Options for Sustainable Funding Mechanisms for FCTC Implementation

FRAMEWORK CONVENTION ALLIANCE

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Preparation of this report was led by Sara Rose Taylor, Principal Researcher and Policy Analyst at FCA. FCA would like to thank Annalisa Prizzon (Senior Research Fellow at the Overseas Development Institute) and Raphaëlle Faure (independent consultant) for drafting an earlier version of Sections 2 and 3, part of a background paper commissioned for this report. Additional research support for Section 4 was provided by Kelly Frisby and Andrea Mackasey, respectively, Stakeholder Engagement Officer and Program and Operations Officer at FCA.

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1. Executive summary

The World Health Organization Framework Convention on Tobacco Control (WHO FCTC) is a global health treaty that provides a legally binding framework for global action on the tobacco epidemic. In 2003, it was unanimously adopted by the World Health Assembly and currently covers over 90 percent of the global population in 182 Parties to the Convention.

Despite the wide adoption of the WHO FCTC, tobacco consumption claims 8 million lives each year. Full implementation of the series of evidence-based tobacco control measures contained in the WHO FCTC and its Guidelines would go a long way towards drastically reducing that number but numerous barriers to progress exist. One of the more significant barriers is the chronic lack of funding. Based on recent analyses conducted by FCA and the Research Triangle Institute International, there is a funding shortfall of approximately US$27.4 billion for global tobacco control. This figure represents the gap between the domestic and international funding that is currently allocated to tobacco control efforts and an estimation of the funding that would be needed to scale-up tobacco policies and programmes to levels recommended in the WHO FCTC (RTI, 2018).

A wide variety of funding instruments exist that could be better employed to address the global funding gap. This report examines funding instruments that have been used for other international issues, including an assessment of the positive and negative aspects of each mechanism. This assessment includes an outline of the challenges to fully funded WHO FCTC implementation and matches existing instruments with how well they address the various challenges. Finally, recommendations are provided for how best to proceed, based on the data derived from desk research and interviews with key stakeholders.

Key recommendations

The assessment is that a combination of a pooled funding mechanism (either a Multi-Donor Trust Fund or a vertical fund) together with rising domestic public resource mobilisation would offer the best options to tackle the challenges to funding global WHO FCTC implementation.

Specific recommendations under each funding instrument are:

Domestic public resources

- Increase tobacco tax levels
- Improve coordination between Ministries of Finance and Health and any other relevant ministries to align taxation and budgeting for tobacco control and ensure consistency across policy decisions

Pooled funding mechanism

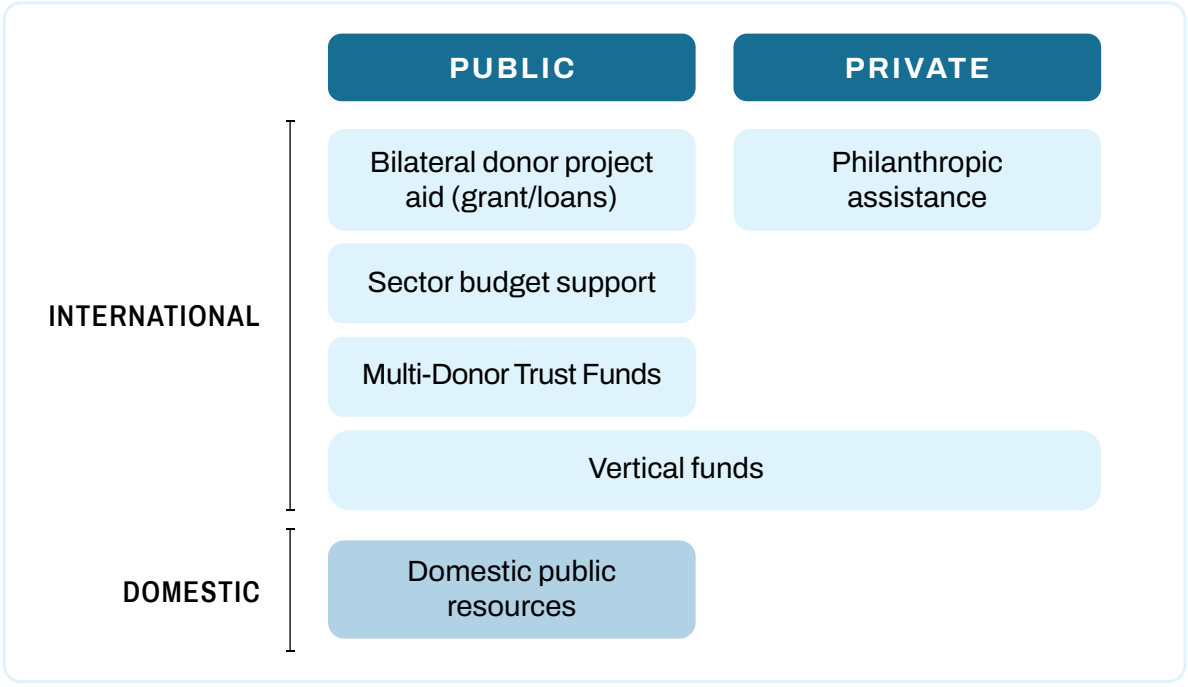
- Establish funding WHO FCTC implementation in developing countries as the focus of the fund
- Establish the role for Parties in potential governing structures of this pooled funding mechanism, in terms of how decisions are made on fund disbursement
- Create a structured application process
- Establish the World Bank as the fund administrator
- Determine how to garner funds
    - Sources of fund contributions
    - Voluntary contributions
- Disburse funds directly to Parties and their partners

2. Funding sources and mechanisms: trends, strengths and weaknesses

This section outlines and reviews the main trends, strengths and weaknesses of various financing mechanisms and sources of official and private international development assistance and of public finance. It focuses on mechanisms that could, in principle, sustain the implementation of public interventions in tobacco control. The objective of this section is to build the analytical base that will be used to assess whether these sources and mechanisms can respond to the main challenges and constraints to funding measures for tobacco control (as identified in section 2).

The selected funding sources and mechanisms include a range of public and private, domestic and international finance (Table 1). They will be elaborated in turn in this section. The vast majority of these sources and mechanisms reflect efforts by bilateral and multilateral donors (bilateral project aid, sector budget support and multi-donor trust funds), philanthropic assistance, vertical funds (usually a combination of public and private sources) as well as the role of domestic public resources, by far the largest contributor to public investment in most countries (Greenhill and Prizzon, 2012).

TABLE 1. FUNDING SOURCES AND MECHANISMS: AN OVERVIEW



Source: Authors' elaboration.

This section is based on a combination of literature review and data analysis. It applies an analytical framework similar to the one developed in Calleja and Rogerson (2019) assessing options for financing mechanisms for developing statistical systems.

2.1 Bilateral aid (grants/loans)

Bilateral official development assistance (ODA) refers to financial flows from bilateral government agencies and multilateral donors to countries and territories on the list of ODA recipients as defined by the OECD Development Assistance Committee (DAC).[1] To qualify as ODA, aid should come from official sources (e.g. governments), promote economic development of the recipient country as the main objective and be concessional. Grants are fully concessional, as they do not have to be paid back, and loans can only be counted if their terms and conditions are better than market rates.[2]

TRENDS

Since 2014, ODA grants disbursed by DAC donors increased overall, despite some setbacks in 2017 and 2018 (Figure 1). Those are largely due to less aid being spent on hosting refugees in donor countries as arrivals slowed and rules around which refugee costs can count as official aid were tightened (OECD, 2019). ODA loans, which represent a much smaller volume of ODA than grants, have increased slightly on average over the 2014-2018 period (Figure 1). Against this backdrop, however, the economic and financial crisis brought by the COVID-19 pandemic is already threatening bilateral aid budgets which could be on a downward path already as of 2021 (see Miller et al., 2019).

DAC donors' ODA grants tend to concentrate in the poorest countries with less capacity to afford loans. When focusing on grants allocated by country groups, we find that nearly half of ODA grants went to Least Developed Countries (LDCs) and other low-income countries (LICs), 35% were allocated to lower-middle income countries (LMICs)[3] and the rest to upper-middle income countries (UMICs)

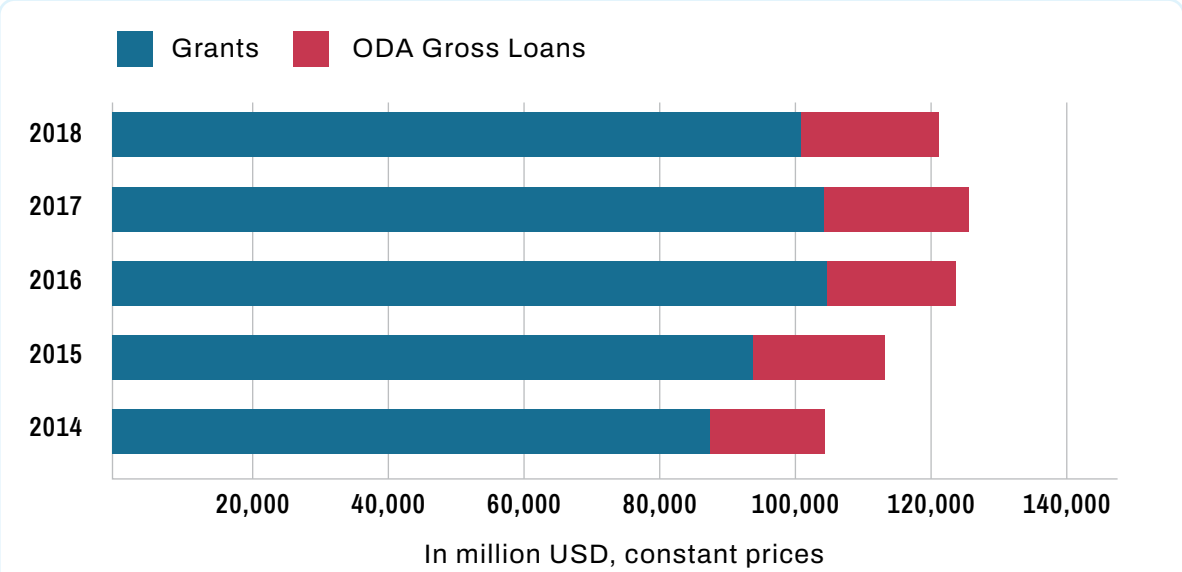
1 The Development Assistance Committee (DAC) is forum for consultations among donors on assistance to developing countries, established in 1960 and hosted at the OECD since 1961. It includes 30 member states, with the largest providers of aid among them. The DAC defines the criteria for measuring and counting aid as official development assistance (ODA) and periodically updates the list of ODA recipients.

2 More precisely, in DAC statistics, this implies a grant element of at least 25 per cent calculated at a rate of discount of 10 per cent. A more recent definition of concessionality has been adopted by the OECD DAC which has started to be reflected in the data since 2018. Given this review covers data that is older than that, and in order to ensure consistency across our analysis, we are using the previous definition. For more detail, see http://www.oecd.org/development/financing-sustainable-development/development-finance-standards/officialdevelopmentassistancedefinitionandcoverage.htm.

3 At the time of writing this report low-income economies are defined as those with a GNI per capita, of less than $1,025 in 2018; lower middle-income economies (LMICs) those economies with a GNI per capita between $1,026 and $3,995; upper middle-income economies (UMICs) are those with a GNI per capita between $3,996 and $12,375; high-income economies (not covered in this report) refer to countries with GNI per capita of $12,376 or more.

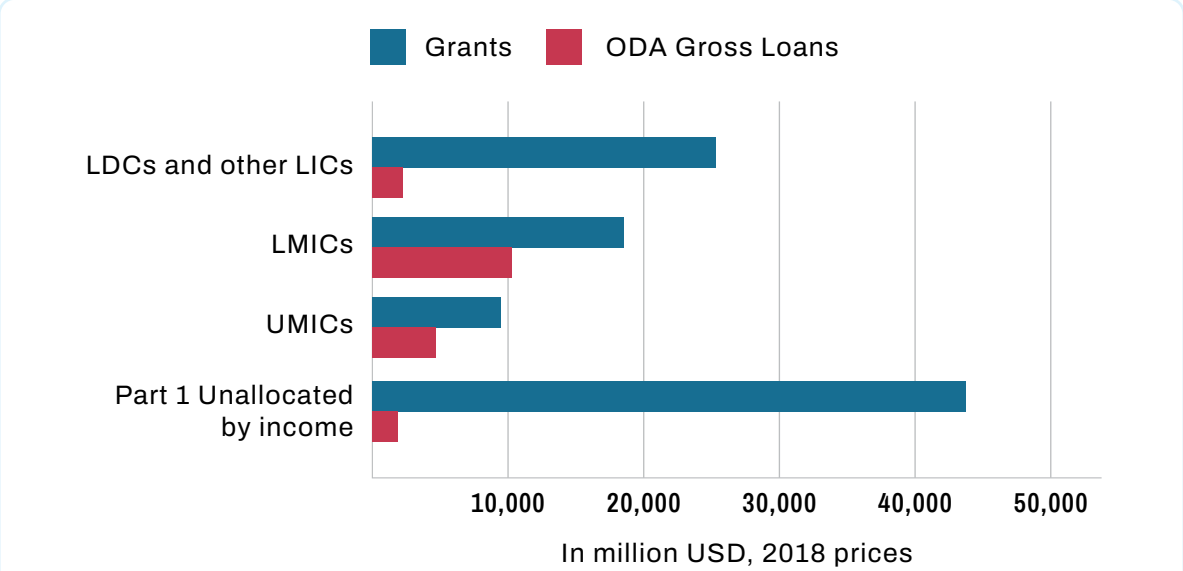
(18%), on average between 2014 and 2018 (Figure 2). The United States, Germany and the United Kingdom were the largest DAC donors over this period. They were jointly responsible for an average of 61% of grants between 2014 and 2018 among DAC members. Their disbursements were directed to three regions in particular: sub-Saharan Africa, followed by South and Central Asia and the Middle East (with Syria being a major recipient in the region). The majority of ODA grants went to social sectors, humanitarian aid and in-donor refugee costs. In terms of modalities, ODA grants were mostly disbursed through project-type interventions and core contributions to pooled programmes and funds.

FIGURE 1. DAC DONORS' GROSS ODA DISBURSEMENTS TO DEVELOPING COUNTRIES, GRANTS AND ODA GROSS LOANS (2014-2018)



Source: OECD, Table DAC 2a. Data extracted in May 2020.

FIGURE 2. DAC DONORS' GROSS ODA DISBURSEMENTS BY INCOME GROUP, GRANTS AND ODA LOANS, AVERAGE 2014-2018



Source: OECD, Table DAC 2a. Data extracted in May 2020.

ODA loans usually target lower-middle income countries. Japan, Germany and France are by far the largest providers of ODA loans in the DAC group. On average over the past five years for which there is available data (2014-2018), Japan was the source of 45% of ODA loans, followed by Germany with 25% and France with 22%. Their loans tended to be concentrated in middle-income countries, in particular LMICs. Over the 2014-2018 period Japan and Germany targeted their loans predominantly at Asian developing countries. France's ODA loans were more scattered but the region receiving the largest volume is sub-Saharan Africa. ODA loans were most prevalent in the economic and infrastructure sector, followed by some distance by the water and sanitation sector. In terms of modalities, ODA loans were mostly disbursed through project-type interventions.

STRENGTHS AND WEAKNESSES

Strengths

The main strength of ODA grants and loans from a recipient perspective is that they provide **financial resources at no financial cost** (grants) **or at a discounted cost** (loans) in comparison with what is available on the market. ODA can help countries fill financing gaps. The flipside of this, as we will discuss later, is that donors often still pursue some non-financial return on their investment.

ODA can be a valuable alternative source of financing for countries or sectors where the private sector does not have enough incentives to operate (not financially viable or too risky) or the government might not be willing to borrow commercially because the financial returns of the investment (tax revenues/user fees) are not sufficient to service loans. Grants can support the provision of national and global public goods where incentives for borrowing for projects with strong positive externalities might be weak.

ODA loans often provide a more **predictable** source of funding than grants (Clements et al., 2004). According to Arakawa (2005) 'ODA loans can mitigate the volatility and predictability of aid funds based on large multi-year commitments thereby creating stability within partner government budget processes'. Moreover, loans have the potential to support country systems when provided on-budget as they need to be captured and tracked in government systems to be paid back.

In addition to financial support, ODA projects usually bring **technical assistance and policy dialogue** to strengthen national systems, build expertise and influence policy decisions and their implementation.

Weaknesses and challenges

ODA is a volatile source of finance. In the short term, aid levels vary, especially in the context of a crisis like the current global pandemic causing a major economic slowdown. There are legitimate reasons to expect aid levels will be hit, as they were in the aftermath of the global financial crisis of 2007-2008, because of fiscal retrenchment in donor countries. In the medium term, priorities can change as political leaders come and go in donor countries (Gulrajani, 2016). ODA has also been criticised for being too focused on short-term results. An explanation for this is that donor agencies are accountable to their own parliaments and domestic pressure groups rather than beneficiaries in recipient countries. As a result, donors tend to favour short-term projects and certain sectors which will provide them with visible and rapid results that can then be presented to the public at home and help maintain public support for foreign aid (de Renzio, 2016).

In addition to being volatile and short-termist, there can be **long lead times** between commitments and disbursements of ODA making it slow to respond.

The growing number of traditional and less traditional donors can easily lead to **aid fragmentation**. By aid fragmentation we refer to aid that comes from too many sources and is thinly spread across small projects/programmes (OECD, 2009). A fragmented landscape can be difficult to navigate for recipients and can result in burdensome administrative procedures especially when donors impose their own set of requirements attached to their assistance.

Although ODA must *'be administered with the promotion of the economic development and welfare of developing countries as its main objective'* (the main criterion for ODA eligibility as defined by the OECD DAC), in reality donor interests often come into play. Donor aid often comes with **conditionalities** attached. In other words, conditions are attached to the provision of funds so that they are used effectively by the recipient and contribute to overcoming the challenge that led to the need for the project/funds in the first place. In a more normative setting, funds are conditional on complying with certain norms, policies or international conventions for example. At their more extreme, aid conditionalities can be such that aid provided must be spent on goods or services produced in the donor countries ('tied aid').

2.2 Sector budget support

Sector budget support are funds earmarked to finance an agreed expenditure plan for a sector. Funds are disbursed and accounted for through government systems, sometimes with some additional sector-specific reporting. It often entails conditions usually requiring agreement between government and donors on the sector's policy (SOAS, 2020).

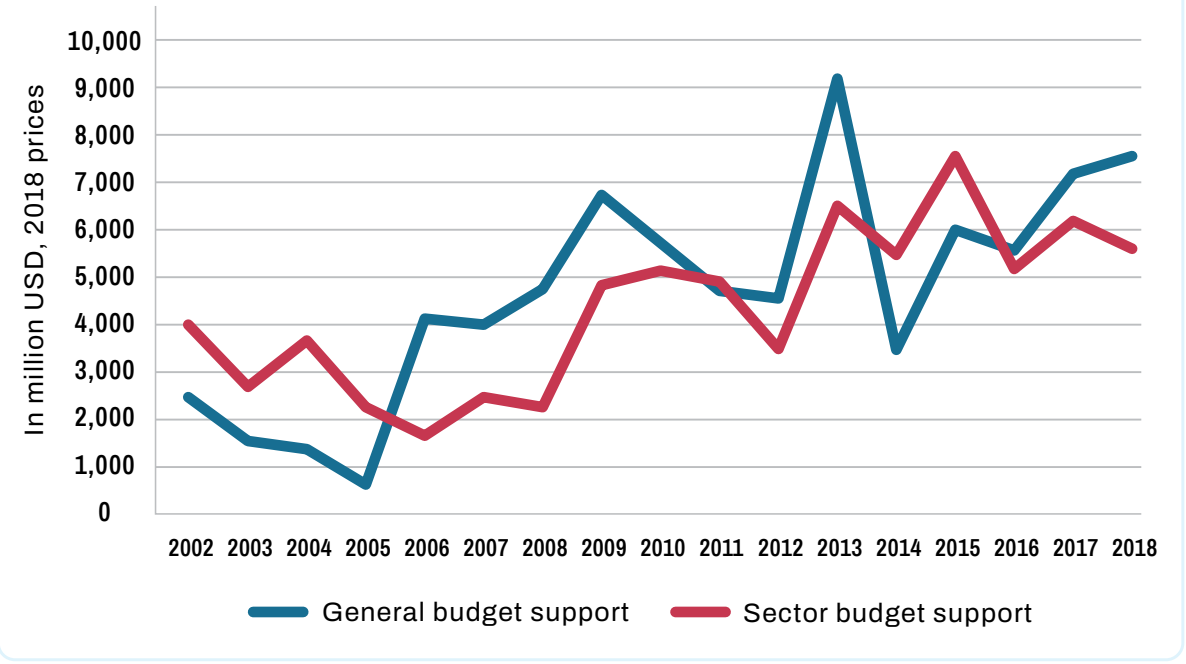
The literature is quite thin on trends, strengths and challenges specifically for sector budget support. Unless specified, the trends and characteristics described below apply to budget support generally (general and sector).

TRENDS

Donor appetite for budget support has been diminishing despite it being considered by some as the instrument that best promotes the principles of the Paris Declaration on aid effectiveness of 2005 (NORAD, 2015).[4] Several factors motivate this trend. First, budget support is inherently fungible, and can therefore be used for purposes donors would not support. Second, critics argue that budget support is more susceptible to be diverted for corrupt purposes. Third, budget support as an aid modality is a harder sell politically for donors compared with providing, for example, support for maternal and child health care or infrastructure (see Sundberg (2016) on these three points). Finally, the lack of political support, especially in the aftermath of the 2008 global financial crisis when more conservative governments were elected, meant the use of this aid modality faded away (Swedlund and Lierl, 2019). Figure 3 below tracks the evolution of general and sector budget support since the early 2000s clearly showing the volatility in the use of this modality.

4 The key principles of the Paris Declaration are (I) Ownership; (II) Alignment with Partner country policies and priorities; (III) Harmonisation and coordination of donor procedures and practices; (IV) Managing for results; and (V) Mutual Accountability (OECD, 2005).

FIGURE 3. TREND IN BUDGET SUPPORT PROVIDED BY DAC DONORS TO ALL DEVELOPING COUNTRIES, 2002-2018



Source: OECD, CRS database. Data extracted in May 2020.

STRENGTHS AND WEAKNESSES

Strengths

One of the main strengths of budget support is that it is spent through the government structures and systems and thus **well aligned with the recipient's priorities** as it **puts the country in the driver's seat** (OECD, 2015; Sundberg, 2016). This is at least true in principle. In practice, donors tend to exploit their access and influence to impose that some of their priorities are reflected in government spending as a pre-condition to receiving budget support (Swedlund and Lierl, 2019). Budget support also comes at a lower transaction cost compared with other aid modalities due to the use of recipient government's own reporting and accounting systems. It is also more **predictable** and disbursements have tended to be closer to commitments than is the case for other aid modalities (OECD, 2015; Government of Rwanda, 2007).

Budget support has demonstrated good results in providing additional fiscal space to finance public policies that led to **building more transparent and accountable public administrations**, even in fragile country contexts. This additional fiscal space also succeeded in giving room for countries to test and pilot new programmes. In South Africa, budget support was used by the government to **test innovative and**

high-risk policies and, where appropriate, the results were mainstreamed into national policies (OECD, 2015; COM, 2019).

From a donor perspective, budget support offers a **privileged vehicle for dialogue** with the partner country involving discussions at technical, policy and political levels (COM, 2019). Swedlund and Lierl (2019) mention that donors which do not provide budget support are aware they do not enjoy the same level of access to information and senior government officials as those donors that provide budget support. Some donors even feel the recipient government deliberately makes them feel left out of some important discussions.

Weaknesses and challenges

Budget support is **not a panacea for effective financing and does not work in all circumstances**. For instance, in the absence of sector strategies, for direct improvements of social services at local level and for directly enhancing local governments, other instruments, such as project aid, may be more appropriate (OECD, 2015).

The fungible nature of budget support means **complex risk management** assessments need to be put in place by donors to make sure their funds are being used as intended and to avoid putting their reputation at risk. Indeed, despite using country systems, there is still an **administrative burden** for recipient countries who have to report to donors on performance (Government of Rwanda, 2007).

There are mixed views on the ability of budget support to lead to reforms. Sundberg (2016) suggests that budget support is an important lever for policy reform with greater impact than other forms of aid. By supporting and influencing government policy, budget support contributes to how institutions operate and how business is done. On the other side of the argument are those who find that budget support is not correlated with policy leverage and **cannot "buy" reforms** (OECD, 2015).

Budget support can be unpredictable too. For example, donors can withdraw budget support unexpectedly, commitments might not be met or payments may be made late. These issues can pose a serious challenge to recipient governments who rely on these resources to execute their national budgets (World Bank, 2006).

In terms of sustainability of financing, budget support volumes have been very volatile since the early 2000s. This reflects the donors' rapidly changing preferences for budget support which does not make it a very sustainable instrument.

2.3 Multi-donor trust funds

A 'Trust Fund' or 'Multi Donor Trust Fund' (MDTF) is a multi-agency funding mechanism designed to receive contributions from more than one donor (and often also the recipient government), that is held in trust by an appointed administrative agent. There are many different types of trust funds, operating at a sector-wide, national, regional and global level (GSDRC, 2011).

The rationale for setting up a trust fund is that it allows donors to earmark their contributions for particular countries and development issues while channelling resources to multilateral organisations. It also helps them to overcome some of the limitations of bilateral aid by tapping into the capacities and systems of the trustee organisation and by distancing themselves from politically controversial activities (IEG, 2011).

TRENDS

The existence of MDTFs has risen exponentially since the late 1990s. While bilateral and multilateral aid are still considerably larger, the volume of what is also called 'multi-bi aid' exceeds 50% of multilateral aid and has become the dominant source of funding to a number of multilateral agencies (e.g. UNDP, WFP) (Reinsberg et al., 2015). Multi-bi aid poses challenges to the existing governance structures and management procedures of multilateral agencies. It has substituted a significant amount of core funding – over which those agencies have decision-making power – into earmarked funds channelled through multilateral agencies systems (Reinsberg et al., 2015). Box 1 illustrates some specific examples of MTDFs set up in the context of the implementation of international treaties.

STRENGTHS AND WEAKNESSES

Strengths

From a donor perspective, a key strength of trust funds is that they provide them with access to the **specialist staff of the trustee organisations**. Trustee fund management staff have extensive sector and fund management experience, in comparison with bilateral donor staff (NORAD, 2019).

A value added of trust funds is that they can represent an **additional source of aid** for country programmes and tend to **facilitate donor coordination and harmonisation**, thus reducing the transaction costs of working with multiple donors. MDTF governance structures allow donors and recipients to engage in dialogue with representatives from civil society or other parts of the public administration. Some MDTFs give observer status to non-contributing donors and civil society organisations (Guder, 2009). But

while trust funds may provide for strong coordination among participating donors, they do not necessarily coordinate well with non-participating development partners (IEG, 2011).

As a mechanism through which to channel resources, MDTFs provide contributors with the **flexibility** to change funding channels, even after an MDTF has started its operation (e.g. providing budget support, project support, funding channelled through UN agencies etc.) (Guder, 2009). Some view the flipside of this **flexibility** as leading to a whole range of *ad hoc* measures (Reinsberg et al., 2015).

Weaknesses and challenges

MDTFs are mostly funded through annual allocations, giving them **limited predictability** of funding beyond a year as donor contributions may oscillate from one year to the next (Scanteam, 2010).

MDTFs do not necessarily integrate well with countries' own programmes and do not always lead to coordination with other sources of aid on the ground thus contributing to **aid fragmentation** (IEG, 2011). In the case of multi-country trust funds in particular, the IEG found **insufficient recipient participation** in the design of their objectives and modalities meant there was **poor alignment** with country priorities.

Beyond the specifics of trust fund inner workings, there is a wider criticism of their wide use. Those voicing these criticisms describe it as a way for donors to direct their multilateral contributions toward their priorities when there is a lack of consensus within the multilateral system, or to circumvent bureaucratic obstacles. This would represent a failure to persuade other member states (or shareholders) to shift the priorities and processes of the multilateral system, resulting in a hollowing out of those institutions which are central to solving collective problems (Barder et al., 2019; Sridhar & Woods, 2013; Gulrajani, 2016).

2.4 Vertical funds

'Vertical funds' are development financing mechanisms confined to a particular thematic issue across countries with mixed funding sources. Their aim is to scale-up resources and improve the impact of interventions, with donor funds crowding in other funding. They are governed by independent boards in which donor countries control a majority of the votes (this is the main difference compared with a multi-donor trust fund). Vertical funds act outside the established multilaterals but often contract the latter as their implementing agencies (Browne and Cordon, 2015; Manuel and Manuel, 2018; Reinsberg, 2017).

TRENDS

Vertical funds have been the key driver of the expansion especially of global health and climate funding over the last decade. They have followed a similar trend to the one described for MDTFs as they represent a specific type of trust funds, with a separate government body. Although they are 'funds', their functions go beyond funding. They have fully developed governance structures designed to represent the interests of donors and recipients, criteria for identifying needs, apportioning funds, managing projects, and monitoring and evaluating results (Browne, 2017). Since the 1990s, there has been a proliferation of "special purpose funds" or vertical funds, starting with the creation of the Global Environment Facility in 1991 and accelerated in the years 2000, with the establishment of GAVI and the Global Fund (OECD, 2018).

STRENGTHS AND WEAKNESSES

Strengths

Vertical funds are **effective aid instruments** that have demonstrated significant capacity to **catalyse resources**, especially in the case of vertical funds in the health sector. They have been credited with bringing in new private sector actors and enabling rapid scale-up from a global goal to successful implementation on a global scale (Gartner and Kharas, 2013; Manuel and Manuel, 2018).

Furthermore, vertical funds have a focus on **results**, in most cases outputs and in some cases outcome; they are **inclusive**, having civil society and private sector representatives in their governance structures; they are **transparent** in what they finance; they **innovate and adapt**; they help developing countries to **scale up their own interventions** (Isenman et al., 2010).

The performance of vertical funds appears to be strongly related to their **design and governance structures.** Gartner and Kharas (2013) find that vertical funds in the agriculture and education sectors have been less effective than in health and put this down largely to their governance structures, which unlike the health funds, do not include strong civil society advocates. They also point to the fact it is harder to articulate the clarity of their mission than is the case for health issues.

Weaknesses and challenges

Vertical funds are less aligned with partner country priorities which may partly be explained by their **lack of country presence**. In addition, they **do not provide technical assistance** as they provide financing only (SDSN et al., 2015; Gartner and Kharas, 2014).

Vertical funds have been criticised for 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 mobilisation is sometimes viewed as coming at the expense of draining resources from other areas (Gartner and Kharas, 2013).

The **process of project formulation and management has been described as burdensome** by recipient countries with regard to the major health funds GAVI and the Global Fund. This was made worse by the fact those funds have no country presence and therefore governments rely on support from the UN and other locally represented aid organisations to assist with project formulation.

2.5 Philanthropic assistance

Philanthropic organisations are non-profit nongovernmental entities that utilise assets and income to provide socially beneficial services, both domestically and internationally. Since the early 2000s, the number of philanthropic organisations has expanded and so has their geographic scope. A growing number of foundations are established sources of both funding for developing countries and innovative approaches in support of sustainable development (OECD, 2018b).

TRENDS

There are reportedly over 260,000 philanthropic foundations around the world, mostly concentrated in Europe and North America (Johnson, 2018). In 2018, Foundation assets exceeded USD 1.5 trillion. Globally, international programmes of foundations exceed USD 150 billion per annum (Johnson, 2018). The preferred financing mechanism are grants although there is a trend toward an increasing use of social impact investment mechanisms (OECD, 2014).

STRENGTHS AND WEAKNESSES

Strengths

Foundations have a certain **freedom and flexibility** which allows them to be active in sectors and countries where traditional donors would not engage due to political constraints thus making them **less risk averse** (GPPI, 2008).

In many cases, philanthropic organisations **work in niche fields** or invest in areas that are overlooked or under-supported by traditional donors (GPPI, 2008). While this could mean complementarity of interventions and no duplications, operations in niche fields can also have the adverse effect of giving official donors the impression that

the area is covered and does not require their attention. An interviewee for this study suggested this was true when it comes to the support of tobacco control measures.

Weaknesses and challenges

Alignment with government priorities **is limited.** Foundations traditionally work outside governmental structures; they thus primarily cooperate with civil society organisations in developing countries for their projects and programmes. This means that foundations usually do not coordinate their activities with government actors, and that their activities are not included or aligned with national development strategies (GPPI, 2008). They can increase aid fragmentation through their activities, although those tend to be small scale.

Some of the largest philanthropic organisations are effective in influencing policy agendas and debates. This has led to criticisms with regard to their **legitimacy and accountability** and their influence on the international scene (e.g. Kvangraven, 2016).

The low level of dialogue and coordination between philanthropy and donor communities as well as the lack of presence in the field are common weaknesses across philanthropic organisations (GPPI, 2008).

2.6 Domestic public resources

Domestic public resources cover the resources received by a government from taxes and non-tax sources. Government revenues are the primary source of financing for development outcomes as recognised in the Addis Ababa Action Agenda (2015). In the context of the COVID-19 pandemic, these resources are under particular pressure as countries have to deal with a health crisis paired with an economic slowdown and recession.

In order for domestic public resources to meet basic needs of citizens and businesses, there is a general consensus that a minimum of 15% of GDP must be raised in taxes. This level of taxation is considered to be a tipping point to make a state viable and put it on a path to growth (IMF, 2016). For countries which are not able to meet this threshold, external assistance may play a major role.

TRENDS

Over the past two decades, government revenues and taxes have marginally improved in countries across all income groups. Total revenue increased from 18% to 21% of GDP in LICs between 1990 and 2014. Trends were similar in both LMICs and UMICs (Junquera-Varela et al., 2017).

There has been increasing recognition of the importance of domestic public resources, especially in the context of achieving the Sustainable Development Goals. This has meant growing donor support to assist developing country governments define policies and implement reforms that can help increase revenue and improve the targeting and effectiveness of public spending.

STRENGTHS AND WEAKNESSES

Strengths

By definition, domestic public resources allow for full **country ownership** over the delivery of public goods to citizens in line with a government's development priorities, **building the social contract** between the state and citizens and **legitimacy.** Tax revenues create positive pressure for more **accountability** and state responsiveness to its citizens. Domestic public resources are **more** sustainable than external development assistance which changes in line with donors' priorities (Runde and Savoy; 2016; ECDPM, 2011).

Weaknesses and challenges

Public resource mobilisation is a **political issue** with winners and losers**.** Some political and economic elites may not have an interest or incentive in pursuing efficient and equitable resource mobilisation strategies (ECDPM, 2011). Moreover, in countries with a tradition of political patronage, public spending may benefit some groups more than others.

As domestic revenues rely to a large extent on taxation, this puts countries with large informal sectors of the economy at a disadvantage (UNRISD, 2017). Moreover, empirical research has shown that less developed countries appear to be significantly more exposed to tax avoidance by multinational firms thereby further impacting the amount of taxes those countries are able to raise (Johannesen et al., 2019).

Within governments, central agencies and line agencies have different objectives and may face different incentives regarding public spending. These tensions can impact on how tax policy is implemented and lead to a **lack of coherence** in spending (ECDPM, 2011).

3. Challenges for funding FCTC implementation and assessment of the funding instruments' ability to address them

This section first sets out the main challenges to funding FCTC implementation and then assesses the degree to which each financing source and mechanism described in section 1 could help address them. Challenges were identified via a review of the policy literature (in particular documentation informing decisions taken at various FCTC Conference of the Parties) and six semi-structured interviews with key informants in May 2020. Those who agreed to be named are listed in Annex 1 of this report.

3.1 Challenges to fund FCTC implementation

Prior to delving into the specific challenges, a number of general points came up consistently through our research. These are worth mentioning as they might not reflect common challenges applicable to other sectors and contain specific elements pertinent to financing tobacco control measures.

- **Implementing most FCTC measures does not require large additional resources for their scale-up.** This point came up regularly in the interviews as many of the implementation measures do not require large sums of money. This would suggest the overarching challenge is not so much one of volume as may be the case in other sectors/areas (e.g. education, health, infrastructure).
- **Certain aspects of FCTC implementation are easier to fund than others**, especially measures that come at a low cost, produce tangible outcomes and are relatively easier to achieve, e.g. warning messages on the risks of tobacco on cigarette packs, banning tobacco advertising or smoking in certain spaces. Conversely, measures to tackle illicit activity are more difficult to fund as they require complex logistics and significant human and financial resources.
- **Dedicated attention to tobacco control is low because it is too narrowly associated with the health agenda**. Tobacco control is perceived as an element of the wider health agenda and struggles to attract the attention of actors beyond the health community.

- **The benefits of the full FCTC implementation are underestimated** and these would go far beyond the reduction in tobacco consumption. Interviewees emphasised the importance of FCTC implementation to achieve progress in other sectors such as environmental protection, improved economic outcomes, poverty reduction, fiscal space created to be used to tackle other issues.
- **The role of the tobacco industry**. The substantial financial resources of the tobacco industry used to pursue its interests came across very strongly during the interviews. The tobacco industry's numerous actions to prevent the implementation of the FCTC is an important overarching challenge as it can freeze much needed regulatory changes. Moreover, as tobacco consumption wanes in richer countries, the industry now targets developing countries.[5]

Interviews with experts in tobacco control measures and a review of the relevant literature and policy documents have highlighted five major financing challenges: lack of implementation capacity, lack of awareness, lack of predictability and sustainability, lack of strategic focus and prioritisation and lack of policy coherence and coordination. These can broadly be grouped into two categories: first, challenges to attract funding for specific activities and, second, challenges with existing funding.

Challenges to attract funding for specific activities

FCTC implementation is reliant on a number of pre-conditions: this came across very strongly in the interviews. These pre-conditions include building awareness of tobacco control measures among government officials, civil society and the wider public; building capacity within the authorities that are responsible for this policy area; and, influencing key decision-makers in order to make tobacco control a part of the national strategy. Countries where these pre-conditions are in place tend to have an active civil society, some champions within government that have pushed the issue up the policy agenda and political support from elected officials. These are the sort of factors that have led to the introduction of new legislation for tobacco control and taxes on these products.

Interviewees have suggested that without this enabling environment, only limited progress can be made, and yet, external funding is not targeted at this aspect of agenda implementation. Instead,

Major financing challenges can be grouped into two categories: challenges to attract funding for specific activities and challenges with existing funding.

5 For media coverage of this, see https://theconversation.com/big-tobacco-goes-after-the-young-in-developing-markets-in-a-case-of-history-repeated-82043 and https://www.sciencedaily.com/releases/2018/03/180308085539.htm for example.

donors tend to provide financing only once this initial crucial stage is completed and countries have explicitly integrated tobacco control as part of their domestic strategy.

(i) Lack of implementation capacity

Lack of capacity could probably be identified as the biggest challenge for the implementation of FCTC measures based on the interviews conducted for this project. Targeting resources at capacity building either in cash or in kind (e.g. seconding staff) was described as a priority. This challenge ranges from a lack of dedicated staff to a lack of specialist skills, for example:

- **Lack of human resources:** the lack of staff with a portfolio dedicated to tobacco control, or staff with sufficient time to engage effectively with FCTC implementation, or staff senior enough to be able to influence and initiate policy change.
- **Lack of expert capacity,** e.g. specialised skills and systems. FCTC implementation requires statistical data and analyses to identify priority needs, policy and legislative expertise to adopt tobacco control measures and enforce them as well as other skills such as fundraising, grant writing or project management to attract and monitor financing.

(ii) Lack of awareness

There is a general lack of awareness regarding the existence of the FCTC measures, especially outside the health community. Across the interviews it emerged that government officials in countries that are party to the FCTC do not always widely know that their country is a Party to the treaty and that obligations arise as a consequence. In practice, this means a number of countries have involuntarily not met their obligations with respect to certain time-bound measures, the deadlines for which have now lapsed. This lack of awareness is also a reality at the international level. For example, the UN and other development agencies tend not to integrate tobacco control measures in their country strategies, even when there are opportunities to do so.

There is also a lack of awareness of the benefits of tobacco control measures and their positive externalities in many other areas even though evidence exists to support those claims. The lack of awareness is a hindrance to building momentum behind this issue making it more difficult to garner political support and commitments for this agenda.

An increase in visibility of the FCTC measures would be welcome in order to give more prominence to this topic. Doing so in the short-term may prove difficult as all the attention is targeted at the response to the COVID-19 pandemic. However, one could argue this may

also present an opportunity as many of the underlying conditions that make COVID-19 such a health threat are exacerbated by tobacco use (e.g. respiratory conditions).

Challenges with existing funding

(iii) Lack of predictability and sustainability

Interviewees have pointed to a lack of **predictability of funding**, especially with regard to external sources. The term predictability was used in its broader sense – i.e. being able to predict a behaviour – as well as in its narrower definition in the development finance context – flows committed are disbursed in full. Official donors and philanthropic organisations often tend to provide funding for projects that last a few years with no information on the recipient side over whether the funding will be extended or not when close to the end of the project or programme. This poses difficulties as tobacco control measures can take a long time to show results thus requiring a long-term financial engagement. For example, the FCTC 2030 project aimed at strengthening tobacco control in developing countries runs for four years until 2021. At the time of conducting the interviews (May 2020), there was no clarity over whether the funding would be renewed. This project has been under high demand from developing countries.

The lack of sustainability of funding was also emphasised in the interviews. This applies to external financing from philanthropic organisations as well as from official donors. These actors are driven by rapid results and therefore focused on short-term outcomes. This does not align well with the long-term nature of tobacco-control. The lack of funding sustainability is made worse by the fact that only a small number of actors are active in tobacco control measures. Conscious of this fact, in 2018 the FCTC 8th Conference of the Parties has called for a fundraising strategy that considers funding options which are viable, sustainable and cost-effective (FCTC, 2018).

(iv) Lack of strategic focus and prioritisation

A number of interviewees identified the lack of focus and prioritisation in tobacco control funding as one of the challenges for the financing and implementation of FCTC measures.

At the international level, motivations include the short-termism of existing funds (as discussed in the previous challenge) and the existence of a myriad of mechanisms spread too thinly (e.g. needs assessments, country visits). Related to this, some interviewees pointed to the insufficient knowledge around country needs. It was suggested that an FCTC Implementation Review Mechanism would offer a way to identify areas of greatest need in each country, potentially at a lesser cost than the current practice which was described as *ad hoc* needs assessment visits with

no funding attached. A third factor contributing to the lack of strategic focus are the conditionalities attached to the provision of funding e.g. donors requiring that their funds focus on certain countries or aspects of FCTC implementation.

At the national level, this largely falls down to a lack of policy coherence and coordination which is covered in the next section. The interference of the tobacco industry to try and limit tobacco control also helps explain some inconsistencies in the approaches of domestic actors.

This lack of focus and prioritisation risks diminishing the effectiveness of FCTC implementation measures, thus potentially leading funders to cut down expenditure in this sector and direct it to other priorities.

(v) Lack of policy coherence and coordination

Lack of policy coherence and coordination is another challenge for the sector, as outlined in several interviews. This is true both at the national and international level.

At the national level, this challenge tends to manifest itself in a fragmented approach across government agencies. Tobacco control is usually the remit of health ministries; other ministries tend to leave it in the hands of the health community, ignoring to a large extent what the tobacco control agenda covers. This can then lead to some or all of the following issues:

- **Inconsistent policies and tensions within government:** confining tobacco control to the health community can lead to incoherent policy decisions. From an economic and trade ministry perspective, for example, tobacco control measures may constitute a hindrance on achieving its goals e.g. in tobacco producing countries it could mean turning away potential investors or cutting down jobs in the tobacco industry sector. Those ministries may try to undermine tobacco control measures from within the government apparatus. Evidence suggests that cutting down tobacco consumption leads to rises in productivity which in many countries would outweigh the disappearance of the tobacco sector in the economy (Ekpu & Brown, 2015). The economics and trade ministry would therefore stand to gain from effective and extensive implementation of the FCTC.
- **Lost government revenue and expenditure savings:** ministries of finance are another important government actor in tobacco control but they do not always engage in this policy area. This potentially represents a missed opportunity for additional government revenue and for expenditure savings. As one interviewee put it, introducing a tax on tobacco offers a triple win: (i) it decreases the consumption of the product, (ii) it provides revenue for the country, and (iii) it saves future costs on healthcare.

- **Missing out on positive externalities to other sectors:** a decrease in tobacco consumption would lead to a decrease in its related negative externalities e.g. improvement in sectors such as the environment (e.g. cigarette production is responsible for extensive cutting of trees, some wildfires have been known to be caused by cigarettes), health (healthier population putting less pressure on health systems), reduction in tobacco related criminal activity (e.g. illicit trade).

To overcome these challenges to policy coherence and coordination, strong leadership coming from the highest level of authority is crucial, together with a multi-sectoral approach to tobacco control measures. As mentioned in the previous section, countries with good progress in the agenda have also benefitted from the active contribution of civil society which can play a decisive role in making the case for tobacco control measures through awareness campaigns targeted at decision makers and the wider public, capacity building and policy influence. Another element of importance in those countries has been convincing leaders to stand up to the tobacco industry.

At the international level, the lack of coherence and coordination could also lead to missed opportunities. As with the domestic level, this policy issue is generally considered a public health issue and therefore the responsibility of the health sector. For example, it emerged in the interviews that two of the main bilateral donors in tobacco control measures manage their international programmes for this sector via their ministry of health, and not through their aid agency. One could assume that this institutional setup reduces the chance of fully integrating tobacco control measures in the country's aid strategy. One interviewee suggested this may be changing: tobacco use is now waning in richer countries as they have already implemented many of their obligations, so attention is shifting toward developing countries in the implementation of the convention. A similar observation was made by another interviewee who explained that the change in narrative from tobacco control being a health issue to one that contributes more broadly to sustainable development objectives had brought in the aid community more than in the past.

At the multilateral level, an interviewee mentioned that better coordination would be welcome among UN agencies. These agencies were described as not always aware of the existence of the FCTC leading to missed opportunities in better integrating tobacco control in their country interventions. An example of where this coordination is already happening is in Zambia where UNDP, in partnership with the FCTC, developed a proposal to use social impact bonds (SIBs)[6] to support tobacco farmers' transition away from tobacco cultivation and toward economically viable and environmentally

6 Definition of a SIB: private investors provide upfront capital for a particular social or environmental intervention. They then work with service providers — public sector agencies, private companies or non-profit organisations — to deliver the programme. If it is successful — confirmed by independently verified evidence — the investor is repaid for their initial investment, plus a small return for the financial risks they took. If the outcomes are not met, the investor stands to lose their money. Investors can be repaid by national governments, aid donors, philanthropists — or a combination.

sustainable alternatives. SIBs offer a solution to financing this type of projects as they require large up-front investments in countries where there is a lack of the required financial resources or political support (Devex, 2018). SIBs are also a way to bring in funding from private sector actors who would not usually invest in tobacco control.

3.2 How well can sources and mechanisms address these challenges?

This section offers a qualitative assessment of the degree to which the financing sources and mechanisms presented in section 1 can reasonably contribute to addressing the challenges of funding FCTC implementation. The description of each mechanism will follow the same basic format. The assessment will begin with a summary table of the degree to which the instrument addresses the challenges listed in section 2.1, using a traffic light scoring system. This will be followed by a text analysis that highlights the main characteristics of each mechanism in alignment with key challenges. Table 2 summarises the analysis of this section by highlighting the mechanisms that best respond and could address the five challenges we identified for financing the implementation of the FCTC agenda.

TABLE 2. FINANCING MECHANISMS THAT CAN BEST RESPOND TO THE CHALLENGES OF FUNDING FCTC IMPLEMENTATION

Challenges	Capacity	Awareness	Predictability & Sustainability of Funding	Focus & Prioritisation	Policy coherence & coordination
Financial Instruments	ODA grants, sector budget support and MDTFs	Sector budget support, MDTFs and vertical funds	Vertical funds and domestic public resources	Vertical funds	MDTFs and domestic public resources

3.2.1 Bilateral aid (grants/loans)

	Capacity	Awareness	Predictability & Sustainability of Funding	Focus & Prioritisation	Policy coherence & coordination
ODA grants	HIGH	MIXED	LOW	MIXED	MIXED
ODA loans	MIXED	MIXED	MIXED	MIXED	MIXED

Capacity (High for grants, mixed for loans) Bilateral ODA grants are well suited to build capacity. A grant can be dedicated to the provision of technical assistance – e.g. a donor pays for the salary of a staff member or seconds its own staff with the required expertise at no cost – or include a component of technical assistance. For example, the FCTC 2030 project, managed by the FCTC Secretariat, has among its staff an individual seconded by the UK government, the main financial contributor to the project. The costs related to this staff member are covered by the UK ODA budget. ODA loans are less attractive to respond to capacity development needs than grants as they incur a cost and repayment (especially for a project that does not generate sufficient cash flow in the short to medium term to repay the loan back).

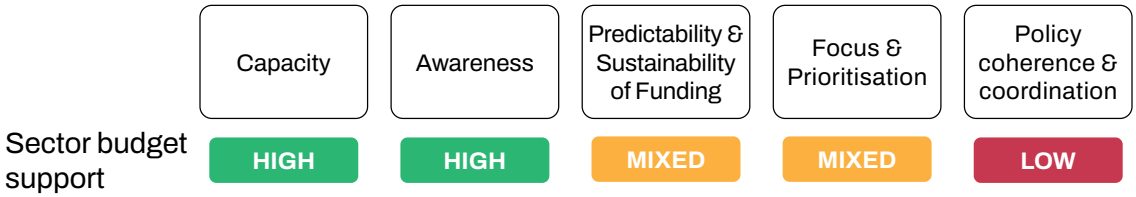
Awareness (Mixed) The provision of bilateral ODA creates opportunities for policy dialogue between a donor and a recipient country. Moreover, donors with in-country presence may participate in donor coordination fora where policy issues are discussed. Those platforms offer an opportunity to raise issues and influence decisions, thereby creating awareness. But this is an indirect result of providing ODA rather than a primary objective of donor intervention. In addition, awareness raising through aid projects relies on the assumption that the donor is also aware of the issue. As we have discussed in the previous section, this is not always the case. ODA for tobacco control may come from ministries of health rather than aid agencies and therefore the staff on the ground (in the aid agency) will not necessarily be familiar with the topic.

Predictability and sustainability of funding (Low for grants; mixed for loans) As discussed in section 1.1, ODA loans often provide a more predictable source of funding than grants. The predictability of aid (grants and loans) was described as a challenge during the interviews. This is further exacerbated by the low number of bilateral actors active in tobacco control so a change in a donor's engagement can have deep implications for the funding of FCTC financing. ODA grants and loans are not a sustainable source of financing but they can help fill gaps until more sustainable solutions are available (i.e. domestic funding). The sustainability of ODA grants and loans is further reduced by the close interaction between the political cycle and aid priorities. A change of government or the budget of a donor country going through difficult times can lead to revisions in the focus of its aid and/or of its volume. In the current COVID-19 crisis, ODA volumes are expected to take a hit in the coming years as donors have to respond to the impact of the pandemic at home.

Focus and prioritisation (Mixed) ODA provided to tobacco control measures tends to be managed by health ministries with expertise in this area, helping to increase the focus and prioritisation of the support provided. But ODA more generally suffers from too many competing priorities and scattered actions. This inevitably varies across donors and especially in view of their motivations for providing aid – whether they use aid for altruistic reasons or to further their national interest.

Coherence and coordination (Mixed) ODA providers suffer from the same silo mentality as government actors. Tobacco control remains to a large extent the concern of ministries of health with limited engagement from aid agencies or coordination with them.

3.2.2 Sector budget support



Capacity (High) Budget support tends to be accompanied by the provision of technical assistance with a focus on strengthening institutions and public financial management systems. For this reason, budget support offers valuable opportunities for capacity building.

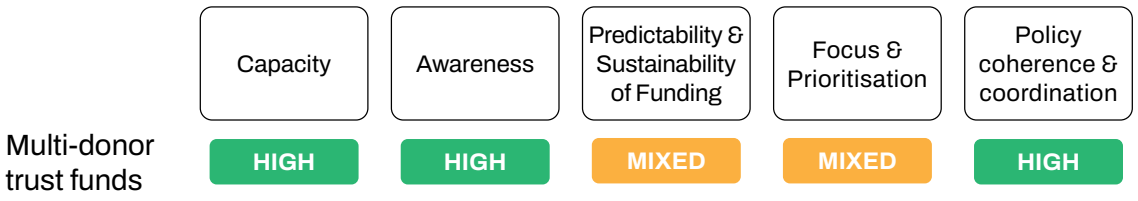
Awareness (High) Budget support gives donors a privileged vehicle and opportunity for policy dialogue with government officials in the recipient country. This special access tends to be used and considered by donors as a way to push some of their priorities and pass on their concerns. This channel of communication would be an obvious way to raise awareness about specific areas/themes. For many of the tobacco control implementation measures, the financing need might not justify donors' investment in sector budget support. Having said that, tobacco control is a multi-sectoral issue and budget support in sectors such as security and justice may represent a relevant investment to support countries in tackling criminal activity and illicit trade for example. Those are complex issues requiring far greater resources compared with other tobacco control measures.

Predictability and sustainability of funding (Mixed) Budget support is more predictable than other aid modalities and disbursements have tended to be more closely aligned with commitments. However, the volatility of this instrument does not make it a very sustainable one.

Focus and prioritisation (Mixed) Budget support is ultimately spent by the recipient government, through its systems and according to its priorities. Whether budget support is focused and prioritises specific issues will depend on the government's own degree of focus and prioritisation.

Coherence and coordination (Low) Once again, donors can use their privileged dialogue to push for more coherence and coordination across government actors but the decisions rest with the recipient government. Regarding this challenge, sector budget support is less well placed than general budget support to tackle it. General budget support has a comprehensive overview of the government's action and can therefore better identify opportunities for multi-sectoral responses to a policy area like tobacco control.

3.2.3 Multi-donor trust funds



Capacity (High) One of the motivations for donors to pool their funds in a MDTF is to draw on the specialist skills of the staff of the trustee organisation. Financing that is channelled through a MDTF therefore benefits from those skills in two ways: it helps build capacity in donor organisations as well as in the beneficiary country given recipient governments tend to be active members of MDTFs.

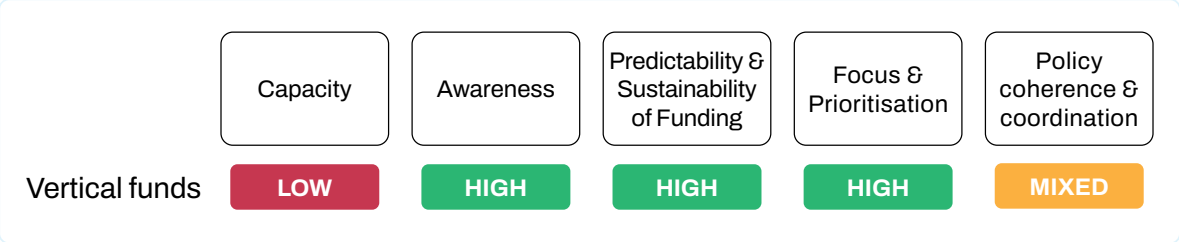
Awareness (High) MDTFs offer a platform for regular dialogue among its donors and recipient governments when they are contributors to the fund as well. Using those dialogues as opportunities to raise awareness on tobacco control measures can reach those actors/stakeholders that may not have taken an interest in the issue before. In addition, MDTFs can bring in other actors such as civil society organisations in those dialogues. Some MDTFs give an observer status to non-contributing actors so they can attend some meetings. This approach could lead to greater information sharing with a wider set of actors and allow donors to hear from organisations working on the ground.

Predictability and sustainability of funding (Mixed) From the perspective of the beneficiary, pooled resources into the MDTFs mean more predictable and sustainable financing than direct and separate contributions of bilateral donors. If one donor withdraws its assistance, the MDTF may see its financing capacity diminish but it would not disappear altogether. However, as MTDFs are mostly funded through annual allocations, donor contributions may oscillate from one year to the next, limiting predictability and sustainability of funding.

Focus and prioritisation (Mixed) As described in section 1.3, MDTFs offer a third option for donors in addition to bilateral aid and contributions to the multilateral system. Donors could make voluntary earmarked contributions to multilateral organisations, as opposed to core funding over which they have very little oversight. Earmarking can have negative effects on focus and prioritisation. If each donor in an MDTF focuses its contribution so that it funds its own priorities, the MDTF would see its action scattered and effectiveness diminished. On the other hand, the MDTF could be a highly effective instrument if there is broad consensus around its mandate and priorities and if FCTC implementation measures were a part of the agenda.

Coherence and coordination (High) A key recognised strength of MDTFs is their ability to facilitate donor coordination and coherence and to provide a platform for policy dialogue for contributors to the fund and other stakeholders in some instances (e.g. civil society organisations). By bringing different actors with a variety of sector expertise around the table, an MDTF can foster a multi-sectoral view and identify areas of potential synergy.

3.2.4 Vertical funds



As vertical funds are MTDFs with a separate structure, this section only highlights areas which are pertinent and specific to vertical funds only.

Capacity (Low) Vertical funds typically do not provide technical assistance (their focus is usually on financial assistance/transfers/in-kind support).

Awareness (High) Vertical funds are thematic instruments which concentrate on a single issue. The creation of a fund on tobacco control would lead to increased awareness about the FCTC implementation. This would be especially the case at the international level as vertical funds do not usually have a country presence/ country office.

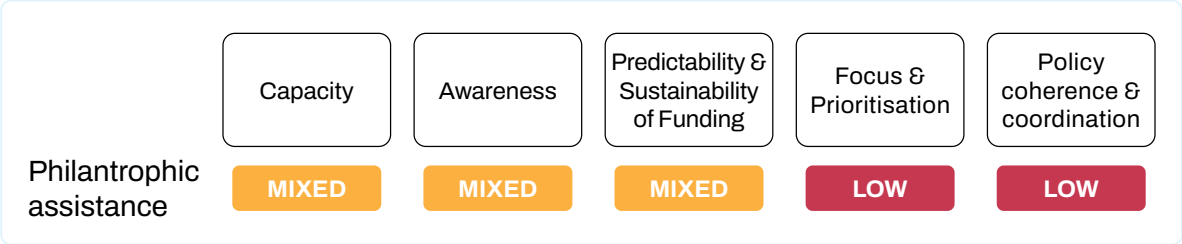
Predictability and sustainability of funding (High) Vertical funds bring together official and non-official actors such as civil society organisations or the private sector. This has led to a wider funding base and the use of innovative finance mechanisms

to ensure the predictability and sustainability of funds and has done so successfully especially in the health-related vertical funds.

Focus and prioritisation (High) The narrow focus of vertical funds makes it easier to ensure more focus and prioritisation in the financing of its programmes.

Coherence and coordination (Mixed) Vertical funds can facilitate coherence and coordination of interventions at the international level among its funders through their established governance structures, less so at the country level with no direct country-presence.

3.2.5 Philanthropic assistance



Capacity (Mixed) Philanthropic organisations usually have small teams and no country presence so they tend to channel their funds through partner local organisations. They rarely support governments directly. Their funding can directly help build capacity in their partner organisations and potentially in governments, civil society or the wider public if that is purpose of the projects they fund. So, to the extent their funding supports effective projects and programmes, they may also help develop capacity in the recipient country.

Awareness (Mixed) The same applies here as for capacity. Through their funding, philanthropic organisations can lead to greater awareness about specific issues/ themes if that is the purpose of their action.

As discussed in section 2.1, two of the main challenges for financing the FCTC implementation are partly the lack of financing and the absence of traditional donors in the early stages of developing a national response. Philanthropic organisations have more freedom over when and how to use their funds and tend to use it to step into areas that receive little attention. There is therefore scope for them to direct their funds more heavily toward building awareness and capacity in order to create an enabling environment for the adoption of tobacco control measures. Some of the interviewees suggested this is already happening in some countries.

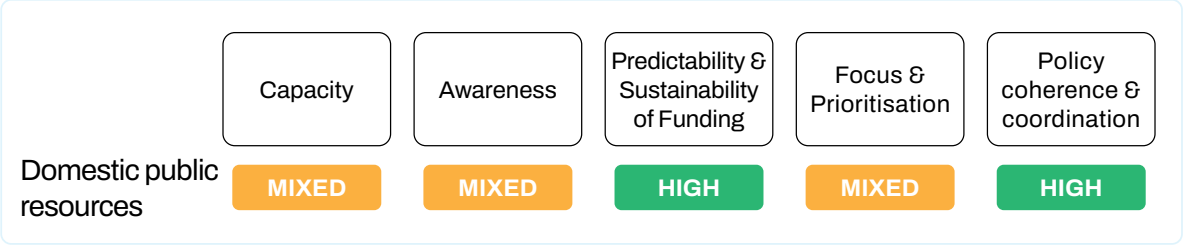
Predictability and sustainability of funding (Mixed) Philanthropic organisations pursue their own agendas and often look to support projects that will generate rapid results. This can lead to unsustainable funding if project results do not materialise and the organisation then re-orients its funding. Large philanthropic organisations that target significant amounts of money on an issue can have the perverse effect of crowding out other actors thereby impacting on predictability and sustainability of funding more generally.

Focus and prioritisation (Low) Philanthropic organisations usually pursue very clear and focused agendas, however, those do not necessarily align with government priorities and can therefore add to the fragmentation of aid at the country level.

Coherence and coordination (Low) Most philanthropic organisations are focused on specific subject areas and their staff are experts with a background in that field. For example, the staff of philanthropic organisations active in tobacco control and the partners they work with tend to have a public health background. As a result, they are more likely to engage with parts of government that work on health rather than other areas like finance or trade, which are also relevant to the design of an effective tobacco control policy. Interviews revealed that there is a realisation of the need to engage well beyond the health community and that steps are being taken to approach other parts of government, in particular finance ministries.

Coordination of philanthropic organisations with other actors on the ground, such as government or other donors, is usually absent or low as these institutions have no established channels for country-level dialogue (or do not participate in policy dialogue/fora) as they usually have no local presence. The interventions of philanthropic organisations could add to the fragmentation of aid and duplication of efforts.

3.2.6 Domestic public resources



Capacity (**Mixed**) Domestic public resources can make funding available for capacity building but this may not be a priority in countries with scarce public resources. Making sure budget is available for government officials to access training and develop skills that are relevant is an important step toward the FCTC implementation. Governments can build this into their financing requests to external donors.

Awareness (Mixed) Domestic public resources are not particularly apt at creating awareness within government as this relies more on political will, the dynamics within the administration and ways of working than on government spending. In terms of public awareness, large public health campaigns funded by government could play a positive role though.

Predictability and sustainability of funding (High) As recognised in the Addis Ababa Action Agenda, domestic resources are the main source of funding for the implementation of the SDG agenda. In order to meet the ambitious global goals by 2030, those resources will need to increase. In normal times, domestic public resources are the most predictable and sustainable financing option, even though political changes shift policy and spending choices and priorities over time. However, the COVID-19 crisis has shown that government resources across the world are under particular strain to deal with the health crisis and its associated economic slowdown. While such shocks diminish their predictability and sustainability, government revenues and taxes still remain the most predictable and sustainable source of funding.

With regard to tobacco control measures, a key measure to increase domestic resources is a tobacco tax. Given its objective of eradicating tobacco consumption, such a tax should be unsustainable by nature and raise no revenue once there are no more smokers in the country. The reality is that those taxes are effective in reducing tobacco consumption, but do not lead to a complete end to it, at least not in the short to medium term. They therefore offer a predictable and sustainable source of revenue which can be earmarked to finance, for example, the implementation of FCTC measures, and give time to develop alternative ways of raising revenue when this source dries out. Developing countries have the potential to create or increase such taxes. At the same time, decreases in tobacco consumption as a result of these taxes reduces governments' health expenditure (World Bank, 2018).

Focus and prioritisation (Mixed) The allocation of public revenues reflects the priorities for government action. Allocation processes offer great tools to help address the lack of focus and prioritisation in tobacco control financing and to define the government's response to this issue (if there is political will). It also offers the opportunity to communicate this national strategy to external finance providers to guide their intervention and align their actions to government priorities.

Coherence and coordination (High) The government has a key role to play in ensuring a multi-sectoral approach to tobacco control through a whole-of-government approach that is coherent and coordinated. While the effectiveness of this approach largely relies on political will and the inner workings of government, spending allocations and the processes that surround them offer a space to discuss interlinkages as well as tensions between what different ministries try to achieve. Strong leadership

in senior roles can help broker deals between ministries by negotiating with those who feel they stand to 'lose' from the implementation of tobacco control measures.

From the interviews, we understood that developing country governments were the ones soliciting financing for tobacco control implementation and that they had to demonstrate their commitment to fighting tobacco consumption in order to qualify for external assistance. With a whole-of-government approach and a clear assessment of where the financing needs lie as identified during budgetary processes, governments are in a good position to approach donors for funding that is consistent with their multi-sectoral approach. For example, if the trade department can articulate demand for support to transition tobacco leaf producers toward an alternative source of livelihood, this would be beneficial to tobacco control measures. Yet, these measures would require funding that is not directly targeted at FCTC implementation.

3.3 Concluding remarks

The findings of our assessments are largely subjective and based on the authors' interpretation and understanding of the evidence presented in this study, from the review of the literature and interviews with main informants. Highlights are summarised in Table 3.

TABLE 3. SUMMARY OF MAIN FINDINGS

Instruments	Challenges: Capacity	Awareness	Predictability & Sustainability of Funding	Focus & Prioritisation	Policy coherence & coordination
ODA grants	HIGH	MIXED	LOW	MIXED	MIXED
ODA loans	MIXED	MIXED	MIXED	MIXED	MIXED
Sector budget support	HIGH	HIGH	MIXED	MIXED	LOW
Multi-donor trust funds	HIGH	HIGH	MIXED	MIXED	HIGH
Vertical funds	LOW	HIGH	HIGH	HIGH	MIXED
Philantrophic assistance	MIXED	MIXED	MIXED	LOW	LOW
Domestic public resources	MIXED	MIXED	HIGH	MIXED	HIGH

Our findings point to the following instruments providing a good response to each challenge identified:

- **Capacity**: ODA grants, Sector budget support and MDTFs
- **Awareness**: Sector budget support, MDTFs and vertical funds
- **Predictability & sustainability of funding**: vertical funds and domestic public resources
- **Focus & prioritisation**: vertical funds
- **Policy coherence & coordination**: MDTFs and domestic public resources

Mechanisms can be used together to foster complementarities.

While this analysis has examined funding instruments in isolation, in practice, mechanisms can be used together to foster complementarities. Furthermore, not all the challenges have equal weight (e.g. generating awareness might be of greater relevance than predictability and sustainability of funding, if compared with other sectors). This assessment would suggest that a combination of pooled funds (whether through MDTFs and/or a vertical fund) together with rising domestic public resources would offer the best options to tackle the financing challenges discussed in this paper.

4. Pooled funding mechanisms: A closer look

Assessment from the preceding sections points to using a combination of pooled funds and domestic public resources to address the global tobacco control funding gap in a way that best responds to the challenges faced in the global tobacco control ecosystem. What might this look like in practice? Domestic public resource mobilisation is relatively straight forward from an operational perspective, in that it would not require new structures and is a familiar approach in the tobacco control community,[7] but recommending how to build a fit-for-purpose pooled funding mechanism requires further reflection. Accordingly, in order to inform such recommendations, an assessment of five existing pooled funding mechanisms was under other international treaties was conducted to determine the opportunities, challenges, and good practice to consider for use in financing FCTC implementation.

This examination of other pooled funds is based on desk research of official Convention/Fund documents as well as grey literature for the funds run under these five conventions:

- The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (hereafter, the Basel Convention)
- The Convention on Rights of Persons with Disabilities (UNPRPD Fund)
- The Montreal Protocol on Substances that Deplete the Ozone Layer (hereafter, the Montreal Protocol)
- The UN Framework Convention on Climate Change (UNFCCC)
- The World Heritage Convention

The funds were selected using a diverse case selection strategy for illustrative cases, based on the representation of a range of scale, approach, and issue area that they offered according to the key governance and financial features central to pooled fund mechanisms. These selected funds include two vertical funds and three MDTFs. Despite there being two types of pooled funds, different conventions all take their own approach to the governance and decision-making structures of the fund. This variety of approaches provides Parties to the WHO FCTC with many options to learn from and to adapt to the purposes of the WHO FCTC COP.

7 However, at time of writing, increases to domestic resource mobilisation are hampered by the global COVID-19 pandemic, which has paused tax increases. The long-term impact of the pandemic on domestic resource mobilisation and allocation is still uncertain.

4.1 Summary of the five funds

The Basel Convention was created in pursuit of the goal of protecting human health and the environment from the impact of hazardous wastes. To support this goal, two trust funds were created in 1992, at the first Conference of the Parties; one is to support operations and the other to support developing countries. This second fund is the focus of assessment for this report, given that it is analogous to the aims of a fund to address the global funding gap in tobacco control.

The Convention on Rights of Persons with Disabilities is an international human rights treaty, created to protect the rights of persons with dignity without discrimination. The associated UNPRPD Fund was created five years after the Convention was adopted. The purpose of the fund is to invest in projects and programmes that support systemic change, primarily situated at the national level but some do exist at the regional and global levels.

The Montreal Protocol regulates ozone depleting substances, phasing down the production and consumption of nearly 100 such substances globally. The Multilateral Fund for the Implementation of the Montreal Protocol provides both financial and technical assistance to developing countries in order to support their compliance with the Protocol.

The UNFCCC's goal is to stabilise greenhouse gas concentration at such a level that would prevent human-induced damage on the global climate. While the UNFCCC came into force in 1994, the Green Climate Fund was not established until 2010. This Fund is used to address the needs of developing countries in mitigation and adaption efforts. It is a significantly larger fund than others, including US$10.3 billion pledged during initial resource mobilisation and USD 9.8 billion pledged during the first replenishment conference.

The World Heritage Convention covers the protection of both cultural heritage and natural heritage sites. The World Heritage Fund was established at the same time as the Convention, included in the Convention itself under Article 15. The fund was designed to support the identification, preservation, and promotion of World Heritage sites, in addition to providing emergency assistance to repair damage to the sites.

In order to form targeted recommendations for the structuring for an FCTC implementation fund, each of these five funds were assessed according to several categories: how the fund is structured and governed,[8] how funds are collected and

8 Including type of fund, size of fund, how the fund is governed and/or administrated, and the role of the relevant Convention Secretariat.

held,[9] and how funds are disbursed.[10] These key features are summarised in Tables 4 and 5. Assessment was also guided by a key informant interview with an expert in the field (see Annex 1).

TABLE 4. SUMMARY OF FINANCIAL FEATURES

	Type of fund	Size (USD)	How funds are collected	Who pays into the fund[11]	How funds are disbursed
Basel Convention (Technical Trust Fund)	MDTF	$4.5 million	Voluntary contributions, with no set amount or frequency	State Parties	Either to Parties or via Basel Convention Regional Centres
UNPRPD Fund	MDTF	$7 million	Voluntary contributions, with no set amount or frequency	National and subnational governments from UN Member States	UN entities, acting as project partners
Montreal Protocol	Vertical fund	$222 million	Voluntary contributions based on the UN scale of assessment, with a maximum of no more than 22% of the total	Developed country Parties	To Parties via one of four UN-system implementing agencies
UNFCCC	Vertical fund	$19 billion	Contributions bound by formal pledges, with no set amount or frequency	Developed country Parties	Organisations working in-country
World Heritage Convention	MDTF	$3.1 million	A mix of voluntary and compulsory contributions, including a uniform percentage every two years	State Parties	State Parties

9 Including who pays into the fund, whether contributions or voluntary or compulsory or both, size of contributions, frequency of contributions, and other rules on contributions.

10 Including who can apply for funding, how proposals are structured, how proposals are assessed, and how funds are disbursed.

11 In all cases other than for the Basel Convention, a given fund is set up to receive funding from other bodies such as non-Party States, international organisations, nongovernmental organisations, private sector organisations, and philanthropic organisations. In practice, however, funding primarily comes from States.

TABLE 5. SUMMARY OF GOVERNANCE FEATURES

	Who makes decisions	What it is used to fund	Application process	Who holds the fund
Basel Convention	Convention Secretariat	Projects in Parties with developing economies or with economies in transition	Ad hoc project proposals and expressed needs	UNEP
UNPRPD Fund	Management committee, including UN organisations, donor countries, and civil society	Projects at national, regional, and global levels	UN partner organisations create proposals based on in-country consultation in response to calls for proposals	UNDP Multi Partner Trust Fund
Montreal Protocol	Executive committee, including equal representation of developed and developing countries	Funds the cost of phasing out substances controlled by the Protocol in developing countries	Formal funding proposal process	UNEP
UNFCCC	Green Climate Fund Board, including equal representation of developed and developing countries	Climate change adaptation and mitigation in countries, with priority for African States, Least Developed Countries, and Small Island Developing States	Formal funding proposal process	World Bank
World Heritage Convention	Depends on the size of the funding request12	Projects related to site nomination, training, and technical cooperation, in addition to funding World Heritage Governing Bodies.	Formal process with an application form	UNESCO

12 Responsibility for approving funding requests depends on the size of the request. For requests of US$5,000 or less, the Director of the World Heritage Centre holds responsibility. For requests between US$5,001 and US$30,000 (or, between US$5,001 and US$75,000 for emergency assistance requests), the Chairperson of the World Heritage Committee is responsible. For requests above US$30,000 (or, above US$75,000 for emergency assistance requests), the World Heritage Committee holds responsibility.

4.2 What characteristics of pooled funds could and should be adapted to a WHO FCTC implementation fund?

First and foremost, it is important to consider the purpose of such a fund; what is the goal that a pooled funding mechanism under the WHO FCTC would address and how could it be used to support WHO FCTC implementation? The majority of the five funds described above devote their resources to projects and programmes in developing countries that are Party to the relevant convention. Likewise, it is imperative that a fund devoted to WHO FCTC implementation focus on addressing the tobacco control funding gap in developing countries, those at low-income or middle-income levels. Too many WHO FCTC Parties lack the funding necessary to scale-up tobacco control policies and programmes to levels recommended in the WHO FCTC. This fund is an opportunity to address this gap.

It is imperative that a fund devoted to WHO FCTC implementation focus on addressing the tobacco control funding gap in developing countries.

Further, per the UNDG Discussion Paper (2016) on the role of pooled funding mechanisms to deliver Agenda 2030, such financing tools should be linked to strategic planning. In the case of funding WHO FCTC implementation, it would be appropriate to create a strong link between the Global Strategy to Accelerate Tobacco Control[13] and the aims of a pooled funding mechanism and the projects or programmes it would support. For example, this could mean prioritising proposals that implement the key Articles highlighted as priorities in the Global Strategy. These priorities would be updated accordingly as new medium-term strategies are adopted,[14] so broad language linking funding priorities to such current or future strategies would need to be included in any terms of reference for the decision-making bodies or committees operating in the pooled funding mechanism structure.

4.2.1 How the funds are structured and governed

The five funds are classified as either MDTFs or vertical funds, but they are all structured and governed in their own ways. A critical component of the governance

13 https://www.who.int/fctc/implementation/global-strategy-to-accelerate-tobacco-control/

14 The Global Strategy is in place from 2019 to 2025.

structure is who makes decisions on how funds are to be distributed and how those decisions are made. Hermann et al. (2014) identify three categories of governance structures to consider:[15]

1. Single-tier structure: An administrative team runs the fund
2. Two-tier structure: Includes an administrator and a Steering Committee (governing body). Proposal evaluation is typically delegated to a Technical Committee
3. Three-tier structure: Includes an administrator, Steering Committee, and a management committee (to coordinate implementing agencies, create the work programme, approve grants, and other tasks)

The World Heritage Fund uses a modified single-tier structure (with decision-makers depending on the size of the grant) while the Basel Convention's fund uses their Convention Secretariat as the single-tier structure. The two vertical funds assessed in this report, under the Montreal Protocol and the UNFCCC, fall under the two-tier structure. In the case of the Montreal Protocol, the Fund Secretariat acts as the role of the Technical Committee. Finally, the UNPRPD Fund uses the three-tier structure.

A two-tier or three-tier structure would be suitable for a WHO FCTC implementation fund, based on the potential expertise requirements and complexity of proposed projects and programmes. Further, including a steering committee or similar governance mechanisms is recommended by the UN Development Group for MDTF governance based on principles of ownership, inclusiveness, and balanced representation (UNDG 2015). Vertical funds can also make great use of a Steering Committee, as in the funds under the Montreal Protocol and the UNFCCC.

Under a committee-based structure, it is important to consider which stakeholders would make up committee membership. Best practice in fund governance is to include countries, or Parties in the case of the WHO FCTC. This typically includes both recipients and donors (Graham 2017). Decision by committee, particularly those that include both donor and recipient Parties, allows a forum for dialogue that could balance donor and recipient priorities. Equal representation of these categories, as seen in the Green Climate Fund and the Montreal Protocol fund, can be advantageous in terms of balancing the differing positions and priorities of these groups. Membership also need not be limited to Parties; in the case of the UNPRPD Fund, other relevant actors including from civil society or from within the UN system could also be included, providing expertise and insight. Expertise, from academics or civil society or WHO experts, will be important in evaluating the technical merit of proposals and their potential for impact.

15 Herrmann et al. (2014) identify these three categories as found in World Bank trust funds, but these categories have broad applicability and indeed the pooled funding mechanisms assessed here, including the vertical funds, can be categorised accordingly. Further details of each governance structure is found in their work.

The majority of these funds root their decisions in some kind of formal proposal process, in some cases created in response to a call for proposals. While an ad hoc or informal process may enable some level of flexibility, a formalised process offers many advantages. Structured proposal requirements would help potential recipients understand the requirements, enabling applicants to create stronger and well thought out initiatives. They would also support key governance principles of transparency and accountability, with all stakeholders understanding what is required and the standards they must meet. Holding a defined cycle of calls for proposals would help the functioning of the decision-making body, in that there would be clear expectations for timelines and workload. Mandating that these proposals be created in consultation with key stakeholders, as in the cases of the Green Climate Fund and the UNPRPD fund, would be an important step to ensuring that the projects meet local needs and reflect experiences on the ground.

4.2.2 How the funds are collected and held

Source of funding can be a fairly straightforward decision to make in designing the structure of a pooled funding mechanism under a treaty; Parties to the convention play the leading role. In some cases, such as under the Montreal Protocol, funding is specifically the purview of the developed country Parties. This is a logical approach, given that funding flows towards developing country Parties. Further, although in practice funding mainly comes from Parties, most funds are designed to receive funding from other sources. This could include non-Party States, international organisations, nongovernmental organisations, the private sector, and the philanthropic sector. There are two sides to this approach. On the one hand, increasing the number of potential donors could increase the flow of money to the fund and could strengthen engagement with a variety of stakeholders. On the other hand, however, non-State contributors may seek to gain influence in their involvement as contributors; Graham (2017) argues this may be the case for voluntary earmarked contributions from large philanthropic sector donors in health. Limiting earmarking could be an approach to reap the benefits while minimising this potential impact.

Earmarking is allowed under all five funds and is a topic of much discussion in the niche literature on pooled funding mechanisms. Weinlich et al. (2020) provide a valuable analysis of the positive and negative aspects. Of relevance to a fund for WHO FCTC implementation, earmarking can increase the resource base of the fund given its attractiveness to donors but it can also detract from the effectiveness of the fund by fragmenting attention and increasing donor influence. Allowing but limiting earmarking may be an effective middle ground.

Another important aspect of the nature of fund contributions is whether to mandate compulsory or voluntary contributions. Voluntary contributions are most often the

case,[16] with no set amount or frequency. This can affect the predictability of the size of the fund, but using a system involving structured call for proposals could offset this concern in that the decision-making body would know the size of the fund at the beginning of each funding cycle as opposed to the unknowns of an ad hoc funding system. Rules around allowable sizes of contributions do exist in some cases; for example, under the Montreal Protocol, no single contribution may amount to more than 22 percent of the total. This approach is worth consideration, as Herrmann et al (2014) found that donors to World Bank trust funds used funding amounts as leverage in agenda setting.

In addition to determining how funds are collected and from which sources, the fund structure must set out which organisation holds the fund itself. Pooled funding mechanisms under existing international treaties are held or administered by UN agencies. This may fall under the associated UN body; the Basel Convention and the Montreal Protocol, two environmental treaties, use the UN Environment Programme as fund administrator. Others, as is the case with the Green Climate Fund, use the World Bank. In the case of the WHO FCTC, this would mean either the WHO or the World Bank. The key is balancing the cost efficiency of the two. This would include assessing the fees, surcharges, and other requirements that these organisations would have standard in their administrative agreements.

4.2.3 How the funds are disbursed

How the funds would be disbursed depends on what the resources would be used to fund and the funding priorities of the fund. The five funds assessed in this report take different approaches. Some prefer to provide project or programme funding directly to Parties. Others prefer that a funded project include a partner working with a Party, providing the money to the partner. A partner could be a UN entity, as in the case of the UNPRPD fund, or a regional centre created under the treaty, such as under the Basel Convention. The last option would be akin to directing the resources through an FCTC knowledge hub. The Green Climate Fund takes yet another tack, directly funding organisations that work in country.

These are all good options, depending on what exactly the fund is looking for projects and programmes to accomplish. If the goal is WHO FCTC implementation in Parties, then providing funding directly to Parties for in-country implementation projects or programmes may be the answer. Providing resources via a partner organisation is unlikely to be suitable in this case, as UN entities would make for unlikely partners. Knowledge hubs could act as a funding recipient, but it would depend on the strategic priorities of the fund. If the fund prioritises implementation in line with the Global

16 The World Heritage Fund does include a mix of voluntary and compulsory contributions; this may be tied to the fact that this fund also financially supports the World Heritage Governing Bodies.

Strategy, or other future medium-term strategy, then not all knowledge hubs may be aligned with the fund priorities at a given time or a given priority may not have an associated knowledge hub. It would be preferable for the funding channel to be more straightforward and consistent that this.

5. Recommendations

Based on the analysis from the preceding sections, it is recommended that the WHO FCTC COP pursue a combination of two funding instruments in order to address the challenges in funding FCTC implementation: mobilising domestic public resources and creating a pooled funding mechanism (either an MDTF or a vertical fund). The analysis from Section 2 shows that while no one financial instrument can perfectly address all challenges to funding FCTC implementation, these two categories stand out as being best placed to meet current needs. This section will provide targeted recommendations for each instrument in turn, rooted in the WHO FCTC context. The recommendations for domestic public resources are aimed at Parties specifically while the recommendations for the pooled funding mechanism are for consideration by the WHO FCTC COP and Convention Secretariat.

5.1 Domestic public resources

Tobacco taxes are an important and often underutilised method of generating domestic public resources, both for tobacco control and for funding government programming in general. Taxation has also been identified as one of the most effective demand-reduction policies, in addition to being cemented as a priority for WHO FCTC implementation through the inclusion of Article 6 in the Global Strategy to Accelerate Tobacco Control. It is no surprise that the UN's Inter-agency Task Force on Financing for Development calls tobacco taxation a 'double win' because the increased prices both improve health outcomes and increase government revenue (IATF, 2018).

Recommendations

> Taxation has been identified as one of the most effective demand-reduction policies.

Increase tobacco tax levels: There is room to raise taxes on tobacco products globally as most countries fall below the WHO's recommended excise tax level of 70% (WHO, 2013) of the retail price of cigarettes (IATF, 2018). Leaving tax levels below this rate effectively leaves money on the table for governments, which could all use a budgetary boost. The revenue earned from a tobacco tax increase should be used, at least in part, to fund tobacco control programmes and health care by earmarking revenue brought in by tobacco taxes. The annual implementation costs for the four most effective tobacco control policies[17] is estimated to require only 6.94% of the annual excise tax revenue in low-income countries and 0.63% for middle-income countries

17 Increase tobacco tax, smoke-free policies, package warnings, and advertising bans.

(Shang C et al., 2018); protecting this money via earmarking is important for progress on tobacco control.

Successfully earmarking this revenue requires progress on the second recommendation below.

Improve coordination between Ministries of Finance and Health and the Treasury to align taxation and budgeting for tobacco control: In order to ensure that all, or a predetermined percentage of, tobacco tax revenue goes towards national budgets for tobacco control programming, there must be coordination between the ministries responsible for health, budget, and taxation, as they would all play different roles. Effectively, not only are Ministries of Health part of this conversation, but so too are the departments that manage taxation as well as budgets. This may require some level of capacity building for Parties that either have no tobacco taxation structure or their structure requires strengthening; supporting such capacity building may represent a potential area of interest for projects supported by a pooled funding mechanism, which is discussed in the recommendations below.

5.2 Pooled funding mechanism

Together with domestic public resource mobilisation, some form of pooled funding mechanism is recommended to address gaps in funding FCTC implementation. This recommendation, while determined separately from Decision FCTC/COP8(5), is congruent with this decision to "expand on, and make recommendations for, the establishment and operation (FCTC/COP8) of a WHO FCTC investment fund". In advance of the forthcoming report to COP that the Convention Secretariat will provide to Parties, critical considerations and recommendations are below, based on the assessments outlined in the preceding sections.

Recommendations

Of the assessed funds, the arrangements of no singular fund could be perfectly adapted for adoption within the FCTC context, but it is recommended that the creation of a FCTC pooled funding mechanism should look to the UNPRPRD Fund and the Montreal Protocol Fund as models. The inclusion of Parties in the decision-making process provides a strong blueprint for decision-making in an FCTC pooled fund context, particularly as there is equal representation of Parties with developed and developing economies. They each cast a wide net in terms of potential contributors to the fund (i.e. looking outside of Parties also to international organisations, non-profit organisations, and, in the case of the UNPRPRD Fund, working with both national governments and international development agencies within those governments). One point of difference is that fund disbursement under both of those fund structures

is limited to going to UN entities that act as partners or 'implementing agencies' in funded projects. This may not be fit for purpose in the WHO FCTC context, as the FCTC sits under one UN entity while other treaties may falls under the jurisdiction of multiple UN agencies, but it is well worth considering the strength of providing funding to partnerships between national governments and international organisations (and, in the context of the UNPRPRD, civil society and other non-profit organisations).

In addition to this overarching recommendation, more detailed recommendations on setting up a strong pooled funding mechanism for the WHO FCTC are as follows:

TABLE 6. KEY RECOMMENDATIONS FOR THE POOLED FUNDING MECHANISM

What it is used to fund	WHO FCTC implementation in developing country Parties
Who makes decisions	Committee structure, with representation from developing and developed country Parties
Application process	Formal call for proposals, requiring in-country consultations
Who holds the fund	World Bank
How funds are collected	Voluntary contributions, with no set amount or frequency
Who pays into the fund	Parties (primarily developing countries), with potential for international, non-governmental, and philanthropic organisations
How funds are disbursed	Provided to Parties and partner organisations

Establish funding WHO FCTC implementation in developing countries[18] as the focus of the fund: Directing funding towards low- and middle-income countries should be the focus of this fund. Pooled funding mechanisms under conventions are often designed to find implementation-related projects in Parties that require financial support. This is certainly the case in the five examples assessed for this report, though differences across funds exist. This could include, for example, funding projects at the regional and global levels in addition to the national level, as is the case of the UNPRPD Fund. While some existing funds also support functioning of their respective Secretariats, as in the case of the World Heritage Fund, it is recommended that a pooled funding mechanism under the WHO FCTC should be aimed towards support LMIC Parties' implementation of the convention given the significant global

18 We define 'developing countries' as including both low income and middle income countries.

funding gap for tobacco control, (RTI, 2018) as recognised in the WHO FCTC Global Strategy (WHO FCTC). It would also be appropriate for some of the resources in this proposed fund would be directed to support the administration and functioning of the fund itself, given costs including staff time and management fees, but it is recommended that the purpose of the fund should be addressing the global funding gap for tobacco control.

Establish the role for Parties in governing structures of this pooled funding mechanism, in terms of how decisions are made on fund disbursement: The majority of the assessment pooled funding mechanisms have decision-making structures that include a Board or Committee with Parties as members of that Board or Committee. In the cases of the Montreal Protocol and the Green Climate Fund, Parties make up the entire Board or Committee, with equal representation of Parties with developed and developing economies. In the case of the UNPRPD Fund, the committee includes Parties, UN system organisations, and CSO representatives. The Convention Secretariat in many cases supports the functioning of the decision-making Board or Committee although final decisions on which project proposals to accept typically falls to the Board or Committee. Action on WHO FCTC implementation is driven by Parties and the decision-making structure of a pooled funding mechanism should reflect that.

Create a structured application process: In order to access fund resources, fund disbursement should be based on a cycle of calls for proposals and the details required in these proposals should be made clear. Such a structure would create clear expectations for both applicants and members of the decision-making committee. Further, proposals should be based, at least in part, on consultation with relevant stakeholders. This could include partnering with stakeholders in designing, running, and/or monitoring the proposed programme, project, or policy change.

Establish the World Bank as the fund administrator: It is recommended in this case that the World Bank act as fund administrator, as opposed to housing the fund within the WHO system. Doing so would make use of their existing structures and expertise. It would also enable housing the WHO FCTC implementation fund under larger existing investment funds, helping minimise costs.

Determine how to garner funds: Two key components to consider in terms of garnering funding contributions include who should pay into the fund and the extent to which the fund should be powered by voluntary contributions.

- **Allow for a range of sources of fund contributions:** All of the pooled funding mechanism examples are set up to accept contributions from Parties, with the Montreal Protocol Fund specifying that contributions should come from developed economy Parties. All of these pooled funds also allow for

contributions from other organisations, with different allowances for what types of organisations are included on the list of allowable organisations. This includes non-Parties, subnational governments, IGOs, NGOs, philanthropic foundations, and private entities. There is a benefit to widening the net for possible contributions to ensure a sizable mechanism with the funds required to support many projects. For adaptation to the WHO FCTC context, there would naturally be scrutiny of the kinds of allowable private entities in line with Article 5.3 and in accordance with thinking on public-private partnerships under the SDGs, should the pooled funding mechanism accept contributions from any private organisations.

- **Focus on voluntary contributions:** From the examples, there is a mix of approaches taken to voluntary versus compulsory contributions to pooled funding mechanisms. The most common approach is for the fund to be powered fully by voluntary contributions. In cases with voluntary contributions, there are no set amounts or frequency of contribution, which can impact the stability of the fund.

Disburse funds directly to Parties and their partners: With the goal of funding WHO FCTC implementation, the fund's resources should go directly to those implementing the projects, programmes, and policy changes. This could include Parties but also partner organisations. Regular reporting would be beneficial monitoring and evaluating how the resources are being used and ensuring coherence between the proposal and the actual project.

Considerations

Consider which type of pooled funding mechanism (multi-donor trust fund or vertical fund) would be best fit for purpose: Different international conventions have taken different approaches to which kind of pooled mechanism to use and how to structure them. No single approach would be clearly superior to another, given the challenges and opportunities associated with each. As per the analysis in the preceding section, vertical funds and MDTFs each strongly address three of the five key challenges to FCTC implementation. The COP should consider which would be the right option for the tobacco control context and adapt the selected option to the WHO FCTC implementation requirements – and do so in combination with fostering domestic resource mobilisation. It is recommended that those building a WHO FCTC pooled funding mechanism reach out to counterparts working on the pooled funding mechanisms under these and other Conventions to determine the opportunities and challenges of these funds in practice and for each context.

Limit earmarked contributions: Earmarking of fund contributions is allowed under all structures from these examples, and is indeed common for some, although it is not necessarily encouraged. Earmarking puts decision-making power in the hands of the

fund contributor, not in the decision-making body of the fund, as well as decreases the responsiveness of the fund to new or increasing challenges that the fund could address.

Determine reporting requirements up front: Any administrative agreement setting up the pooled funding mechanism would need to include information on reporting. This would include progress reports, financial reports, audits, and other forms of evaluation.[19] The agreement would specify expectations, terms of reference, timelines, and a determination of how the reporting would be paid for. In addition, reporting guidelines for funded proposals would need to be clearly established in pursuit of monitoring and evaluation of outcomes. Although there is no common system for evaluating outcomes under pooled funding mechanisms, there is a need for transparency and clear resulting reporting.

19 See Herrmann et al (2014) for a summary of common reporting provisions, among other components, commonly included in the Administrative Agreements for World Bank Trust Funds.

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Annex 1: Interviewees

Interviewees included:

- FCTC Secretariat: Dr Adriana Blanco – Head of FCTC Secretariat
- FCTC Secretariat: Andrew Black – Team Leader, Development Assistance
- Daouda Adam – FCA Regional Coordinator
- Jo Birckmayer – Public Health Advisor, Bloomberg Philanthropies (Philanthropic organisation)
- Dr Bernhard Reinsberg – Lecturer, University of Glasgow (for Section 4)
- Two additional anonymous interviewees

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