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Working Group on the Future of the Global Fund: Challenges and Opportunities for the Next Executive Director

Key Challenges and Issues Facing the New Executive Director of the Global Fund: A Discussion Starter¹

In its first four years, the Global Fund has had a significant influence in the fight against HIV/AIDS, Tuberculosis and Malaria. Currently the Fund provides 20% of global donor funding for HIV/AIDS and 66% of funding for malaria and TB, and has disbursed over \$2.3 billion to 131 countries around the world. As of June 2006 its grants had provided ARV treatment for 544,000 people living with HIV; testing and counselling for HIV for 5.7 million people; Directly Observable Treatment – Short Course (DOTS) for 1.4 million people with TB; and 11.3 million insecticide-treated bednets for malaria prevention.² The Global Fund has also pioneered new approaches in foreign assistance and public health delivery. It operates as a funding mechanism rather than an implementation agency, has a headquarters staff approximately 250 with no in-country presence, and relies upon a public-private partnership in recipient countries to design and implement programs.

During its first four years, the Global Fund has achieved many successes, but faced a number of challenges as well. It now faces a new challenge: its first leadership transition as Richard Feachem completes his term and a new Executive Director (ED) takes the reins in early 2007. The leadership transition takes place as the Global Fund evolves from an innovative start-up to a mature, sustainable institution.

The new ED will need to make some choices in setting priorities among many competing issues and challenges. This Working Group will provide recommendations to the new ED about how to set those priorities and steer the course of the Global Fund. At our first meeting, members will discuss a range of issues to determine which challenges are most important for the new ED to focus attention. The aim will be to identify a small list of key challenges facing the Fund around which the ED's role and decision-making is crucial. We will also aim to begin to develop recommendations for the ED about

¹ This concept note was prepared by the Center for Global Development as a basis for discussion. Members of the working group did not provide input into the concept note, and the note does not set forth the recommendations to be prepared by the working group. It was intended to start the discussion; the recommendations of the working group will be developed over the summer and fall of 2006.

² "Mid-Year Results Report 2006,"

http://www.theglobalfund.org/en/files/about/replenishment/progress_report_midear_2006.pdf.

how to approach these challenges. Our future discussions by teleconference and our second meeting will aim to refine in more detail our list of key challenges and recommendations for action in order to produce a report by November.

Our work is meant to complement the Board's current strategy review, and to have a slightly different focus. The strategy review is aimed at the organization as a whole, while the Working Group's recommendations will be aimed more directly at the new ED and the specific actions he/she can take to affect the course of the Global Fund. Our work will also complement that of the AIDSPAN roundtable discussions, which will narrow its focus to two specific issues (not yet determined) for the Global Fund as a whole and produce more detailed recommendations on actions in those two areas.

The following is meant as a discussion-starter to highlight some of the key challenges and issues that are likely to face the new ED. We group the key issues into five broad areas in no particular order of importance: resource mobilization; secretariat operations; operations in recipient countries; relationships with partner organizations, and ensuring programs results.

1. Sustainable Resource Mobilization

The Global Fund's Board is aiming to decide upon a target size during the current strategic review process, but the new ED will be the key actor working to achieve the target. It is not yet clear whether the Board will decide to aim for a Global Fund at about its current size with funding adequate to renew its current portfolio plus some modest expansion, aim for a substantially larger Global Fund in line with the projected growth in global needs, or something in-between. In any case, the Global Fund is likely to need both more funding and more stable financing sources, so that recipients and the Fund can plan their scale-up efforts. There is also continued debate about the Board's rules on the Secretariat's management of contributions, and options for better utilization of funds with appropriate risk management. The new ED will play the central role in developing and implementing a strategy to assure the appropriate level and timing of funding.

Traditional donors such as the US, Japan and European nations are likely to continue to be the main contributors to the Global Fund. At the same time, the Fund is experimenting with non-traditional approaches including reaching out to new donors such as oil-producing states and Asian nations, the International Financing Facility, the airline-tax levy, and corporate efforts such as the Red campaign. The new ED will need a clear strategy both to work with traditional donors and to expand funding from other sources.

One important financing issue is the potential role of the private sector. Representatives of the private sector sits on the Board of the Fund and actively support the Fund, through private donations and organized groups like the Global Business Coalition on HIV/AIDS and others. Yet the actual contributions of the private sector have been small. The private sector complains that it cannot earmark donations to specific Global Fund activities, that in-kind and non-financial contributions are not accepted or recognized, and that the Fund is hard to do business with. Businesses have many in-kind services they could donate, such as management expertise, procurement, legal and financial assistance, etc. The Fund has focused on "co-investment" opportunities – where Global Fund resources leverage private sector activities, such as scaling up treatment programs in private company clinics for the benefit of a broader community. Because the Fund's programs are designed by the

countries, companies cannot design regional programs that might be preferable to their interests. Finally, the Global Fund is wary of engaging with some of its most obvious private sector partners – such as the pharmaceutical industry – because of concerns about conflicts of interest. The private sector potentially could be a better partner to the Global Fund, and the next ED must find new ways to engage them.

2. Secretariat Operations

Over the past 18 months, the Secretariat staff has grown from 80 to about 250, all based in Geneva. With the task of managing 322 grant programs in 127 countries, the workload is intense, and the nature of the work has changed considerably since the Global Fund was founded. Although the staff size has grown, questions remain about the number of staff; their mix of skills, background and experience; organization and lines of communication within the Secretariat, and the Secretariat's agreement with the WHO for certain administrative responsibilities. It is unclear what the optimal Secretariat size should be – many staff believe that recent increases in staffing have not decreased workloads, but rather increased bureaucracy by adding new reporting lines. There is strong pressure from some Board members to keep the staff size very small to reduce overhead costs, but too small a staff also can be costly.

In addition, the Fund's lack of local presence has been challenged as the Fund has grown in size. Travel is time consuming and expensive in many regions, such as Asia, Southern Africa and Latin America, and experimenting with some regional presence may be warranted.

Thus, the new ED will face several key strategic decisions relating to staff and the Secretariat. How big should the staff be? What is the appropriate mix of skills? How should the growing Secretariat be organized as the Global Fund evolves? And what sort of presence should it have on the ground in recipient countries or in the region?

3. Operations in Recipient Countries

There are a range of issues related to implementation in recipient countries:

a. Strengthening Country Level Structures: CCMs, PRs, and LFAs

While most people generally support the concept of the Country Coordinating Mechanisms (CCMs), Principal Recipients (PRs), and Local Fund Agents (LFAs), many also believe that with modifications they could operate more effectively. The Board adopted new rules governing CCMs in November 2004 aimed at making CCMs more transparent and democratic,³ and many CCMs are in the process of reorganizing in accordance with these rules. CCMs vary widely in composition, role, and quality. Questions remain open about the balance between government and non-government participants, what role the Global Fund should play in influencing composition, and more broadly to what extent the Global Fund should focus on process (like CCM operations) or just on results. CCMs are often uncertain of their role, and the Fund offers them little definition of their oversight functions. Many

³ Revised Guidelines on the Purpose, Structure and Composition of Country Coordinating Mechanisms and Requirements for Grant Eligibility, http://www.theglobalfund.org/pdf/5_pp_guidelines_ccm_4_en.pdf.

observers complain that CCMs duplicate National AIDS Councils and other similar bodies. Many CCM members also serve as PRs or sub-recipients (SRs), creating potential conflicts of interest.

The roles of the PRs and SRs are more clearly defined, but quality varies. Governments constitute about 60% of PRs, civil society about 20%, and multilaterals (usually the UNDP) about 20%. Early evidence suggests that non-government PRs implement programs more quickly and achieve higher program ratings⁴. Some suggest the Global Fund should play a stronger role in influencing decisions about the type and number of PRs. The PR-CCM relationship is not clearly defined, and some countries suffer from either inactive or overly-active CCMs that undermine program performance.

The LFA model has been subject to extensive debate. While there are many good LFAs, the model is quite expensive – approximately 35% of Secretariat costs – with varying levels of quality. The model is not risk adjusted, so that low-risk grants receive nearly as much LFA support as high-risk grants. In some countries, LFAs are not present on the ground, while in other countries the LFAs have gotten too close to the PR and are no longer objective.

b. Program Content

Proposals are supposed to represent country priorities, and ideally should be directly related to national action plans and coordinated with other donor-funded and government programs, but often are not. Some believe that Fund programs tend to focus on easier-to-measure approaches like treatment, and not enough on prevention, orphans and vulnerable children, and health systems strengthening programs. Some believe that countries are reluctant to take risks with innovative programs because of the time between rounds, or that countries propose large programs because of concern about the future of the Global Fund. Some worry about politically sensitive programs like needle exchanges and work with at-risk populations like injection drug users and men who have sex with men. At the heart of these debates are two issues: who should set programs priorities (especially difficult with the many interested parties involved in Global Fund programs), and whether or not the structure of the Fund pushes recipients to propose programs that may not address the most crucial needs.

c. Technical Assistance

Many countries are overwhelmed by large increases in funding from the Global Fund and other donors, and face constraints related to human resources, health systems infrastructure, and basic management. The Fund faces a tension between letting countries run the programs with minimal guidance, and the desire by some to augment programs with technical assistance to speed implementation and improve quality. There are also questions of how to fund technical assistance where necessary. The Fund was designed without a local staff presence on the assumption that partners would provide technical assistance. For many reasons, provision of TA has not worked as planned. Partners complain of an unfunded mandate that expects them to provide TA for “Global Fund” programs without the resources to do so; others point out that these are country programs to which to Global Fund can only contribute funding. There are several key issues including the extent to which the Fund or the country should identify TA needs and match willing partners to those needs, the extent to which recipients should pay for TA out of their grants, quality standards for TA, cost, and

⁴ Steven Radelet and Bilal Siddiqi, “Global Fund Grant Programs: Which Are Most Likely To Succeed?” draft paper, Center for Global Development.

other issues. Some countries hire TA to help design and write proposals, raising issues about paying for TA in advance of a program and the extent to which the resulting programs truly represent country priorities. The Fund could explore ways of improving the quality of TA, and encouraging countries to ask for it – and fund it – earlier in the grants.

d. Procurement

Procurement is a major challenge for the Fund, and one of the main reasons why grants get into trouble. Many countries have weak or corrupt procurement systems, creating long delays in some cases and undermining performance. A major strategic issue for the Fund is the extent to which it should work through national systems (implying a major effort to strengthen those systems) or work around them. At the same time, many believe that the Global Fund should move to more centralized procurement to use its size to influence global markets for drugs and commodities, both in terms of price and in terms of innovation. Under the country-led approach, the purchasing power of the Fund has been divided into smaller pieces and has not been used to affect global markets. (A notable exception is the ACT financing mechanism which allows the Fund to purchase ACTs out of grant funds on behalf of the countries, but for a variety of reasons, mostly shortage of supply, this has failed to change the market or resolve problems). The Board is now considering a move towards more centralized procurement, both to address country-level weaknesses and to begin to influence world markets.

e. Strengthening the Participatory Approach

The Global Fund is committed to broad participation of a wide variety of stakeholders in programs design, implementation, and monitoring and evaluation. CCMs must have NGO members selected from among their ranks through a transparent, documented process, and must also have representatives of people infected or affected by the diseases. Yet major questions remain. Most of the debates around the participatory approach are based on opinions rather than empirical evidence, as there has been little research on the relationship between different types of participatory approaches and program performance in foreign aid programs globally, including the Global Fund. Many CCMs continue to be dominated by governments, with only nominal non-government participation. But even in more open countries, not everyone can participate, so who should be included, who should be excluded, and who decides? And how should CCMs manage a broadly inclusive process with a wide range of ideas and priorities into clear and effective programs? There are also costs to the participatory approach as designed in the Global Fund. There is often a tension between a broadly participatory approach and speed and efficiency. In addition, some NGO representatives may not have funding to attend CCM meetings, may lack the skills and training of some other members, and may not feel comfortable participating fully. Such problems are magnified for groups of people infected with the diseases, who face the additional burden of stigma.

f. Continuity

The maximum grant lifetime is five years. By December 2006, 33 grants will reach the end of their lifetime, with another 117 grants ending in 2007 and 2008. Many of the policies for program continuity are untested and/or unclear. As it stands, countries must go back through the proposal process regardless of program performance, and regardless of timing gaps between the end of

programs and new rounds, which are not coordinated. Some argue that other funders should pick up successful programs, allowing Global Fund resources to focus on new and innovative programs, but such transitions are complex. An additional challenge is the continuity of life-saving treatment policy, which allows continued funding for two years to terminated grants for ARVs and TB drugs. Some argue that the policy is too narrowly construed towards treatment; in many cases it leads to battles between the Fund and recipients over what it actually covers.

g. Fragile States

One of the strongest aspects of the Global Fund is its willingness to work where other donors decline to fund programs. But programs in some countries struggle because of weak health systems, low capacity, and conflicted political environments. While it is important for the Fund to work in fragile states, it is generally more challenging and more risky. The Fund may need to take more steps to recognize the weakness of the systems and capacities in these countries and design ways to get them the technical assistance and partnerships that they may need. The greater risks may also require different kinds of implementing arrangements and oversight mechanisms. Additional safeguards may be needed in the most difficult countries with strained relationships with the international community such as Cuba, Ukraine, Iran, Myanmar, and Zimbabwe, but the restrictions imposed by the Fund risk being so onerous and time-consuming that these grants are extremely difficult to implement. Reviewing and revising this policy would help these countries, as well as UNDP which manages grants programs in many fragile states.

More broadly, the Global Fund may need to consider introducing different operational mechanisms across different types of countries that recognize differences in risks. Greater scrutiny and oversight may be needed in difficult partnerships, whereas more streamlined procedures may be appropriate in countries with a stronger track record and greater implementation and oversight capacity.

4. Relationships with Partners

The Global Fund model, with no country presence and a limited staff, is dependent upon building partnerships with governments, NGOs, donors and other groups and working within this “network” to implement programs. Partners serve on CCMs, provide TA, inform the Global Fund what is happening on the ground, assist with proposal development, etc. The Fund actively participates in donor coordination efforts such as the UNAIDS-sponsored “Three Ones” initiative, and the Global Fund now holds annual coordination meetings with PEPFAR and the World Bank. Yet it is still not completely clear what the Fund expects from its partners and how best to use them. The multilaterals continue to complain of an “unfunded mandate” – they want to assist Global Fund grant recipients, but lack the funding. The Global Fund tends to see the programs as “country” programs that it funds and that other partners should contribute in the course of their work with recipient countries, but not all partners share the same vision. Donor coordination is a complex task and not one that will be easily solved. It requires staff time, headquarters direction, and clear agreements about how the programs will work together, and the impact that these efforts should have on countries. One of the largest complaints from recipient countries of aid programs generally is that limited personnel spend too much time performing repetitive tasks to satisfy multiple donors. An important challenge for the new ED will be to determine a strategy, in collaboration with the other donors, for the Global Fund to work more effectively with partners, and for all of the partners can coordinate better together.

5. Implementing a Performance-Based Model

a. The Technical Review Panel (TRP) and the proposals process

The Fund uses a rounds-based proposals process rather than reviewing grants year-round. The rounds-based system often results in large, feast-or-famine type proposals because many countries are unsure of future funding. Countries also submit proposals they consider to be “safe” – for treatment and care – rather than more innovative programs that may be riskier. To increase the likelihood of funding, some countries use consultants to write the proposals, which sometimes results in unrealistic and unimplementable proposals that the countries do not understand or necessarily support. Funding rounds are not coordinated with other donors and funding cycles, and do not encourage the writing of costed, implementable national plans.

The TRP consists of approximately 26 volunteers who work for 2 weeks to review proposals. The model has been strained as proposals have become longer and more complex and as the TRP has been asked to review “Revised Go” Phase 2 grants, etc. The strength of the TRP is its independence, but its weakness is lack of country-specific contextual information and familiarity that allow it to accurately judge quality. Moreover, the process does not allow the TRP to factor in past grant performance. The TRP does not evaluate budgets and targets in detail because they lack time and information, so some successful proposals are more ambitious than others. In some cases then, the Fund gets more, or less, for its money.

b. Improving Monitoring and Evaluation

The Fund has invested considerable effort in strengthening M&E systems, both to improve the quality of results and to reduce the burden on countries. A joint M&E Toolkit was developed with PEPFAR, WHO and the World Bank. Yet many challenges remain. Countries are overwhelmed by reporting requirements and lack the personnel to devote to M&E. The quality of reporting is often poor, and the Fund struggles to validate results reported by the countries. Coordination with donors is often still problematic, although it has improved significantly. Attribution of results between the major programs is disputed, with some patients being counted more than once. Measurement of results is particularly difficult with SWAp arrangements where Global Fund money is co-mingled with other donor and government funds. And most significantly, it is unclear the extent to which the Fund will be able to measure the actual impact of many of its programs, although the TERG is currently beginning such an assessment. Key issues include identifying the right measures of progress, obtaining the right baseline data, and implementing procedures to track data throughout the life of the program that are accurate without creating unwieldy requirements on recipients.

c. Operating on Performance Based Principles

One of the framework principles of the Global Fund is that funding is performance based, so poorly performing programs should be terminated with funds redirected to more promising initiatives. However, only five grants out of 124 evaluated have been terminated for poor performance, and there has been considerable disagreement between the Secretariat and the Board on most of the 12 programs with “No Go” recommendations from the Secretariat. Both grant recipients and experts familiar with

the process complain that decisions regarding grants with “No Go” recommendations are political and somewhat arbitrary. A failure to consistently and fairly terminate non-performing programs could undermine confidence in the Global Fund, weaken support for continued funding, and weaken the incentives for strong performance.