

International Financing Mechanisms to Support Health Systems Strengthening

Multi Donor Trust Funds (MDTFs)

What are they?

In situations where donors are unwilling to channel resources directly through government systems a number of alternative parallel arrangements are possible. These may range from stand alone projects supporting civil society to pooled approaches which, as far as possible, align with and help strengthen government systems whilst at the same time meeting donors' fiduciary concerns. The latter may take a number of forms: They could be supported through the World Bank at the country level or for a number of countries, or a UN Trust Fund (the latter tends to be more prevalent in fragile state or conflict settings). Equally, donor support could also be pooled using arrangements agreed at the country level (for example the Swiss Government managed pooled support for some time in the Mozambique). A World Bank Trust Fund is one of a number of options available – but one that is in demand and offers some key advantages.

The World Bank is currently managing a total of \$21.4bn in trust funds – this represents an increasing share of World Bank allocations to IDA eligible countries. Trust Funds have rigorous fiduciary oversight and reporting to meet donor demands and can be operated at global, regional and country levels.

The World Bank also manages the Health Result Innovation Trust Fund (HRITF)—a MDTF. This was established in November 2007 with financial a \$105 million grant from the Norwegian Government. It focuses specifically on strengthening health systems by working with governments to establish incentive systems which reward and encourage good performance in 8-10 pilot countries. Technical support is being provided and implementation will be closely monitored. Evaluation of the impact of these pilot results-based financing schemes is a critical element of this MDTF. Pilot countries include Afghanistan, Eritrea, Zambia and Rwanda and a second round will be initiated in the next few months.

What is a Trust Fund?

A trust fund is a fund established to support development-related activities or programs, with administration by the World Bank and contributions from one or more donors. Through the use of trust funds, the Bank can mobilize and direct concessional resources to key strategic development priorities at country level, and as a vehicle for supporting partnerships with other development actors on global or regional challenges". (World Bank 2006 Trust Fund Report).

What do they add?

- **MDTFs can be a platform for pooling and channeling resources:** MDTFs provide a *platform* for attracting resources from a range of donors. In principle, they could receive funds from any source (including IFFIm). This pooling of donor funds can help reduce the volatility in disbursements and also the transactions costs a government might face were the same funds to be disbursed separately by the individual donors. The rigorous fiduciary oversight provided by MDTFs can be particularly attractive to more risk averse donors who might otherwise adopt separate parallel arrangements and increase transactions costs
- **They can leverage additional resources for health:** A Trust Fund can be designed to leverage additional resources for health. Access to the HRITF, for example, depends on the presence of an ongoing IDA health credit. The Rwandan government used part of its IDA allocation for health so it could benefit from the HRITF

- **They are flexible and can be tailored to meet specific needs** World Bank Trust Funds can be structured in variety of ways depending on objectives and donor needs. Approaches include:
 - **Programmatic Trust fund** – Bank has responsibility for activities supported by the trust fund
 - **Fiduciary Trust fund** – the Bank is only responsible for managing the resources with funds disbursed as requested without any programmatic input from the Bank (Global Fund and GAVI Trust Funds)
 - **Buy-down Trust Funds** – funds used to reduce the cost of IDA credits to grant levels for polio eradication if country achieves agreed performance targets
 - **Co-financing** – funds provided in parallel with IDA or IBRD resources to support an agreed national project or plan
- **They can adopt a range of results based approaches:** Unlike results based aid which focuses on the performance of governments at national level the Health Results Innovation Trust Fund supports governments in designing results based financing mechanisms at the sub national level which suit the local context and meet country needs. Mechanisms include both supply side approaches such as contracting, fee for service, output based aid but also demand side measures such as conditional cash payments and transfers and vouchers). Polio buy downs are another form of results based aid.
- **They can reinforce the key links between health and finance ministries.** Given its comparative advantage in macroeconomics and public finance the World Bank has traditionally had strong links with Finance Ministries. The RBF initiative can build on this to help leverage increases in allocations of domestic resources from Finance Ministries who want to support the social sectors more but are reluctant to do so unless they know what they are buying. It can also help develop their important role of challenging individual line Ministries to justify their proposals and, in doing so, strengthen domestic accountability.

Issues and Options

Demands from donors to establish new trust funds continue to increase. The Bank is currently considering how it should respond to this. In terms of their application further work is required to:

- **assess the impact of results based financing approaches:** The concept of results based financing –as support by HRITF - is particularly attractive to many donors. However, it is important to be sure that the approach actually works on the ground. Performance to date has been mixed and most of the experience, to date, has been in middle income countries. It remains to be seen whether the lessons of experiences have been learnt and adopted and whether the approach is feasible in lower income settings. Arrangements are in place to monitor and evaluate performance and the approach needs to be scaled up rapidly if the results positive.
- **to get a better understanding of the settings in which RBF might work and how it might complement other efforts.** Results based financing is not a panacea. Its success is likely to be highly dependent on the national context and broader public service reforms including civil service reform and giving facilities autonomy at facility level to receive and use funds as they see fit. The approach may also complement results based aid which operates at the national level. Further thought will be needed to see how best to achieve this.