The Changing Aid Architecture: Can Global Initiatives Eradicate Poverty?

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Recently almost all the major official donors of aid have promised to double their aid levels. And new champions of the global poor, notably Gates, Bono, Buffett, and Clinton, have helped to dramatically raise aid funding from unconventional sources. But what the new resources achieve will depend greatly on how they are channeled. A larger share of official development assistance now goes through partnership based global programs. Recent evaluations of global programs raise doubts about the wisdom of some popular approaches and suggest directions for reform of the aid architecture. The sweeping organizational, managerial, and administrative reforms of the United Nations proposed by the UN Secretary-General also make an assessment of the rapidly changing global aid architecture timely to achieve the Millennium Development Goals.

The global aid architecture has changed dramatically in the last decade. Nearly a third of official development assistance now flows through partnership-based global and regional programs whose goals are set at the global level, rather than through the country-focused programs of assistance that have been the mainstay of traditional aid donors. In a rapidly globalizing world, global programs have a unique and necessary contribution to make—one that cannot be achieved by country-centered assistance alone. But in practice, they have led to unnecessary duplication and overlap with each other and with country assistance programs, along with gaps, confusion, and waste, raising anew the perennial aid effectiveness issues of priorities, ownership, consistency of goals, and accountability for results. Important questions include whether the benefits of global programs outweigh the extra administrative burdens they impose on partners and intended beneficiaries; what it will take to design and manage them better; and how they can be integrated into the mainstream structures of aid governance so that they complement rather than compete with country focused assistance programs and enhance the impacts of overall aid on a sustainable basis.

Key features of global aid programs

Partnership-based global programs have been proliferating rapidly, fueled by both old and new sources of money. These programs defy easy generalizations, because they differ widely in goals, size, age, governance structures, and modalities. But they reflect a broadly shared view that today’s global challenges are too wide ranging and complex for single actors to address alone, and primarily through traditional country focused assistance programs. Typically, bilateral and multilateral donors, private foundations, and

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civil society organizations form partnerships to pursue shared goals, construct new formal or informal organizations, and mobilize resources to supply products or services to achieve the goals. Prominent examples in the health field include the Global Fund to Fight AIDS, TB, and Malaria (popularly referred to as GFATM or the Global Fund), with commitments of $4.4 billion in 128 countries; the Global Alliance for Vaccines and Immunization (GAVI), with $1.5 billion in commitments in 72 countries; the Global Malaria Prevention and Control Program; and the Stop Tuberculosis Partnership. In agriculture, the Consultative Group on International Agricultural Research (CGIAR) has member contributions of $500 million and research in 100 countries, and was the first global partnership established by donors to scale up the work of the international research centers started by the Rockefeller and the Ford Foundations. Environmental partnerships set up in the 1990s include the $3 billion Global Environment Facility (GEF), with 176 members and contributions from 32 countries; the Multilateral Fund for the Implementation of the Montreal Protocol (MLF), designed to abate the production and consumption of ozone-depleting substances; and the Prototype Carbon Fund, which has mobilized private financing to pilot an international market for carbon emission reductions. Many of the newer global partnerships seek improvements in wide ranging areas including trade, infrastructure, social protection, biodiversity conservation, and the promotion of social science research and information and knowledge sharing. Funding sources and financing arrangements for the global programs differ widely. Some older global programs such as the CGIAR rely on annual pledges from governments, while others such as the Global Environment Facility and MLF rely on periodic replenishments. The Gates initiatives rely on the Vaccine Fund, a philanthropic financing mechanism established by the Gates Foundation. President Clinton’s Global Development Initiative raises funds from private donors. The Prototype Carbon Fund is raising funds from private companies interested in international trading in carbon sequestration. Similar public private partnerships are proliferating as new wealth is matched by increased interest in global causes.

**Reasons for growth in global programs**

Global programs stemmed at first from recognition of the need to promote global public goods, which are crucial to reduce global poverty. The poverty reduction objective is now well enshrined in the Millennium Development Goals (MDGs). Three of the eight MDGs relate to health and another three to food security, education, the environment, and empowerment. Sub-Saharan Africa region is furthest from the goals and the most in need of help to achieve them, but other regions with large concentrations of poverty, such as South Asia and parts of Southeast Asia, also need help. Global public goods include peace and security, fair international trade rules, control of communicable diseases, financial stability, prevention of climate change, and information and knowledge. Since the world lacks a system of global governance with the authority to tax and mobilize resources to provide global public goods, global
collective action is needed to produce them. To deliver global public goods, it was argued, global programs could establish global rules and produce commodities, deliver services, and generate knowledge which could have substantial benefits across many regions of the world—and besides by mobilizing additional resources and undertaking complementary activities they could enhance countries’ own development efforts and donors’ country focused assistance programs.

Other reasons for the proliferation of global programs include a growing awareness of “global public bads.” (The press daily provides examples, ranging from HIV/AIDS, SARS, and avian flu to climate change and conflict.) There is optimism, too, that specialized global programs can harness the benefits of globalization and solve poverty problems faster by using new information technology. Meanwhile, civil society organizations have been pressing aid donors to get third world countries to adhere to standards of labor and environmental management, social protection, and human rights that the first world took a century or more to achieve. And constituencies on the right have stressed the benefits of applying entrepreneurial skills, private capital, modern management principles, and individual incentives to problems that remain outside the purview of traditional government-to-government aid. Also, a plethora of private philanthropic foundations have emerged to take tax advantage of the new wealth generated in a wide range of industries, ranging from information technology to entertainment.

Equally influential has been a disappointment with traditional aid organizations, few of whose country focused assistance programs have inspired aid-weary constituencies in rich countries or galvanized third world political leaders. Growing public endorsement of Bono, Gates, and Clinton as champions of the third world poor testifies to their effectiveness in communicating needs and mobilizing funds, expertise, and energies in support of global partnerships from unconventional sources. (Bono has been spectacularly successful in expanding US congressional and executive support for HIV/AIDS programs, while Presidents Clinton and Senior President Bush mobilized aid for tsunami victims from previously untapped public and private sources as well as civil society organizations.) Aid agencies too have actively sought partnerships through which to achieve more comprehensive solutions and to deflect criticism. The World Bank, for example, supports more than 200 global programs and partnerships in ways that range from providing administrative support and secretariat facilities to providing funding out of its income and administrative budget. UN agencies also engage in a large number of partnerships.

**When is a global partnership program the right choice?**

Over the past five years the aid community has sought to allocate official development assistance to poor countries on the basis of poverty reduction strategies prepared by a broad based coalition of stakeholders within each aid recipient country. Though the execution of the poverty reduction strategy process still leaves much to be desired, the
principle of putting recipient countries in the driver’s seat is a good one: it serves to ensure that decisions on how and where aid is to be deployed are based on recipient countries’ priorities and policies, and it means they can be held accountable for results.

At their best, global partnership programs complement the country-focused aid provided by traditional donors and civil society organizations and yield important benefits that enhance the returns to countries’ own investments. Global partnership-based programs are the right choice when:

1. they generate global public goods—products, services, or policy regimes—at the global level, that is, their benefits, not just their activities, spill across national boundaries;
2. they provide benefits that the members engaged in global partnerships could not deliver if they acted alone; and
3. they provide additional financial and political resources whose benefits outweigh the increased management and financial burdens they place on the partners and developing countries they are intended to benefit.

A recent independent evaluation applied these criteria to the global partnership programs supported by the World Bank (OED 2004). The results of the OED evaluation are increasingly confirmed by new external independent evaluations of other programs such as the one recently undertaken of the Global Fund to fight AIDS, TB and Malaria in connection with its replenishment. These results collectively suggest that:

1. Only a few global programs provide true global public goods. These include global research in agriculture and health. Research on the problems of the poor in general is vastly under funded. It is ideally suited to global initiatives because it calls for specialized expertise, entails economies of scale and scope, requires lumpy investments, involves gestation lags in achieving results, and carries risks of failure. Like the Consultative Group on the International Agricultural Research, the various initiatives funded by the Bill and Melinda Gates Foundation on malaria, HIV/AIDS, or children’s vaccines of potential benefit to the poor are helping to develop global scientific networks across countries while bridging a huge financing gap for research on problems of the poor. They are also providing the national building blocks of a global health system for communicable diseases.

Another good example of large payoffs to global partnerships is the breakthrough global agreement on anti-retroviral drug supply, pricing, and trade forged by the Clinton Foundation, the World Bank, UNICEF, and the Global Fund based on World Health Organization guidelines in 2003. The agreement has helped to address the big gaps in global public policy governing trade and intellectual property rights that had blocked the access of the poor to affordable AIDS-related drugs. It legitimizes production of and international trade in affordable generic drugs among developing countries, enabling vastly expanded treatment of HIV-positive patients in many poor countries.
Many global programs largely provide national or local, rather than global, goods or services. Examples include the Global Water Partnership, the Consultative Group to Assist the Poor, and Understanding Child Labor. These programs are engaged in advocacy or technical assistance to promote formal or informal international standards and norms at the country level. They seek to build capacity; achieve national policy and institutional reforms; improve donor coordination; implement conventions, rules, and standards; and generally mobilize more resources to solve country or local level issues, however without much funding of their own. These goals could just as easily be pursued through national programs. Almost all global programs directed at advocacy of one sort or another claim to generate and disseminate global information and knowledge, but few can show much evidence of their results or impacts in developing countries.

Far too often, global programs compete with or turn to country assistance programs for resources and attention. The result of the rapid increase in global partnerships has been a dramatic increase in competition for the limited funding traditionally channeled through country focused assistance. Staffs of multilateral agencies now devote a good deal of time, talent, and energy to developing agreements with donor partners and obtaining funds for global programs. Supporters of global programs argue that the funds that bilateral donors channel through global programs would probably not go to country assistance, were it not for global programs, and hence can be seen as additional. Yet only the health sector has seen a net increase in overall aid levels over the last decade.

Neither the donor countries nor the multilateral aid agencies engaged in the partnerships have taken sufficient account of the real costs of establishing global partnerships and making them effective at the country level, either to themselves or to developing countries. They do not provide enough staff or budgetary resources to keep their side of the implicit bargain to make global partnerships succeed at the country level. One consequence has been weak linkages between the global program objectives and the country assistance programs of the partnering aid agencies.

The finance the global programs mobilize often does not outweigh the added cost of resource mobilization and program organization. Only a few global programs are funded at a substantial level. They include the Gates-funded initiatives against communicable diseases, the Global Environment Facility, a few of the emergency relief programs, including for the tsunami, and the Global Fund to Fight AIDS, TB, and Malaria. Even these programs do not have any where near the resources needed to attain their declared goals. Moreover, as noted in the evaluation of the Global Fund, a phenomenon of “Robin Hood in Reverse” is at work. Though global public goods by definition benefit both rich and poor countries, most of the new global partnership programs depend on traditional sources of official development assistance meant for poor countries, as is now being seen in the efforts to prevent Avian Flu. In the case of the Global Fund against AIDS, TB, and Malaria, for example, the only non-ODA funding raised to date has come from the Gates Foundation.
Many of the global programs have failed to raise much money, and have certainly risen much less than they need or hoped. For example, the Education for All global initiative is popular among donors as a way to focus aid on an important problem, but it has mobilized only a fraction of the resources originally envisaged, despite many donor meetings. Besides, the relationship of this global initiative to countries’ own educational strategies or capacities is unclear. The same is true of the Integrated Program on Trade-related Technical Assistance, which focuses on least developed countries: after more than 40 meetings of participating agencies and developing countries, the program has nowhere near enough funding to meet the demand it has stimulated for technical assistance in the least developed countries. Experience in the Financial Sector Assessment Program has been similar: developing countries have welcomed this partnership between the IMF and the World Bank as a source of expertise for strengthening their internal financial management, but once again their demand for technical assistance far outstrips the supply of funds.

Global programs also impose costs of their own on developing countries. Their impacts depend critically on the complementary resources developing countries can provide: all programs need an important measure of national and local funds, staff, and institutional capacity to be effective. In practice, even programs such as the Global Environmental Facility and the Global Fund, which are designed to provide genuine global public goods, often compete with vital ongoing national and local programs for scarce aid resources as well as for national and local budgetary resources, staff, and institutional capacity.

Global initiatives that disregard the experience and activities of the partnering aid organizations increase the transaction costs of doing business for developing countries and donor agencies alike. Different global programs use different approaches and have different reporting requirements. This puts huge demands on the limited capacities of developing countries in addition to those already imposed on them by the diverse aid procedures of country focused assistance. The Global Fund, for example, chose to work with countries directly, using its own procedures to rapidly increase its grant commitments in situations of very limited absorptive capacity in beneficiary countries; in the process it not only increased the burden on the grant receiving countries, but became an unfunded implied mandate for WHO, UNAIDS, the World Bank, and other in-country aid organizations to shore up the capacities of countries to access and utilize Global Fund resources effectively. While stressing the need for additional resources to control HIV/AIDS, TB and malaria, the external evaluation of the Global Fund concluded that its current business model is unsustainable (Bezanson 2005).

**Development effectiveness of global programs**

Not surprisingly, then, global partnerships have not resolved some of the perennial questions about aid effectiveness:

- **Ownership.** Issues of ownership, ever-present in country assistance programs, have become more acute as a result of the proliferation of global programs. To
ensure accountability the rules and procedures of global programs tend to reflect the preferences of donors and staff of international agencies to a greater extent than do rules of country-focused assistance programs. These have been simplified considerably in recent years in light of experience on the ground,

• **Alignment with country strategies.** The need to integrate the activities of global programs and country development agendas is now quite broadly recognized. Yet few global programs have their goals reflected in the poverty reduction strategy papers that provide the framework for country-based assistance to poor countries.

• **Subsidiarity.** Issues of subsidiarity (the principle whereby matters are handled by the lowest-level competent authority) and aid coordination arise, because global programs are often not the best vehicle to organize and finance country assistance. In several cases regional programs would be more appropriate.

• **Accountability.** Accountability issues are more acute in global programs than in country assistance programs because of collective action problems. Multiplicity of inexperienced partners result in inappropriate design and implementation of program rules, and unclear responsibilities for performance, which in turn often stem from vague objectives and weak governance and management.

• **Governance of programs.** Effective governance has been a challenge in global programs because they have independent governance structures of variable quality and accountability. Once again, useful lessons from the establishment and implementation of previous such partnerships have often been ignored.

**Better balance needed**

Finding a good balance between global program objectives and poor countries’ own development agendas is not easy, but it is a critical issue for aid today. Much of the CGIAR’s record exemplifies this balance. Research by the CGIAR centers focused on new crop varieties and new global and regional agricultural technologies. These—combined with complementary country-level investments in national agricultural research and development by the Rockefeller Foundation, USAID, and the World Bank—helped to generate the Green Revolution in Asia and parts of Latin America. The CGIAR has been less successful in Africa partly because of the lack of complementary national-level investments in agricultural research and delivery systems. The program has also developed fault lines of its own, after more than three decades of existence.

In health, too, the tension between vertical and horizontal approaches to delivery of services is noticeable. Specialized agencies such as the World Health Organization and UNICEF have a long and successful tradition of globally driven vertical campaigns against communicable diseases such as smallpox and polio, based on proven technologies. (Vertical campaigns are directed, supervised, and executed by specialized agencies with dedicated resources and workers, and tend to be very similar across different countries, while a horizontal approach integrates different aspects of a sector’s
development, tailoring its activities to the conditions in the specific country.) Stop TB, another vertical program, has been highly effective in India and China, and increasingly in a number of other countries, because the treatment for TB is largely medical and is particularly suited to a vertical approach. Working with a network of global scientists, WHO has developed a sound technical approach that is relatively easy to implement and replicate; built up political commitment in TB-afflicted countries; and helped to mobilize country-level assistance from other donor partners to expand and strengthen the diagnostic and delivery systems for treating TB. Donors have recently also raised funds in support of the Roll Back Malaria initiative, though malaria eradication has fewer characteristics suited to a vertical program than does TB.

On the downside, many vertical programs lack evidence of their cost effectiveness. And the growth in their numbers has heightened the competition among vertical programs for limited resources, worsened the fragmentation of multipurpose health services, and distorted resource allocation and incentives both in aid agencies and developing countries. The World Bank, for example, has rapidly increased its assistance for communicable disease programs, particularly against HIV/AIDS and most recently for malaria, in response to the growing need and strong advocacy. But the Bank’s and other donors’ aid for overall health delivery services in countries has grown very little, leaving critical needs unmet.

A consensus is emerging that to achieve sustainable improvements in health in poor countries will require a better balance between vertical and horizontal approaches. In much of Africa, the health sector infrastructure is on the verge of collapse, making vertical programs hard to sustain. When these programs are interrupted or abandoned, the results include not only the immediate human costs and waste of resources, but the lasting legacy of new drug-resistant strains of disease, followed by skepticism about aid effectiveness more generally.

In the area of the environment too, the situation is similar. Myriad global programs are in progress for forestry and to preserve biodiversity, water, energy, land, and air quality, but too little support is available for the institutional development and day-to-day operations of the national and local agencies responsible for overall environmental management. Without country level investments in system improvements, the approaches demonstrated by the global programs can be neither scaled up nor sustained.

**Adjusting aid: integrating global with country priorities**

Vested interests have emerged both in donor agencies and beneficiary countries, around the many specialized global partnership programs. But unless these programs can be successfully integrated into the regular structures of governance in developing countries and in donor agencies, many will have little lasting impact on living standards. Donor agencies have agreed on the need to harmonize their priorities, strategies, and aid-giving procedures among themselves and to align them with recipient countries’ declared priorities, strategies, and procedures (see, for example High-level Forum, 2003)
and 2005). In practice, achieving this integration has been a challenge. Harmonization is easier in large countries with considerable capacity and less aid dependence than it is in small aid dependent countries with numerous donors. Brazil turned down US assistance for HIV/AIDS as not consistent with its own successful HIV/AIDS strategy, which focuses on high-risk populations. China prefers not to accept World Bank loans for health unless these are combined with donor grants to soften the terms of borrowing. Small poor countries have no such leverage.

Donors also acknowledge the need to avoid duplication and inconsistency in their support for parallel initiatives. But reality falls far short of the rhetoric. For example, all donors who support HIV/AIDS programs have in principle adopted the highly necessary “Three Ones” principle advocated by UNAIDS: “one action program, one national authority, and one monitoring and evaluation system.” But GFATM’s program for HIV/AIDS calls for a quite different institutional arrangement—the Country Coordinating Mechanism—than used in World Bank supported programs. And GFATM, the World Bank, and the US President’s Emergency Program for AIDS Relief each use different procurement and disbursement procedures and support different drug regimes.

Within partnering aid agencies, the commitments made to global partnerships are poorly matched with the priorities of country operations programs. While developing countries have increasingly turned to the World Health Organization (along with UNAIDS and UNICEF) to help develop proposals for GFATM funding, WHO’s regular budget has not expanded. WHO has had to call on donors for temporary extra funds to address what is after all a long-term need for technical assistance and capacity enhancement in developing countries. The International Labor Organization, as a co-sponsor of UNAIDS, has similarly expanded its activity at the country level to disseminate disease-specific standards, norms, and information in the workplace, but its resources to achieve this objective have not kept pace.

Bilateral aid agencies also face new challenges of aid coordination within their own countries, since almost every ministry or department ranging from labor and environment to health is involved in global partnerships, and many of the new players lack the experience needed to work efficiently and effectively in developing countries.

The proliferation of uncoordinated global programs has also distorted the intersectoral allocation of aid. Due to their popularity with constituencies in aid giving countries, social sectors have received a great deal of aid, while crucial gaps remain in aid for the development of directly productive sectors. Agriculture and rural development, for example, play a fundamental role in the food security and broadly based economic growth of less developed countries. The sector needs urgent investments to raise rural labor productivity and to meet food needs in Africa where HIV/AIDS has ravaged the rural labor force. Yet donors drastically reduced their country assistance for agriculture more than a decade ago. In Africa between 1990 and 2001, the share of agriculture in total aid fell from 19 percent to 10 percent—while food aid and emergency assistance almost doubled. The countries that suffer most from such imbalance in
resource allocation are small, low-income countries, most of them in Sub-Saharan Africa. They can least afford the neglect of key sectors.

**Necessary reforms**

The legacy of the global programs and the effectiveness of aid more generally, will depend on decisions taken—or postponed—today. The incentives that drive both global and country-based assistance programs need to be better understood, more widely debated, and managed not simply by donors but by recipients of aid. But in the absence of global governance, the basic questions are: Who will set priorities and at what level? And how will programs be organized and funds channeled?

To make the best use of the promised increases in development assistance calls for a global strategy, along with a road map on how to get from the current unplanned growth of numerous global initiatives and organizations to a focused effort to achieve the Millennium Development Goals.

This calls for building consensus on an overarching global strategy and a long-term stable and predictable financing plan. The global strategy would need to be mindful of the intersectoral linkages but to be founded on sector-specific strategies in support of achieving specific MDGs. The sector strategies in turn would need to be flexible enough to accommodate bottom-up country-specific strategies, in a situation of great diversity in developing countries. Where small poor countries such as those in Africa lack the critical minimum mass of institutional and human capital, their country strategies would need to be aggregated into regional strategies.

The global strategy would need to embrace three principles:

- The need to enable beneficiary countries to take charge, with their donor partners playing a supportive role in the formation of country strategies reflecting country priorities, as determined by a coalition of the government, civil society, and the private sector, much like what is occurring in Tanzania and Mozambique.

- The need for the global partners to concentrate on a limited set of true global public goods—products, services, or policy regimes—that would promote broadly based economic growth and poverty reduction in developing countries: health, agricultural and environmental research and technologies, and changes in the policies of rich countries in agricultural trade, the environment, and technology that would dramatically improve incentives in developing countries.

- The need to establish a long-term stable and predictable financing plan that would exploit the strengths of both traditional aid agencies and the new actors.

To be workable, the strategy will need to involve the major shareholders of the international financial institutions. Though the international financial institutions are perceived to be efficient, they face problems of legitimacy and trust because they are dominated by G-7 countries. Some of the major specialized UN organizations such as
WHO and the Food and Agriculture Organization and programs such as the UN Development Program are crucial to the realization of the Millennium Development Goals. They enjoy legitimacy but their effectiveness is often questioned. The global agreement must also include the new champions of poverty eradication, such as Bill Gates, who bring substantial finance and convening power to the table, as well as the civil society that has successfully placed global poverty on the G-8 agenda.

Because global challenges increasingly cut across sectoral, national, and donor agency boundaries they require an integrated view. No collectivity merely of bilateral donors or international financial institutions or indeed even the new partnership programs that include them can provide such an integrated view. Some influential voices have suggested that the so-called G-20 countries could serve such a leadership role (see for example Linn and Bradford 2006). These countries are geographically and culturally diverse; represent two thirds of the global population, and 90 percent of the global economy. The leadership of this group transcends donor and recipient interests. Up to now, the G-20 has had a strong focus on finance—which is vital to any reform of the aid architecture. Long-term programming of aid will need to be accompanied by fundamental reforms in the aid processes leading to greater selectivity, increased independent oversight, better governance, and independent evaluations. Evaluations should assess the impacts of global programs as well as of the myriad partnering aid organizations with a view to consolidation and streamlining.

Once the overall aid architecture is more attuned to the vast global changes and country realities and backed by increased predictable long-term funding, reform of the current fragmented, top-down approach to global programs will follow. Together they will assure greater complementarity of global programs with country-based programs, with increased joint effectiveness in the eradication of global poverty.

References