

CHAPTER 1 :**INTRODUCTION**

Keywords

Donor funding, health sector, value chain, Millennium Development Goals (MDG), triple bottom line, integrated reporting, ethical clearance, healthcare system, financing conditions, funding breakdown, project managers

1 INTRODUCTION**1.1 Background on Donor Funding**

Donor funding is aimed at offering technical solutions to social problems without altering basic social structures. The main goal of donor funding is to alleviate poverty in the long term, directly or indirectly. Donor funding can be generated by government or non-government agencies. These funds can be given bilaterally (given from one country directly to another country) or multilaterally (from a donor country to an international organisation, who on their part distribute the funds) (WHO, 2011). The proportion is currently about 70% bilaterally and 30% multilaterally. Some governments may also include military assistance in the notion of “foreign aid”, but most Non-Government Organisations (NGO’s) reject this type of funding (OECD Stats, 2009). According to Farag, Nandakumar, Wallack, Gaumer and Hodgins (2009:1045-1055), the increase of donor funding can be associated with a proportionate decrease in government spending, especially in low income countries. In Third World countries resources are scarce. Donor funding is thus a necessity for Third World countries. Instability or a major crisis in a particular country usually results in donor funding being suspended temporarily or indefinitely. 2.9 billion Kenyan Shillings of funding to Kenya was suspended in 2007, because of the post-election crisis that was triggered by the disputed vote tally of the general election in December 27, 2007 (Anon., 2008:17697-17698).

Parks (2008:213-222) also found that the constant fluctuation of funds is seen as a direct result of constantly shifting priorities of international donors. This forces Non-Government Organisations (NGO's) to realign their priorities according to donor's interests. A widely held perception is that corporations and foundations are the most promising sources to tap for grants and donations, whereas the reality is that 83 per cent of philanthropic dollars are contributed by individuals and bequests (National Park Service's, 2010).

2 BACKGROUND ON DONOR FUNDING IN THE HEALTH SECTOR

"Funding is a major policy issue for global health." (Kaiser Family Foundation). Over the last decade we have seen an increase in financial commitments towards global health across all countries. According to Global Health (Kaiser Family Foundation), international Acquired Immune Deficiency Syndrome (AIDS) assistance from the G8 (Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States), European Commission and other government donors reached its highest levels in 2008. Of these the US was the largest donor to global health efforts in the world. Despite the growth in funding around the world to support global health activities, there is still a persistent need for funding. Securing the money and needing to achieve global health equity, has emerged as among the world's greatest challenges. Governments must weigh the short-term fiscal pressure to cut global health funding against long-term human cost. NGO's, like philanthropic foundations, secular private organisations, faith-based organisations and private corporations, make up nearly 4 per cent of funding for Global Health assistance. Levine (2009:380) found that Human Immunodeficiency Virus (HIV)/Acquired Immune Deficiency Syndrome (AIDS) currently has the largest share of donor funding for global health and this trend will continue into the future, or until a cure can be found for HIV/AIDS. Voelker (2010:259-261) found that the global economic crisis around HIV/AIDS has affected the ability of international donors to meet funding and treatment goals for the next four to five years, despite the 8.7 billion US dollars promised by donors.

When I give food to the poor, they call me a saint. When I ask why the poor have no food, they call me a communist.

- Dom Helda Camara

3 STATEMENT OF THE PROBLEM

3.1 Background on the Health Sector

Health plays a vital role in our day to day living and influences almost everything we do. Without good health we would struggle to achieve our goals. This makes the health sector crucial, as without proper health, many of the other sectors would be without people driving them. Health care around the world is deteriorating and basic health care lags behind in most African countries.

Anup Shah (2010) stated that: “Despite the incredible improvements that were made towards health since 1950, there are still a number of challenges, which should have been easy to solve”.

Africa Business Pages (2010) concluded that the healthcare industry in Africa is characterised by a huge division between the private and public sector, both in terms of facilities and funding towards these two divisions. HIV/AIDS is identified as the biggest problem facing the public sector. This in turn places considerable strain on the public health system in many African countries.

The standard of healthcare in South Africa is considered the best on the African continent. Some of the specialists obtained their medical degrees and underwent training in western countries like the United States and the United Kingdom. According to Anderson, Bateman and Van Rensburg “having a right to healthcare in law is not the same as enjoying the right in practice”. They also stated that access to healthcare is limited in South Africa (Human Rights Commission, 16 February 2007). In addition they say South Africa is committed to reducing child mortality of under-fives by two thirds, the maternal mortality ratio by 75 per cent and halving the proportion of people who suffer from hunger. Yet South Africa’s most recent health statistics suggest the country is moving in the opposite direction. South Africa, with a population of 49 million, has more HIV-positive citizens than Europe, Canada and the United States combined. (The Public Health Situation in South Africa, 2012)

3.2 The Problem Statement

Following from the above, the following problems are identified:

- Sustainability: What ensures the sustainability of a donor funded project after the funding has ended?
- The distribution of donor funds towards projects in the health sector: Are they in line with the MDG's and what else influence the giving of donor funding?
- Outcome of a project: How do ethical clearance, sustainability reporting and conditioned financing affect the outcome of a project?

4 OBJECTIVES

The objectives are divided into main and secondary objectives.

4.1 Main Objective

The main aim of this study is to analyse the sustainability and distribution of donor funding and what influence it has on donor funded projects, particularly in the health sector. Qualitative research was used to gather the data needed for analysis of donor funding towards the health sector. The distribution of donor funds throughout the world, Africa and then South Africa will be the focus; particularly towards the health sector.

4.2 Secondary Objectives

The secondary objectives are a direct consequence of the primary objectives.

The secondary objectives are:

- **The value chain** – The value chain can also be applied to donor funding and play a role in donor funding.
- **Sustainability Reporting** – Sustainability reporting and other types of reporting play a role in a project, and differences in financial reporting to different donor funding countries affect the outcome of a project.
- **Ethical clearance** – Ethical clearance play a role in the outcome of a project and its timely application in Africa influence the outcome of an internationally funded project.
- **Funding and goals** – Funding of a project influence and alter the initial goal or outcome of a project. (Funding is given for a specific goal stated by donors and not always the envisaged goal of the recipient).

- **Role of sustainability and outcome** – Sustainability of a project play a role on the outcome of the project and influences the sustainability of a project after the donor funds have ended
- **MDG's** – The MDG's play a role in funding of projects and these goals influence the outcome of projects. The MDG funds are not allocated towards the greatest needs, as countries see these goals differently.

Thee above is summarised in the figure below:

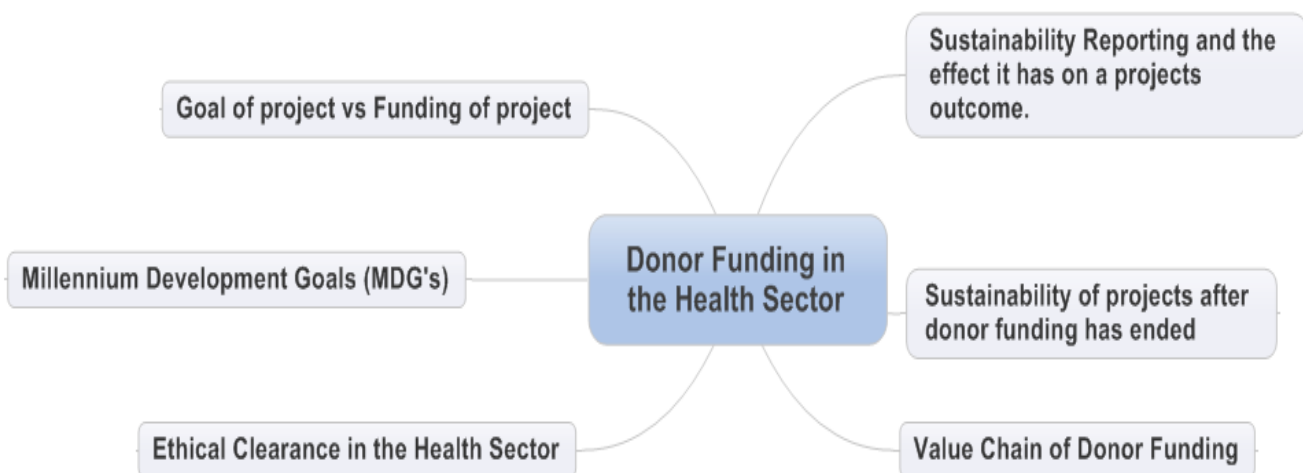


Figure 1.1: Secondary Objectives

Source: Own Research

5 RESEARCH METHODOLOGY

5.1 Literature Review

The literature review made use of two different approaches. Firstly the necessary published academic research from Published articles and books was gathered, to gain background on ethical clearance, different types of reporting, sustainability of projects, the necessity of project managers and lastly the health sector.

Secondly practical research was conducted to attain information on expenses of different countries, funding towards different countries and burdens versus funding of certain diseases. This information was then chronologically organised to give background to the main and secondary objectives, as to answer these questions.

5.2 Empirical Review

The empirical study made use of a qualitative research approach by statistically analysing the data obtained. Analysis was done into donor funding for the health sector. Information was obtained from three different valid sources freely available: OECD, MDG Report and ODA. Data gathered over a two year period was analysed and compared. Global donor funding was examined, then in Africa, and lastly in South Africa. This analysed data was then used to determine if donor funding was sustainable in the health sector, and how far each of the MDG's were reached by taking an in-depth look at each goal individually, and also what influence these goals have towards the funding of projects in the health sector.

6 OVERVIEW

➤ Chapter 1: Introduction

A background on the health sector and the health status of the world serves as an introduction to the study in the chapters to follow.

Chapter's 2 – 6 contain a literature review about donor funding, and the stumbling blocks encountered by donor funding in the health sector.

➤ Chapter 2 Donor Funding in the Health sector

Donor funding in the health sector is investigated in this chapter. It consists mainly of a literature review about the health sector in general and how donor funds are allocated for the health sector. The initial focus is global, then African and lastly the health sector in South Africa. The bringing together of analyses of the value chain of donor funding in the health sector and the MDG's will also be part of this chapter.

➤ **Chapter 3: Sustainability Reporting**

Chapter 3 explores sustainability, other types of reporting, and the degree of difficulty and necessity for reporting. The triple bottom line and how it affects donor funding and goals stated by a recipient of donor funds is examined. This includes theoretical reporting vs. actual reporting.

➤ **Chapter 4: Ethical Clearance for Research in the Health sector**

In this chapter the focus is on ethical clearance for research in the health sector, the amount of time it takes and how it affects the outcomes of a project's initial goals. A background on why ethical clearance arose and why it was incorporated as a fundamental necessity for health research is given. The path RN4CAST took in obtaining ethical clearance was also considered.

➤ **Chapter 5: Goal versus Financing Conditions**

Here the focus is on financing conditions versus the goal of a specific project and how conditions altered a recipient's initial goals. In this chapter an investigation of how expenses vary in different countries and how that affects the planning and viability of the stated goals is made. Lastly the researcher examines whether donors take this into consideration when giving funding to a specific country for a particular need.

➤ **Chapter 6: The Sustainability of a Project after Donor Funding has ended**

In this last chapter of the literature review, a brief overview will be given of what influences the qualification and the background of a project manager had on a project's outcome.

➤ **Chapter 7: Empirical Review about Donor Funding in the Health Sector**

This chapter was divided into two parts.

7.1–7.4 Research Conducted through Statistical Analysis

The first part consisted of qualitative research conducted into donor funding for the health sector. This was done by collecting statistical data from two different organisations that's available for public viewing. Data for donor funding over the last five years was obtained, specifically for the health sector. These funds were then analysed and compared by considering who gave money and to whom money was given. An analysis was also made concerning for what purpose money within the health sector were given and also how much was allocated towards reaching the MDG's.

7.5 Conclusions made from Empirical Review conducted in 7.1 – 7.4

The second part of this review focused on analysing the results obtained through the empirical research conducted in 7.1 – 7.4

➤ **Chapter 8: Conclusions and Recommendations**

Conclusions and recommendations were made based on the research done and the information acquired during this study. Limitations of the study, the implications for the health and finance profession and recommendations for future research were considered.