[54]

Almost all vertical funds have clear statements of impact. For example, perhaps the best measure of the Global Fund's impact can be seen in the programmatic results it has achieved over the past decade. Over this period the fund has provided antiretroviral treatment to 3.2 million people, tuberculosis treatment to 8.2 million people, and bed nets to prevent malaria to 190 million people. The fund estimates that it prevented 830,000 deaths as a result of its malaria interventions alone. Estimations of the fund's expected impact on its target diseases (before the recent funding shortfall) projected that by 2015 it would provide antiretroviral treatment to over 5.5 million people, reach more than 60 percent of the global target on tuberculosis control, and distribute approximately one-third of the bed nets required to meet global goals against malaria in sub-Saharan Africa.[55] With the Global Fund providing approximately two-thirds of all donor financing for malaria, the overall progress against the disease in recent years gives further evidence of the fund's impact. In Africa malaria deaths decreased by more than one-third over the past decade, while malaria deaths worldwide were down more than one-quarter over that period. The most widespread intervention against malaria, providing insecticide-treated bed nets, is demonstrating impressive success. A recent survey finds that in homes with at least one insecticide-treated bed net there was a 23 percent reduction in child mortality.[56] Based on these results, DFID determined that the Global Fund offers "very good value for money," the highest ranking available.[57]

Nonetheless, there are calls from diverse quarters for the fund to further improve its approach to performance-based funding. Although the *Lancet* has

51. Kaul (2006).
52. Katz and others (2010).
53. Radelet (2007).
54. Radelet (2007, p. 1809).
55. Katz and others (2011).
56. Lim and others (2011).
57. UK (2011a).

praised the fund's general approach to measuring performance and acting on these findings, the journal has recently called for independent verification of the fund's evaluation of the performance of its grant portfolio.[58] The former executive director of the fund, Richard Feachem, has suggested that the fund must do more to "truly become the performance-based funding institution it aspires to be" and has joined others in calling for evaluation to be more focused on outputs or impact indicators rather than on inputs.[59]

In terms of impact, the Global Partnership for Education is harder to analyze than some other institutions, because much of its financing is channeled through national budgets. Therefore, the success of the countries that the partnership finances is often attributed to the partnership itself, but it remains difficult to disaggregate the relative contributions to that success. Nonetheless, there is evidence that partnership countries receive greater assistance for basic education and have expanded enrollment and improved primary completion rates more rapidly than nonpartner countries.

The Global Partnership for Education was not explicitly founded with the principle of performance-based financing. However, there was a clear ambition from the beginning to support only strong country plans as a way of building on countries' readiness for success. The most important dimension on which the fund is seeking to learn and borrow from other funds is to more closely link performance with financing. Reviews of the countries endorsed and funded by the partnership do not reveal a greater focus on managing for results in the education sector than elsewhere in a given country.[60] However, there is evidence that the initial countries selected to join were identified based on good performance rather than an assessment of need or other metrics, and few fragile and conflict-affected states have received support.[61] More recently the partnership has been working to develop a results framework to allow it to strengthen the link between flows of financing and performance measurements. Although more than three-quarters of the countries taking part in the partnership's 2011 monitoring exercise use results-oriented frameworks to monitor their national education plans, the partnership itself is still developing its approach to better link these results with financing.[62]

Significant progress has been demonstrated in the forty-three countries financed by the partnership. In these countries the average net enrollment rate increased from 66 percent to 81 percent between 2000 and 2008.[63] The pri-

58. *Lancet* editorial (2010).
59. Feachem (2011); Oomman, Rosenzweig, and Bernstein (2010, p. 41).
60. Bashir (2009).
61. Rose (2005).
62. EFA FTI (2010b).
63. Global Partnership for Education (2011).

mary completion rate in partner countries increased from 60 percent in 2002 to 72 percent in 2009. Partner countries in sub-Saharan Africa that are compared to nonpartner countries demonstrate significantly faster progress in expanding access to primary schooling. In terms of enrollment, partner country enrollment rose by 48 percent, compared to 28 percent for nonpartner countries. In terms of primary completion rates, the yearly percentage point gain was twice as large in partner countries as in nonpartner countries. These data, however, cannot be taken to trace a clear causal relationship between the partnership and improved education results. A strong element of self-selection (partner countries more committed to education are more likely to join the partnership) is also likely to be present.

Neither IFAD nor GAFSP explicitly links performance and funding. IFAD, unlike other vertical funds, has a country-allocation funding model, in which performance is one factor, and works through government processes. As DFID notes, IFAD "is a trusted partner of developing countries and the strong sense of ownership is demonstrated through contributions to projects. IFAD works through government processes, scoring highly against the Paris indicators."[64] GAFSP considers country needs and the strength of the country plan in determining its allocations, although it indicates it will consider performance in the future. In its approved monitoring and evaluation plan, GAFSP notes that "the allocation of budget resources for the following year, in normal circumstances, should be heavily influenced by the results and performance of the project during the current year, as recorded by the M&E system."[65]

GAFSP has committed to a transparent-results framework, with indicators to be updated every six months. It has outlined its quantitative objectives as reaching 7.5 million beneficiaries in twelve low-income countries, yielding aggregate annual income improvements of over $100 million, based on pledged commitments of $971 million.[66] IFAD also has a results and impact-monitoring system but does not attempt to develop aggregate quantitative goals attributed to its own operations. As a relatively small organization given the scale of the challenge of agriculture and rural development, IFAD explicitly recognizes the importance of catalyzing development processes to maximize the impact of its investments through developing innovative practices and scaling up projects.

A review of IFAD's results and impact shows that IFAD projects are rated highly for relevance and that increased focus on supporting market access and private sector development has increased their effectiveness.[67] IFAD projects' impacts on rural poverty are generally satisfactory, but results are weaker in

64. UK (2011b, p. 5).
65. GAFSP (2011a, p. 6).
66. GAFSP (2011b).
67. IFAD (2010a, pp. 18–21).

terms of the impact on natural resources and the environment. This is in part due to the limited attention paid by these projects to the risks and opportunities for natural resources and the environment; it is also partly due to the poor performance of natural resources and environment project components.[68] One key area of weakness identified in evaluations of IFAD's impact is project sustainability: 35 percent of projects evaluated between 2007 and 2009 were rated as moderately unsatisfactory or worse, with 43 percent rated moderately satisfactory and 22 percent satisfactory.[69] No projects were evaluated as highly satisfactory. The review finds that sustainability of results was linked to projects that exhibited the following characteristics: strong alignment with government priorities, policies, and programs; integration of project management units into existing institutional frameworks; strong community ownership and contributions; long-term support for grassroots organizations; and effective alignment of and links between project-created organizations and existing institutions.[70]

Assessment of Vertical Funds

Table 4-3 offers our summary assessment of the performance of vertical funds in health, education, and agriculture in each key performance dimension of resource mobilization, learning, and impact. The health funds stand out, with significant success in resource mobilization, in learning and innovations for effective impact, and in specifying and monitoring quantitative goals. In education, while there has been some contribution to new learning, the effect of the FTI on either resources or educational learning seems low. In agriculture there has been moderate success in mobilizing new resources through vertical funds, but specific global outcome targets are nebulous and poorly measured, so the impact to date on reducing global hunger and improving food security at a global level seems to be only modest. Some success has also been achieved in learning and innovations, especially in the involvement of local bodies in program design and implementation and in the spread of better seeds and farming practices.

In terms of resource mobilization, none of the funds outside of health examined here has mobilized more than $1 billion in a single year. While each of the agricultural funds has generated commitments in excess of $500 million for a single year, the Fast-Track Initiative never achieved even this level of donor commitment. However, the most recent replenishment of the more participatory Global Partnership for Education was roughly comparable to the most

68. IFAD (2010a, p. 22).
69. IFAD (2010a, p. 31).
70. IFAD (2010a, p. 32).

Table 4-3. *Assessing Vertical Funds' Performance*

	Health	*Education*	*Agriculture*
Resource mobilization	High	Low	Medium
Learning	High	Medium	Medium
Impact	High	Low	Low

Source: Authors' estimates.

recent IFAD replenishment, with each generating commitments of $1.5 billion over three years. Strong resource mobilization in health contrasts sharply with the modest success in agriculture and the limited success in education. Further evidence for the relative success of these funds can be found in the overall share of assistance in each sector that was channeled through vertical funds. In health this share has grown to more than 40 percent; in agriculture it has generally hovered around 20 percent, while in education it has only rarely broken past the 10 percent level.

In terms of learning, the health funds receive the highest rankings on multiple assessments, but both the agricultural and education funds also demonstrate some capacity. The most straightforward comparison is between the Global Fund and IFAD, because in two different assessments the Global Fund was found to perform much better. In the quality-of-aid index for transparency and learning, the fund scored 0.8, compared to –0.35 for IFAD.[71] In the DFID multilateral review, the Global Fund was found to be likely to change, while IFAD was ranked lower as uncertain to change. On this metric, the FTI ranked alongside the Global Fund as likely to change, which may reflect its capacity for institutional reform in recent years. While GAFSP has a more ambitious approach to learning, it is still too early to tell how it will work in practice, and it was not included in these evaluations. Therefore, on learning, our summary ranking across sectors is health, followed by education and agriculture.

In terms of impact, the strongest evidence of impressive outcomes is being generated in the health sector, with much weaker evidence of a transformative impact by vertical funds in the agricultural and education sectors. In the DFID multilateral review, only the Global Fund achieved the "very good" value for money ranking, while both IFAD and FTI received a "good" evaluation. Within this analysis, IFAD did outperform FTI and performed comparably with the Global Fund in terms of its contribution to results. However, if one looks at the overall sectoral impact there is not much evidence of results in agriculture,

71. Birdsall, Kharas, and Perakis (2011).

Table 4-4. *Structural Features of Vertical Funds*

Feature	*Health*	*Education*	*Agriculture*
Institutional home	Independent	World Bank	UN/World Bank
Participation	High	Medium	Low/medium
Performance based	High	Low	Medium/low

Source: Authors' estimates.

compared with steep declines in malaria and significant progress against other leading infectious diseases.

This summary assessment suggests that not all vertical funds are equal in terms of their contribution to development. The implication is that scaling up may not be a feature of the verticality of the funding channel but rather of other structural characteristics possessed by the more successful global funds. Global health, education, and agriculture funds have diverged in important ways in terms of their institutional homes and autonomy, their adoption of broadened participation, and their utilization of performance-based financing. Table 4-4 highlights the different structural features of vertical funds in health, education, and agriculture.

The three sectors vary significantly in terms of the primary institutional home and degree of autonomy among vertical funds. While the Global Fund to Fight AIDS, Tuberculosis and Malaria and other leading vertical funds for health are independent institutions, vertical funds in education and agriculture are closely linked to the World Bank or the United Nations. The Education for All Fast-Track Initiative was historically embedded within the World Bank, and despite movement toward greater autonomy for the relaunched Global Partnership for Education, the secretariat's staff formally remain World Bank employees. In the agricultural sector, IFAD is a specialized agency of the United Nations, while GAFSP is housed within the World Bank despite having its own governance structure. Thus, while vertical funds for global health have great autonomy, vertical funds in education and agriculture have historically been more closely tied to and more constrained by their institutional homes in larger multilateral institutions.

The three sectors also diverge significantly in terms of the level of participation by civil society and other nonstate actors in their respective governance structures at the global and national levels. While the Global Fund has strong participation by these actors in its country-coordinating mechanisms as well as its global structures of governance, there has been less robust participation in the education and agricultural sectors. Although reforms in education and the launch of GAFSP have shifted these sectors toward more inclusive governance at the global level, there are not yet strong enough institutions for meaningful country-level participation in shaping national strategies within either education or agriculture. IFAD, as the only UN agency, is an outlier among these funds, which allows for minimal participation by nonstate actors at the global, as well as the national, level. While independent institutions generate the highest level of participation, the World Bank–affiliated institutions are now a middle case, with the UN agencies offering the most limited formal participation for nonstate actors.

On the dimension of performance-based financing, the gap between health funds and education and agricultural funds remains significant. While the Global Fund and other health funds incorporated performance-based financing into their core business model, this approach was much slower to be integrated into funds within the other sectors. Interestingly, IFAD has moved further along in adopting reforms to emphasize performance in its decisionmaking over financial allocations, but it remains constrained by its country-allocation formula. Both the Global Partnership for Education and GAFSP are currently seeking to strengthen this dimension of their work, but neither has gone as far in implementing such an approach. Thus in terms of performance-based financing, independent institutions are the furthest along, and World Bank–linked institutions are the furthest behind.

It is quite striking that the more independent, more participatory, and more performance-based vertical funds are outperforming the less independent, less participatory, and less performance-based vertical funds on the dimensions of resource mobilization, learning, and impact. These variables seem to be closely linked such that the institutional home can be a key factor in shaping the degree of inclusive participation in the governance of a given fund. Less-independent institutions are less likely to involve nonstate actors in governance, and UN agencies are the least likely to do so. Participation, in turn, seems to play an important role in shaping resource mobilization within these funds and in contributing to effective implementation at the country level.

The success of the Global Fund in scaling up and sustaining resource levels, even in the face of recent challenges, reflects strong ownership and sustained advocacy by nonstate actors in donor countries. Similarly, the recent success of the GAFSP in securing even modest resources from the U.S. Congress in an extremely challenging period was enabled by a targeted effort by key civil society actors involved in its governance, who invested heavily in its success but did not similarly invest in IFAD's recent replenishment. While the education sector has been the least successful of the three in mobilizing resources, the recent reforms of the governance of the Global Partnership for Education (which broadened the involvement of nonstate actors) likely contributed to its somewhat more promising replenishment last year. Yet the institutional home may also have independent effects on resource mobilization, as donors can more easily separate the clear focus of a given vertical fund from the political controversies that sometimes hinder financing for the World Bank or United Nations and reduce concerns over the fungibility of resources within these much larger institutions.

The variation in learning among the sectors also reflects the degree of participation in governance to the extent that it contributes to more robust transparency within these vertical funds. Yet the institutional home and degree of autonomy is also likely a significant factor in shaping the level of transparency within these funds, with independent institutions the most transparent, and UN agencies often weaker than World Bank–linked institutions in terms of transparency. Performance-based financing also likely plays a role in learning, as it provides a built-in feedback loop on the consequences of past practices, which can generate innovation and foster the wider dissemination of key lessons learned.

Finally, in terms of impact, both agricultural and educational vertical funds have yet to demonstrate major impact in reshaping their respective sectors. Impact is ultimately shaped by the success of these funds in terms of resource mobilization and learning. The limited impact of a number of these funds reflects their failure to reach adequate scale through effective resource mobilization in contrast to global health. Yet the modestly greater success in resource mobilization within the agricultural sector compared to the education sector did not lead to substantially greater impact. Different levels of learning within these funds might help account for the limited impact of funds with greater resources. Modestly better learning within the education sector also did not translate into greater impact than in agriculture. It is likely that both resource mobilization and learning are necessary components of generating substantial impact. Only the heavily resourced and learning-driven health sector generated high impact. Thus it seems there is an interaction between resource mobilization and learning that contributes to impact.

Concluding Remarks

Across a number of sectors vertical funds are emerging as an extremely important element of international development assistance and demonstrating significant promise for effectiveness when it comes to resource mobilization, learning, and impact. Vertical funds now represent approximately one-seventh of all programmable aid, and in some important sectors these funds account for over half of all donor commitments. Most of these new-generation vertical funds emerged in response to specific global challenges in the twenty-first century in the wake of the launch of the Millennium Development Goals. Overall, vertical funds demonstrate significant results in terms of institutional efficiency and learning, despite ongoing concerns that they are often less responsive to the priorities of recipient governments. The most innovative of these funds have adopted mechanisms that seek to foster country-driven, rather than merely government-driven, strategies and performance-based financing, but these approaches are not well developed within many vertical funds. The design of vertical funds is a key dimension of their relative success in catalyzing effective global responses to challenges in areas such as health, education, and agriculture.

There is significant divergence in the apparent effectiveness of these vertical funds across sectors and institutions. Although much of the debate has been over whether vertical funds represent the best way of scaling up development impact, this may be the wrong issue. Verticality appears to be only one element of success, defined as scaling up development impact and improved outcomes on a global scale. The most successful sector to date has been global health, and it is in global health that vertical funds are the most participatory and the most advanced in linking performance with financing. Because of this performance, a few select institutions have also taken on a leadership role in their sector, which has allowed them to galvanize innovations in funding and intervention modalities.

One of the less successful sectors is education, where the institutional architecture has only recently become more participatory and where progress in linking performance with financing has been much slower. Nonetheless, there are some initial indications that a recent overhaul of the education architecture may be helping its resource mobilization, and its potential embrace of performance-based financing could improve its impact. Similarly, the mixed performance by vertical funds in agriculture may be improving with the launch of a more participatory institution in recent years and could improve still further with the adoption of performance-based financing. However, a striking contrast remains in that neither education nor agriculture yet has autonomous free-standing vertical funds. Instead, both sectors maintain funds that are housed in the World Bank and, in the case of IFAD, in the United Nations. These institutional homes allow for less autonomy, appear to limit the boundaries of participation by nonstate actors, and contribute to the slower adoption of performance-based financing.

It is clear that vertical funds are not a panacea for all global challenges. Some challenges lend themselves more easily to a framing that catalyzes global action, particularly donor financing. Global issues are more successful in terms of verticalization and scaling up when they can be framed in terms of focused, simple, and compelling outcomes (such as lives saved) and when expanded resources can make a visible transformational change when closely linked to outcomes. Broad participation in the governance structures of these vertical funds can leverage key nonstate actors in donor countries to become champions for the fund and solidify the credibility with beneficiaries of the interventions at the country level. Further research is needed to evaluate the impact of vertical funds across a wider range of sectors, and this would be helped if there were an independent audit model for presenting results. Nonetheless, the important contribution of these funds to the challenge of scaling up is reflected both in their innovative approaches and in the rising share of development assistance that is channeled through these funds. While not all vertical funds have succeeded in scaling up, they may have done better than traditional approaches to development on some dimensions. Where they have not, the obstacles are often the result not of the vertical approach but of the barriers to participation and innovation that remain when funds are not truly independent. More independent, more participatory, and more results-focused vertical funds pose a challenge to traditional approaches to development, and a wide range of institutions is now seeking to adopt the best practices of many of these vertical funds.

References

Bartsch, Sonja. 2007. "The Global Fund to Fight AIDS, Tuberculosis and Malaria." In *Global Health Governance and the Fight against HIV/AIDS,* edited by Wolfgang Hein, Sonja Bartsch, and Lars Kohlmorgen. Palgrave Macmillan.

Bashir, Sajitha. 2009. "Catalyzing Country Ownership and Aid Effectiveness: Role of the Education for All Fast Track Initiative." *Prospects: Quarterly Review of Comparative Education* 159: 39.2.

Birdsall, Nancy, Homi Kharas, and Rita Perakis. 2011. "Quality of Official Development Assistance Index." Center for Global Development and Brookings Institution (www.cgdev.org/section/topics/aid_effectiveness/quoda).

Buffardi, Anne, Robinson Cabello, and Patricia Garcia. 2011. "The Chronicles of CONAMUSA: Institutional Strategies to Overcome Shared Governance Challenges." Paper prepared for annual convention, International Studies Association. Montreal. March.

Buse, Kent. 2005. "Review of the Governance and Management Structures" (www.odi.org.uk/resources/docs/1993.pdf).

Cassidy, Rebecca, and Melissa Leach. 2010. "Mediated Health Citizenship: Living with HIV and Engaging with the Global Fund in Zambia." In *Globalising Citizens,* edited by John Gaventa and Rajesh Tandon. Zed Books.

CGIAR. 2004. *Financial Report 2004* (www.cgiar.org/pdf/cgiar_finreport_2004.pdf).

———. 2010. *Annual Report 2010* (www.cgiar.org/pdf/2010_CGIAR_Financial_Report.pdf)

CTF (Clean Technology Fund). 2009. *Financial Statement 2009* (www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF%20Financial%20Statements_December%2031%202009.pdf).

Dare, Lola. 2010. "Independent Evaluations of the Global Fund." *Lancet* 375: 1694.

Devarajan, Shantayanan, Andrew Sunil Rajkumar, and Vinaya Swaroop. 1999. "What Does Aid to Africa Finance?" Policy Research Working Paper 2092. World Bank Development Research Group (http://elibrary.worldbank.org/content/workingpaper/10.1596/1813-9450-2092).

DFID (Department for International Development). 2010. "Multilateral Aid Review."

Doctors without Borders. 2011. "MSF Response to Global Fund Board Meeting." Press release, November 22 (www.doctorswithoutborders.org/press/release.cfm?id=5630&cat=press-release).

EFA FTI (Education for All Fast Track Initiative). 2007. Global Partnership. *Catalytic Fund Pledges and Support* (www.globalpartnership.org/media/Misc./Annex%201.pdf)

———. 2009. "Mid-Term Evaluation of the EFA Fast Track Initiative" (www.educationfasttrack.org/newsroom/focus-on/mid-term-evaluation-of-the-efa-fast-track-initiative/).
———. 2010a. *Annual Report 2010* (www.globalpartnership.org/2010-annual-report).
———. 2010b. "Revisions to the FTI Governance Partnership Document" (www.globalpartnership.org/news/187/61/Revisions-to-the-EFA-FTI-Governance-of-the-Partnership-Document/).
Feachem, Richard. 2011. "The Global Fund: Getting the Reforms Right." *Lancet* 378: 1764.
Feyzioglu, Tarhan, Vinaya Swaroop, and Min Zhu. 1998. "A Panel Data Analysis of the Fungibility of Foreign Aid." *World Bank Economic Review* 46: 12.1.
Fredriksen, Birger. 2008. "The Evolving Allocative Efficiency of Education Aid: A Reflection on Changes in Aid Priorities to Enhance Aid Effectiveness" (http://siteresources.worldbank.org/EDUCATION/Resources/278200-1099079877269/547664-1099079993288/Allocative_Efficiency_Edu_Aid.pdf).
GAFSP (Global Agriculture and Food Security Program). 2011a. *Annual Report 2011* (www.gafspfund.org/gafsp/content/global-agriculture-and-food-security-program).
———. 2011b. "Global Agriculture and Food Security Program: A Transformational Approach to Development Assistance" (www.aideffectiveness.org/busanhlf4/images/stories/hlf4/eposters/ePoster60_en.pdf).
GAVI Alliance. 2001–06. "GAVI Commitments and Disbursements" (www.gavialliance.org/country/all-countries-commitments-and-disbursements).
GEF (Global Environment Facility). 2000. "Project Performance Report 2000" (www.thegef.org/gef/sites/thegef.org/files/documents/C.17.08.pdf).
Global Campaign for Education. 2011. "Regional and National Civil Society Education Fund 4th Progress Report" (www.campaignforeducation.org/docs/csef/reports/csef%204th%20progress%20narrative%20report-Nov%202011_final.pdf).
Global Fund. 2005. "Revised Guidelines on the Purpose, Structure, and Composition of Country Coordinating Mechanism Guidelines and Requirements for Grant Eligibility" (http://aidspan.org/documents/globalfund/5_pp_guidelines_ccm_4-en.pdf).
———. 2008. "Lessons from the Field: A Report on the Country Coordinating Mechanism Model."
———. 2011. "Report of the Comprehensive Reform Working Group." Twenty-third Global Fund board meeting (www.theglobalfund.org/documents/board/23/BM23_13ComprehensiveReformWorkingGroup_Report_en/).
Global Partnership for Education. 2011. "The Case For Investment, 2011–2014."
Gupta, Sanjeev. 2010. "Correspondence." *Lancet* 376: 593.
IFAD (International Fund for Agricultural Development). 1976. *Agreement Establishing the International Fund for Agricultural Development* (www.ifad.org/pub/basic/agree/e/!01agree.pdf).
———. 2010a. *Annual Report on Results and Impact of IFAD Operations Evaluated in 2009.*
———. 2010b. "IFAD and Farmers' Organizations: Partnership in Progress 2008–09 (www.ifad.org/farmer/2010/doc/prgrep_e.pdf).
———. 2010c. "IFAD's Capacity to Promote Innovation and Scaling Up" (www.ifad.org/evaluation/public_html/eksyst/doc/corporate/innovation2.pdf).
———. 2011. "Chairperson's Summary: Consultation on the Ninth Replenishment of IFAD's Resources." Fourth Session, Rome (www.ifad.org/gbdocs/repl/9/iv/e/REPL-IX-4-INF-3.pdf).
Institute for Health Metrics and Evaluation. 2011. "Financing Global Health 2011: Continued Growth as MDG Deadline Approaches" (www.healthmetricsandevaluation.org/sites/default/files/policy_report/2011/FGH_2011_full_report_high_resolution_IHME.pdf).

Isenman, Paul. 2007. "The Learning Group of Global Programs: Actions for Aid Effectiveness" (http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1210008992554/4968817-1218029841627/Learning-Group-Final.pdf).

Isenman, Paul, and Alexander Shakow. 2010. "Donor Schizophrenia and Aid Effectiveness: The Role of Global Funds" (www.ids.ac.uk/files/dmfile/Pp5.pdf).

Jack, Andrew. 2011. "A Stretched Safety Net." *Financial Times,* November 25.

Kananaskis Summit. 2002. *A New Focus on Education for All* (www.g8.utoronto.ca/summit/2002kananaskis/education.html).

Katz, Itamar, and others. 2010. "Factors Influencing Performance of Global-Fund Supported Tuberculosis Grants." *International Journal of Tuberculosis and Lung Disease* 1100.

———. 2011. "Scaling Up toward International Targets for AIDS, TB, and Malaria: Contribution of Global Fund Supported Programs." *PLOS One* e17166.

Kaul, Inge. 2006. "Exploring the Policy Space between Markets and States: Global Public-Private Partnerships." *New Public Finance: Responding to Global Challenges* 219.

Lancet editorial. 2010. "The Global Fund: Replenishment and Redefinition in 2010." *Lancet* 375: 865.

———. 2011. "Five Reasons to Fund the Global Fund." *Lancet* 387: 1198.

Lim, Stephen, and others. 2011. "Net Benefits: A Multicountry Analysis of Observational Data Examining Associations between Insecticide-Treated Mosquito Nets and Health Outcomes." *PLOS One* e1001091.

Lu, Chunling, and others. 2010. "Public Financing of Health in Developing Countries: A Cross-National Systematic Analysis." *Lancet* 375: 1375.

OECD. 2012a. *Country Programmable Aid* (http://stats.oecd.org/).

———. 2012b. *Total Commitments.* (http://stats.oecd.org/).

Oomman, Nandini, Steven Rosenzweig, and Michael Bernstein. 2010. "Are Funding Decisions Based on Performance?" Center for Global Development (www.cgdev.org/files/1424030_file_CGDPerformance_based_funding_FINAL.pdf).

Ooms, Gorik, and others. 2010. "Crowding Out: Are Relations between International Health Aid and Government Funding Too Complex to Be Captured in Averages Only?" *Lancet* 375: 1403.

PEPFAR. 2012. "Funding Fact Sheet 2004–2012" (www.pepfar.gov/press/80064.htm).

Radelet, Steven. 2007. "Global Fund Grant Programmes: An Analysis of Evaluation Scores." *Lancet* 369.

Rivers, Bernard. 2011. "The Most Important and Difficult Board Meeting Ever." AllAfrica.Com. November 21.

Rose, Pauline. 2005. "Is There a Fast Track to Achieving Education for All?" *International Journal of Educational Development* 385: 25.4.

Sabot, Oliver. 2012. "One More Reason to Fund the Global Fund." *Lancet* 379: e25.

SCF (Strategic Climate Fund). 2009. *Financial Statement 2009.* (www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/SCF%20Financial%20Statement%20_December%2031%202009%20.pdf).

UK. 2011a. Department for International Development. "Multilateral Aid Review: Assessment for International Fund for Agricultural Development" (www.dfid.gov.uk/Documents/publications1/mar/IFAD.pdf).

———. 2011b. Department for International Development. "Multilateral Aid Review: Taking Forward the Findings of the UK Multilateral Aid Review" (www.dfid.gov.uk/Documents/publications1/mar/Taking-forward.pdf).

Van de Sijpe, Nicolas. 2010. "Is Foreign Aid Fungible? Evidence from the Education and Health Sectors" (2www.feb.ugent.be/nl/Ondz/wp/Papers/wp_10_688.pdf).

World Bank. 2004a. "Addressing the Challenges of Globalization: An Independent Evaluation of the World Bank's Approach to Global Programs" (http://lnweb90.worldbank.org/oed/oeddoclib.nsf/DocUNIDViewForJavaSearch/762997A38851FA0685256F8200777E15/$file/gppp_main_report_phase_2.pdf).

———. 2004b. "Education for All Fast-Track Initiative: Framework Paper" (www.educationfasttrack.org/media/library/FrameworkNOV04.pdf).