

GLOBAL FUND – WORLD BANK HIV/AIDS PROGRAMS
COMPARATIVE ADVANTAGE STUDY

PREPARED FOR

THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS & MALARIA

AND

THE WORLD BANK GLOBAL HIV/AIDS PROGRAM

BY

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EXECUTIVE SUMMARY

1. The latest (December 2005) statistical update from UNAIDS confirms that, despite progress in a small but growing number of countries, the AIDS epidemic continues to outstrip global efforts to contain it. While spending on AIDS has gone up sharply in recent years, it is still woefully inadequate if the massive requirements for treatment as well as prevention and mitigation are to be met. Thus, it is especially important that resources currently available are well-utilized and that the collective international effort is coherent and well-coordinated.

2. This is not happening, or at least it is not happening on the scale and with the consistency that the crisis demands. A multitude of international organizations providing HIV/AIDS services have been converging on countries with limited institutional, administrative and managerial public health capacities, creating what UNAIDS describes as “an implementation crisis”. Unless the larger international agencies, such as the Global Fund and the World Bank, exercise leadership in addressing this implementation crisis, it is unlikely to be solved. Recent studies of global health programs, while acknowledging their many contributions, conclude that “their collective impact has created or exacerbated a series of problems at the country level” – including, for example, “poor coordination and duplication, high transaction costs, variable degrees of country ownership, and lack of alignment with country systems. The cumulative effect of these problems is to risk undermining the sustainability of national development plans, distorting national priorities, diverting scarce human resources and/or establishing uncoordinated service delivery structures.”

3. This is a most serious indictment. Leading international institutions have recognized it as such by acknowledging formally that issues of comparative advantage and division of labor need to be resolved as imperative preconditions to the enhanced effectiveness of the overall international effort and to its prospects for success. Specifically, the Global Task Team on Improving AIDS Coordination Among Multilateral Institutions and International Donors (GTT), meeting in June 2005, recommended that a better, more systemic understanding of comparative advantage and an agreed *modus operandi* framework needs to be achieved between major actors. This GTT recommendation has led directly to the current study, which is intended to help the Global Fund to Fight AIDS, Tuberculosis and Malaria and the World Bank build a stronger and more complementary partnership that will enhance the international community’s ability to achieve its ambitious HIV/AIDS goals.

4. This review of comparative advantage suggests a number of ways greater complementarity can be achieved, building on the considerable efforts already undertaken by the two agencies since the GTT report was issued. Donors need to encourage and facilitate national leadership and adapt their own programs to individual country circumstances, thereby reducing burdens on countries receiving assistance and helping them to build their own national programs. Experience suggests this is not easily accomplished, but it has been done, and there is no reason

to believe the pace cannot now be accelerated. This should result in improved quality and real value-added, making the best use of the resources available. Leadership shown by these two large funding agencies should help ensure that other donors play their part as well, and result in greater assurance that funds will be well-utilized.

5. Most of the difficulties and risks identified in the independent studies referred to above – and highlighted as well in this paper – are now well known to the institutions themselves. In the case of the Global Fund and the World Bank, many staff members in each agency are already working together and with governments and other partners, with ingenuity and persistence, to overcome these very difficult problems. But as the focus appropriately falls on how to remove the barriers to strengthened performance, it is important that the difficulties associated with the barriers not prompt a ‘scaling down’ or a retreat from the massive intensification of the global effort against AIDS that is required. Moreover, it will be essential that the bilateral donors, who are the main funders of the Global Fund and the World Bank, recognize explicitly that effective collaboration and harmonization inevitably involve substantial incremental costs. Bilateral donors are setting standards and requirements for multilateral agencies that they cannot begin to match in their own programs. Setting the very highest of standards for coordination and overall aid effectiveness is important and worthwhile, but the bilateral agencies cannot continue to ignore the inevitable attendant costs of building effective partnerships and their role in helping to meet these burdens.

Assets of the Global Fund and the World Bank

6. An understanding of the assets and attributes of any organization is the essential starting point to a determination of comparative advantage. The Global Fund has many assets. Among the most important are the following: its focused appeal for funds for the three diseases; the grant resources it can now make available for combating HIV/AIDS; its ability to make grants in nearly all developing and emerging market countries; its ability to move swiftly in approving project proposals; the impressive results achieved in such a short time period; aspects of its governance system; its capacity to work directly with civil society; its performance-based allocation system; its transparency of operations as reflected on its excellent website; its openness and capacity for self-criticism; its current and potential capacity to generate widespread support and finance from the private sector and general public; its building of public awareness about HIV/AIDS; and its speed in procuring drugs and other commodities at lower prices.

7. The Global Fund’s governance principles and procedures introduced at its inception are in many ways a source of strength, but in some other ways they also complicate the Global Fund’s ability to fully apply these assets and to ensure that its resources, and those of others, are used most effectively. Strengthened partnerships, including those with the World Bank, should help provide needed technical assistance to complement the Fund’s massive financial investments. The Global Fund also needs to take further steps to adapt its policies and actions to enhance implementation of the “Three Ones” principles.

8. The World Bank AIDS programs also have many assets. They include: the benefits of a comprehensive development institution with long experience in nearly all developing countries; the Bank’s commitment to poverty reduction; the quality and size of its diverse staff – both at

headquarters and in the field; its diagnostic and analytical capacity; its ability to work in a multi-sectoral fashion, mainstreaming HIV/AIDS with most key ministries; its collaboration with governments, through policy dialogue, in setting priorities and drawing up national and sector plans – and to lend resources in support of these programs; its commitment to stay engaged for the long haul, with both funds and technical assistance; the flexibility of its MAP programs; its capacity to help build stronger health delivery systems; its implementation experience, including financial management and procurement system development; and its potential capacity to give greater attention to program evaluation.

9. The World Bank has not, however, always been able to exploit these assets as well as it might. There is some concern that its exceptional response through MAP has not been well-integrated into mainstream development in-country, that the Bank's global priorities in the health sector and its AIDS programs are often not reflected in country priorities, and that the Bank has paid insufficient attention to building sustainable health delivery systems.

Building on Assets – Delineating Comparative Advantage

10. The challenge for the Global Fund and the World Bank is to convert this impressive array of assets into complementary, efficient and effective roles and programs in accordance with their respective comparative advantages. This is especially the case in working to meet challenges in the poorest and weakest of developing countries and is an essential precondition to the realization of the full potential of the two organizations in the global fight against AIDS. If this can be achieved, both organizations would then better reflect the fundamental principles set forth in the Three Ones vision and the Paris Declaration on alignment and harmonization.

11. As mentioned above, while experience would indicate that this may not easily be accomplished, there is also every reason to believe that the adjustments required do not necessitate wholesale institutional changes and that the essential ingredients to more effective comparative advantage arrangements can be achieved quickly. In this connection, this study of comparative advantage agrees with and reflects a recent DFID study that concluded: “More rapid and effective change will come through mechanisms to improve collaboration and division of labor, rather than major and radical reform of the overall architecture. This echoes an implicit assumption in the Global Task Team's process for coordinating the HIV and AIDS response, and in the current implementation of its recommendations.”

12. Thus, this study's analysis and recommendations do not suggest rigid boundaries, but rather a broad, enabling framework of differentiated specializations and an ongoing dynamic for their review and refinement. As noted below, there are important functions better performed by one or the other agency based on comparative advantage, but it does not make sense to rigidly determine at a global level what activities may be funded by each agency. In some countries a division of responsibility along regional and district lines would make good sense, with the government and effective donor coordination ensuring that the pieces fit together into a national program. In other cases a topping-up of one organization's project by the other would also be appropriate. With proper guidelines and known areas of emphasis, especially where there is a costed national AIDS action plan in place, a coordinated program of assistance can be worked out at the country level.

13. Moreover, the timing for enhanced comparative advantage arrangements is propitious. A positive environment now exists in the two agencies for enhanced cooperation, and the GTT recommendations have already resulted in an active follow-up program of action, but strenuous efforts by both the Global Fund and the World Bank will be needed to ensure that a lasting and complementary partnership is built and nurtured and that other key partners – such as PEPFAR and WHO - become an integral part of this alliance.

14. Three fundamental themes emerge from this study, as follows:

1. *The “Three Ones” principles must be adhered to.* Both organizations must make a number of concrete adjustments and stronger efforts to do so. Broad pronouncements and exhortations are not enough. Country-specific action plans must be prepared, budgeted and implemented, consistent with the GTT recommendations.
2. *The Global Fund* should go beyond emphasizing and reemphasizing its comparative advantage as a financing, not an implementing, agency. It needs to give much greater strategic and operational precision to its financing role. This will require enhanced specificity on what it will not do as well as what it will do. Its main focus in this regard should be on financing directly the prevention and treatment of the three diseases. In differentiation from this, bilateral and multilateral donors in the UNAIDS family, including the World Bank, should provide more support for policy dialogue, analytic work, project preparation and implementation at the country level.
3. *The World Bank’s* main comparative advantage lies in systemic health sector capacity building. Its strategic and programmatic focus should emphasize this to a much greater extent and with enhanced clarity. This is fundamental to progress not merely on AIDS but to other diseases and, more generally, to the sustainability of all efforts to improve human health in poorer countries. This is a difficult and complex area, but no other agency has the reach, the expertise, and the experience that the Bank has, including the ability to link the health sector to broader macroeconomic and budgetary issues in each country. Similarly, the Bank should help governments to be more strategic and selective in setting priorities for its AIDS and health activities, encouraging countries to use their limited capacities to implement activities that will have the greatest impact on the epidemic.

15. Flowing from these themes are a number of more specific actions needed to ensure that the Global Fund and World Bank HIV/AIDS programs become even more complementary and mutually reinforcing. Among those included in the report are the following:

Joint Actions to Strengthen and Furnish Concrete Support for the Three Ones Principles

16. Both the World Bank and the Global Fund have endorsed these overarching principles, but implementation lags behind. The proliferation of separate donor procedures and rules creates confusion and additional work for already overstretched country officials. This is one area where duplication clearly exists between the Global Fund and Bank – e.g., the competing roles of Country Coordinating Mechanisms (CCMs) and National AIDS Councils (NAC). Initiatives by

these two big players to foster effective implementation of the Three Ones should also have a salutary impact on other donors. The Global Fund and the Bank should capitalize on the enthusiasm expressed by donors for the Paris Principles to press ahead on alignment and harmonization actions. Ideally, governments should take the lead, a point that needs to be emphasized strongly to those governments which may be reluctant to make the necessary decisions to foster an environment consistent with the Three Ones. Donors should coalesce behind the government's plan. (The World Bank in particular has an especially important role to play in the development of such a plan and the assurance of sustainable financing). It is important to stress, however, that effective collaboration and harmonization involve substantial incremental costs which bilateral donors should help meet.

17. In the next several months both institutions should:

- Issue clear guidance to their staffs that promotes support for one national plan (costed and prioritized), one national coordinating body, and one national monitoring and evaluation system. These principles are not simple to implement, and follow-up work to the GTT has recognized the difficulties, but it is particularly crucial to address these problems given the large number of agencies working in the AIDS area in many countries, resulting in time-consuming and confusing impact on country partners.
- Encourage the unification of the NACs (or their equivalents) and CCMs wherever possible. This guidance should emphasize that as staff work with countries and principal recipients to develop proposals and programs, they should ensure that where there is an on-going Bank-supported project, the Global Fund's Principal Recipient and the CCM should use similar channels to the greatest extent feasible. This will help strengthen government capacity to manage its own programs, whatever the source of financing. Similarly, where the Bank is beginning a program and the Global Fund is already present and a CCM in place, then the Bank program should use that channel as well.
- Begin concrete work towards having a common procurement system as well as a common monitoring and evaluation system – including other donors wherever possible - in order to reduce burdens on the recipient country.
- Commit as a matter of institutional policy, and promulgate practical guidance to the respective staff of both organizations, to encourage the consensus selection of a lead donor in each country to help organize its counterparts – perhaps a bilateral, perhaps the Bank, perhaps a UN agency, depending on the strength and quality of the resident personnel and of their working relationships with the government, civil society and other donors.
- Employ the planned January 2006 workshop of operational staff from the Global Fund, the World Bank and PEPFAR as an important occasion to explore the practical steps, barriers and requirements for effective collaboration in support of the Three Ones. The lessons learned and recommendations emanating from the workshop should be widely promoted.

At the same time, bilateral donors should initiate the actions required to help cover the additional costs incurred by the Global Fund, the World Bank and other international

agencies as they seek to implement the actions recommended by the GTT to support the Three Ones and the further steps recommended in this report.

An Action Plan for the Global Fund

18. The Global Fund should ensure that its model can be readily adapted to build on lessons learned in its first four years. It should remain consistent with its original role – and its comparative advantage - as a financing mechanism for the three diseases. Every opportunity should be exploited to raise additional funds, seeking new and innovative approaches - including making greater efforts to tap the private sector - in addition to relying on the normal replenishment process.

19. While there cannot be hard and fast rules about which agency funds what, given the very different country circumstances in which the two operate, the Global Fund should focus on AIDS prevention and on the procurement of the commodities and drugs essential for treatment, and should not include health system strengthening as a priority in its Round 6 Call for Proposals. Instead, the Bank should take the lead in this area. This does not mean that the Global Fund should not be concerned with health system strengthening, but it should mean that the lead role in this area should generally be assigned as a matter of policy to the World Bank. Global Fund investments tied to the three specific diseases, but consciously including certain system-strengthening elements associated with a broader plan, could, under certain circumstances, be an efficient use of Global Fund resources (e.g., topping up a World Bank-supported project, or contributions to a SWAp or PRSC). Moreover, the Global Fund's support for specific disease projects should certainly take into account and complement investments by others in core health delivery programs.

20. The Global Fund, without in-country staff of its own, also needs to adjust its policies and procedures in order to take this reality into full account and to facilitate much enhanced collaboration and partnerships with countries and other agencies, including particularly the World Bank. In this regard, the Global Fund should enunciate and operationalize an incentives regime to encourage its principal recipients to rely more heavily on the World Bank's country analysis, and its diagnostic work and evaluations, in the preparation of proposals. The current propensity of the Global Fund to promote different channels of support for its projects, and to eschew being part of the effort to adhere to national priorities, is consistent neither with its comparative advantage nor its commitment to the Three Ones principles. Perhaps the most important Global Fund principle from which such flexibility can flow is that its projects are meant to be country-driven.

21. Wherever possible, Global Fund proposals – whatever the source - should build upon, and become part of, coordinated programs prepared by government in an open and transparent way, with support from donors, as reflected in pooled funding, SWAps or other forms of joint or coordinated funding. The Global Fund should require that each submitted proposal take into account, and be part of, an agreed and costed country plan (where they exist), demonstrate that the proposal complements and does not duplicate activities of other donors, and provide assurances that the World Bank has seen and commented on the proposal.

22. To facilitate this closer interaction with governments and other donors, Global Fund staff will need clear guidance and management support systems to ensure they are able to use the relatively wide latitude available to them as they advise Principal Recipients and other partners on the design and implementation phases of Global Fund-supported projects. Given the urgency of implementing necessary policy adjustments, the Global Fund Board and Management should move swiftly to address the recommendations in this paper as well as the relevant strategy work currently being carried out under the leadership of the Board's Policy and Strategy Committee.

An Action Plan for the World Bank

23. The broad-based capabilities that are essential to assisting interested countries to strengthen their overall health systems is a clear example of the Bank's comparative advantage, but it has not thus far been fully developed and adequately exploited. The World Bank should give higher priority to systems work, particularly in and for Africa's poorest countries, helping them to develop practical programs and strategies. These strategies need to grapple with large uncertainties and ambiguities about the future, including the need to make often heroic assumptions about fiscal realities and capacities to pay in ten, twenty and thirty years' time. Thus, agility and adaptability need to be essential components in the construction of such strategies. As such they cannot aim to achieve perfect predictability, as has so often been the case in past efforts. These programs could then become the framework around which other donors could provide their support. It would also permit the Global Fund to concentrate its resources in a fashion more consistent with its comparative advantage.

24. World Bank leadership in these circumstances does not mean that it should assume all the responsibilities. On the contrary, it should also serve as a broker to the much larger effort and investments required to build sustainable health delivery systems in poorer countries, especially as the resources required will doubtless exceed by a considerable margin even those available to the World Bank. In this connection, a strengthened and more complementary partnership with WHO is particularly important. There is no need for the World Bank to duplicate expertise in the specific disease-related technical areas where WHO should be the lead authority. Similarly, WHO should not duplicate the Bank's comparative advantage in the health systems area.

25. The Bank's top management and shareholders should accord a specific policy priority to a committed and engaged effort in health sector strengthening as an important service to member governments that cannot effectively be performed by any other agency. This emphasis on health systems should be seen as an essential part of the Bank's campaign for improved livelihoods for the poor. The Global Fund, with its very effective efforts to nurture positive and open relationships with all its stakeholders, should use this strength to generate media attention and build public support for this critical, but less flashy, part of the struggle against poverty in general and the three diseases in the Global Fund's portfolio in particular.

26. This focus on health systems strengthening would not preclude a continuing role for the Bank in programs and projects to help reduce morbidity and mortality from HIV/AIDS and malaria. As resources are limited, however, in countries where both the Global Fund and World Bank are active, the lead responsibility for health systems should be with the Bank, and for prevention and treatment with the Global Fund.

27. For this commitment to health systems to be sustained, the Bank will also, *inter alia*, need to address internal management constraints and create better incentives for multi-sectoral work within its budget system; commit adequate funding over an extended period of time for the needed staff and associated costs; strengthen its skills and leadership in this area; and establish a broad-gauged and cohesive team of experts in various fields to work with, at the start, ten to twenty interested governments in Africa to establish the framework for coordinated investments in health system strengthening. This team should include experts with organizational skills who are knowledgeable about the exceedingly difficult problems of the poorest countries, financial analysts, health economists, institutional development experts, and other experienced policy analysts who know what it means to work through concrete issues in these countries. The team also needs persons skilled in developing public/private partnerships, given the prominent role played by private sector providers in many countries, and include, perhaps most important of all, individuals who can discuss such matters knowledgeably with ministers of finance and make a strong and positive impression.

28. As an integral component of its focus on health systems strengthening, the World Bank should assign priority to helping governments build an enabling policy framework that will benefit the Global Fund and all other donors. This would include more analytical work, such as public expenditure reviews, and give more emphasis to creating effective health reform plans with monitorable performance indicators as part of strengthening SWAs and PRSPs. It should assist countries to prepare sustainable costed strategic plans for the health sector and AIDS action programs, helping governments to set realistic priorities. The Bank also needs to place more emphasis on doing applied research and evaluation of what works, and what does not, in the AIDS arena, a subject greatly understudied, and establish incentives to encourage enhanced performance by recipients of Bank support. The Bank should, building on its comparative advantages, establish specific, monitorable costed priorities and targets from among the breadth of activities addressed in its comprehensive HIV/AIDS Global Program of Action.

29. In addition, the following important procedural steps should be taken by both the Global Fund and Bank to ensure that the maximum degree of alignment and harmonization takes place, building on actions already taken by the two agencies as a result of the intensive attention given this relationship in the past year:

- The Global Fund CEO and the World Bank President should arrange a high-profile meeting in the next three months and commit themselves publicly, and in a clear message to their staffs, to a closer and more complementary working relationship. A clear vision should be spelled out, with respective comparative advantages highlighted along the lines of those set forth in this paper. This commitment should include the importance of accelerated efforts to increase both prevention and treatment programs as mutually reinforcing activities. Senior managers in each agency should be designated with responsibility for ensuring the relationship is developed and that follow-through occurs on a timely basis. Clearly-defined incentives should be identified and enunciated and their application should be an integral component of annual target setting and performance review.
- As this effort to change cultures is not a one-shot affair, the two managements should institute an annual workshop on collaboration at which senior policymakers of both agencies, as well as operational staff and others, meet to identify ways to work together more

effectively. Discussions would review what works and what does not and how to ensure that successful approaches are spread more broadly. There should be a clear agenda and arrangements for follow-up to ensure progress. Issues in need of resolution that might well be on the agenda for such a workshop could include the CCM/NAC duplication of effort, other Three Ones implementation problems, the role of Local Fund Agents, and so forth.

- The two managements should select several countries in which to demonstrate how this collaboration can work in practice (e.g., Rwanda, Burkina Faso, Russia). If the Bank and the Global Fund are not going to work together in a country, staff should have to explain why. Among recent good steps that need to be reinforced and repeated are messages to staff encouraging them to be in regular communication with their Bank or Global Fund counterparts. Global Fund staff should be included on Bank missions to assess program opportunities. Reports and other key documents should be shared, as agreed in the GTT Deliverables Matrix, and appropriate staff drawn into reviews of ongoing program activities. Starting with the MAP program, the Bank should expand the amount of project detail and other reporting available on the Bank's website, emulating as far as possible the admirable openness Global Fund's website.

Concluding remarks

30. There are many good examples of this collaboration already, for in a significant number of cases the two staffs are working closely together on developing programs in ways that will capitalize on their institutions' respective comparative advantages and minimize burdens on the recipient country. Moreover, the message on collaboration in the future seems to be getting through to staff.

31. The urgency of the AIDS crisis demands that all participants in the fight mobilize their resources and use them well to gain the greatest impact. The Global Fund and the World Bank have important opportunities to ensure that resources expended on AIDS programs are used more efficiently and effectively to produce even better results. They need to concentrate more on exploiting their respective comparative advantages – with the World Bank taking the lead on helping to strengthen health delivery systems while the Fund concentrates on disease programs – and by both agencies emphasizing the critical importance of aligning their programs with country priorities and harmonizing their approaches to make working together with their partners easier and simpler for all concerned. This will take significant effort and creative leadership in both institutions, but staff members are ready for this improved relationship. The organizations' shareholders, board members, international partners and other stakeholders all have a great interest in making sure this partnership works and in contributing to its success.

II. BACKGROUND

A. Context for and Origin of the Study

32. There are many hundreds, if not thousands, of international development organizations currently engaged, in one form or another, in the delivery of goods or services relating to HIV/AIDS. These include multilateral agencies, special national programs (e.g., the United States' PEPFAR), every bilateral donor (all of whom assign high policy priority to dealing with HIV/AIDS), countless NGOs (ranging from very large ones with extensive international coverage to small twinning arrangements between two communities), foundations and charitable trusts (especially the Clinton and Gates Foundations) and private sector actors. This field is very crowded with organizations, large and small, converging on countries with limited to non-existent institutional, administrative and managerial public health capacities. "The result is an implementation crisis – available resources are not being used, and the epidemic continues to outpace the response."¹

33. In these circumstances, addressing issues of comparative advantage and division of labor become imperative preconditions to the enhanced effectiveness of the overall international effort and to its prospects for success. Unfortunately, however, no forum or consortium of owners has the mandate and authority required to impose a division of labor. A more limited but sound starting point, however, would be to achieve a better, more systemic understanding of comparative advantage and an agreed modus operandi framework between major actors. The aim of this study is to contribute to the achievement of such a framework by the Global Fund to Fight AIDS, Tuberculosis and Malaria and the World Bank.

34. This study was undertaken at the request of the Global Fund and the World Bank (HIV/AIDS Global Program Team). It responds to a recommendation of the Global Task Team on Improving AIDS Coordination Among Multilateral Institutions and International Donors (GTT) in June 2005 that the two institutions should "evaluate and clarify areas of overlap, comparative advantages and complementarities".² The GTT based this recommendation on its view that:

The Global Fund and the World Bank increasingly seem to finance the same types of goods and activities in the same countries, without any clear sense of their respective comparative advantages or complementarity with the other. Continued progress on a clearer division of labor between the two will require careful review of each organization's comparative advantages (e.g., the demand-driven, performance-based approach of the Global Fund and the longer time-horizon and experience in infrastructure

¹ UNAIDS Technical Support and Division of Labor, August, 2005, p. 3.

² GTT Final Report, 14 June 2005. UNAIDS. The Global Task Team on Improving AIDS Coordination Among Multilateral Institutions and International Donors (GTT) was established at the March 9, 2005 high-level meeting on "Making Money Work". It was mandated to develop bold recommendations to improve the institutional architecture of the AIDS response. The Team involved 64 participants representing developing countries and donors, civil society groups, regional bodies, the Global Fund and UN system organizations. (See UNAIDS press release July 5, 2005)

and health-systems development of the World Bank financing). Further, communications between the two has been sub-optimal, meaning that potential synergies have often not been released.³

35. While the GTT conclusions were the most significant precipitating event, the need for this study also reflects a convergence of other developments in the international assistance community. In 2005 the Global Fund was in the midst of its first formal replenishment exercise, during which donors expressed their concern that the relationship between the Global Fund and its major partners needed to be carefully reviewed in order to enhance its effectiveness.⁴ Another important factor was the progress in establishing principles for aid delivery achieved by both aid donors and recipient nations, as reflected in the March 2005 Paris Declaration on Aid Effectiveness: Ownership, Harmonization, Alignment, Results and Mutual Accountability. This declaration and the agreed targets for the twelve Indicators of Progress make clear that the status quo is no longer acceptable in development cooperation.⁵ The international health community has also concluded that the Declaration is directly relevant to the health sector and Global Health Partnerships.⁶

36. Specifically in the HIV/AIDS area, on April 25, 2005, UNAIDS, the United Kingdom and the United States co-hosted a high-level meeting at which key donors reaffirmed their commitment to strengthening national AIDS programs led by the affected countries themselves. To achieve the most effective and efficient use of resources, and to ensure rapid action and results-based management, the "Three Ones" principles were endorsed: i.e., one agreed HIV/AIDS Action Framework that provides the basis for coordinating the work of all partners; one National AIDS Coordinating Authority, with a broad-based multi-sectoral mandate; and one agreed country-level Monitoring and Evaluation System.⁷ These principles have now been widely accepted by all major participants in the struggle against AIDS, including, of course, the Global Fund and the World Bank.

37. This study of comparative advantage between the Global Fund and the Bank will also inform the major strategy development effort currently under way in the Global Fund.⁸ Among other issues, this strategy exercise will review the Global Fund's positioning within the broader arena of organizations fighting the pandemics, and also examine the different ways by which it works to achieve impact. The Board's Policy and Strategy Committee, which is leading the strategy development process, is now expected to present recommendations to the full Board for final decision-making in November 2006.

³ *ibid.*, p. 15.

⁴ See *Communiqués* of the three Global Fund Replenishment Meetings, March, June and September, 2005. (Global Fund website)

⁵ OECD, *Joint Progress toward Enhanced Aid Effectiveness*, High Level Forum, Paris, February 28-March 2, 2005.

⁶ Working Group on Global Health Partnerships, Dublin Meeting, September 28, 2005 – [Summary of Discussion](#)

⁷ UNAIDS website.

⁸ The strategy work completed by early January, 2006 is as follows: A comprehensive background analysis has been conducted, drawing on a number of sources, including the "Futures Project" work performed in 2004 and the 2005 reports prepared by Keith Bezanson. In addition, the major strategic areas and questions to be addressed during the strategy process have been agreed to. The next phase of work will focus on the development of strategic options for consideration by the Board. (Source: Global Fund Secretariat, Jan. 11, 2006.)

38. In many ways the GTT itself began to answer its comparative advantage question by the series of associated questions and requests it posed. As a result, the Global Fund and the World Bank, and in certain cases UNAIDS and other partners, have embarked on a series of specific activities designed to address many of the concerns that prompted the GTT exercise. Thus, a nine page matrix – “the GTT roll-out plan” – catalogues the actions underway, aspects of which will be noted throughout this paper.⁹ The Bank and the Global Fund have prepared a more specific Matrix of GTT Deliverables which illustrates the progress since June in strengthening cooperation between these two big players, largely as a result of the GTT initiatives.¹⁰ The central GTT recommendation is that countries need annual, costed AIDS priority action plans around which the community of international donors can align and harmonize their support. The widespread recognition of the importance of this simply stated - though difficult to implement – proposition, and the other factors noted above, provide a strong basis for optimism that resources to address the AIDS crisis will be more effectively utilized in the years to come, especially if these plans are integrated into overall health sector plans. The Global Fund and the World Bank, exploiting their respective comparative advantages, are essential to this outcome.¹¹

B. How the study was conducted

39. Advice has been sought from a great many experts. In particular, Global Fund and World Bank staff have been very cooperative, both at their respective headquarters and in the field (by phone). Since mid-August 2005 more than 25 Global Fund staff members and about 50 World Bank staff have been interviewed, all of whom were very generous with their time and thoughtful comments. A number of Global Fund Board members also provided very helpful advice. Interviews with over 50 others from the donor, recipient, United Nations, NGO and research communities yielded much valuable information and guidance. Except where interviewees’ opinions have been published, their specific comments are usually not attributed by name in this report, but the kindness shown by all in sharing their candid views is much appreciated. Many documents produced by the Global Fund and by the World Bank, as well as a large number of relevant independent evaluations, commentaries, studies and research reports from others, have been invaluable. Most are mentioned in footnotes and a full reading list is found in an annex to this paper. It is comforting that these independent studies come to largely similar conclusions on many of the points discussed in this paper. Earlier versions of this text received careful review by the sponsoring offices in the World Bank and Global Fund, and I am very grateful for their advice and guidance.¹² Any errors of fact or judgment are, however, the author’s alone.

⁹ UNAIDS, GTT Roll-out Plan, 11/29/05.

¹⁰ The Global Fund-World Bank Matrix of GTT Deliverables is included as an annex to this report.

¹¹ An important example of an initiative to address the broader health sector issues is found in a recent World Bank note “From HLF Consensus to Action: A Proposal”. At the November 2005 High Level Forum on Health, donors and partner countries agreed that establishment of “low-key facilitation services could help bridge this gap between expectation and current realities by bringing emerging international good practice and knowledge...to bear to assist ongoing efforts ...to scale up ..to reach MDGs and other health objectives”.

¹² Special thanks are due Mr Jonathan Brown (World Bank) and Dr Christoph Benn (Global Fund), as well as to Dr Keith Bezanson for his invaluable suggestions throughout the drafting process.

III. OBJECTIVES OF THE STUDY

40. UNAIDS has recently reported that:

In 2005, there were close to five million new HIV infections worldwide, 3.2 million of these in sub-Saharan Africa alone. In the same year, three million people died of AIDS-related diseases; more than half a million (570,000) were children. Today the total number of people living with HIV stands at 40.3 million, double the number (19.9 million) in 1995. Despite progress made in a small but growing number of countries, the AIDS epidemic continues to outstrip global efforts to contain it.¹³

The global community has, in recent years, established extremely ambitious goals in its attack on the prevalence and spread of HIV/AIDS. The Millennium Development Goal is for the spread of HIV/AIDS to have been halted, and begun to be reversed, by 2015, and the recent UN World Summit agreed to achieve universal access to AIDS treatment by 2010. At its Gleneagles Summit in July, 2005, the G8 nations assured African leaders that they would provide increased support to permit, *inter alia*, "as close as possible to universal access to treatment for AIDS by 2010".¹⁴ The WHO and UNAIDS goal, set in 2003, of providing anti-retroviral treatment to three million people in fifty developing countries by the end of 2005, was not met (the actual figure reached is about one million), but is indicative of the extraordinary pressure to make substantial progress in addressing the AIDS crisis.

41. Funding for HIV/AIDS programs has also increased markedly in recent years, most notably through the creation of the Global Fund in 2001, the US President's Emergency Plan for AIDS Relief (PEPFAR) initiated in 2003, and the entry of the Gates and Clinton Foundations in a major way, all joining the significant funding being provided by the World Bank and a number of bilateral donors. This is in addition to the commitment of their own resources by countries around the world where AIDS prevalence and public awareness of the magnitude of the problem is high. Global HIV/AIDS funding has grown from about \$300 million in 1996 to an estimated \$8 billion in 2005.¹⁵ And yet, as noted above, the growth in AIDS cases continues at an alarming rate.

42. The funding currently available for the fight against HIV/AIDS is woefully inadequate to meet the needs of all nations if the massive requirements for treatment as well as those associated with prevention and mitigation are to be met. UNAIDS has estimated that the annual global resource requirement will grow from about \$15 billion in 2006 to \$22 billion in 2008.¹⁶ Not only are global totals far below this amount, but in particular Global Fund resources are inadequate to meet the costs of future proposal rounds that are vital to meet agreed goals. Moreover, it is abundantly clear that in many nations, particularly those of Africa and other very poor countries, major additional support is needed if weak health delivery systems are to be strengthened and sustained so that basic health services will be able to reach AIDS patients and the rest of the

¹³ UNAIDS: AIDS Epidemic Update: December 2005, p. 6.

¹⁴ See G8 Chair's Summary, Gleneagles Summit, July 8, 2005

¹⁵ World Bank AIDS Briefing Note, December 2005.

¹⁶ UNAIDS, Resource Needs for an Expanded Response to AIDS in Low- and Middle-Income Countries, August, 2005.

population. This need also reinforces the importance of looking beyond the Global Fund and World Bank to enhance the ability of other key actors to play their appropriate roles more effectively – in particular, the World Health Organization (WHO). While outside the formal scope of this study, the importance of WHO's role on technical matters cannot be neglected in any review of this subject.

43. Thus, a key objective of this study is to explore additional ways these two large sources of finance can work together in a stronger and more complementary partnership to help the international community achieve its ambitious AIDS goals. As requested in this study's Terms of Reference, the current scope, strengths and complementarities of the two agencies are examined, as is the potential for overlap.

44. It is clear that both agencies have great strengths, as well as not insignificant weaknesses. This review of comparative advantage suggests a number of ways greater complementarity can be achieved, building on what has already been agreed by the two agencies since the GTT report was issued. In assessing each institution's assets, consideration is given to both the theoretical advantages of each institution – i.e., what they should be able to do, based on what their respective mandates, structures and rhetoric suggest - and the more important reality of how their operations seem to work on the ground. Recommendations are made for a better division of labor between the two organizations, based on exploiting comparative advantage, and for improvements in operational procedures and governance that currently impede development and implementation of complementary programs and projects.

45. The focus of this report is most often on the situation in Africa, as it is there that the largest number of HIV/AIDS programs are and where the greatest number of challenges exist. This is not to suggest that elsewhere there are not issues or problems for the two agencies to overcome, but in some respects they are less pressing and more susceptible to the steps toward improved cooperation already underway. It should also be noted that while this study focuses on AIDS programs, many of the recommendations for institutional changes would also apply equally as well to work on the other diseases in the Global Fund portfolio.

46. At the core of this effort is a concern for reducing burdens on countries receiving assistance, helping them to build their own national programs with which donors can associate their aid – a major principle of the Paris Declaration, the GTT recommendations and the Bank's Global HIV/AIDS Program of Action.¹⁷ Leadership must come from the country itself, and donors need to be able to adapt with sensitivity and alacrity to individual country circumstances. Experience suggests this is not easily accomplished, but it has been done, and there is no reason to believe the pace cannot now be accelerated. This should result in improved quality and real value-added, making the best use of the resources available. The leadership shown by these two large funding agencies should help ensure that other donors play their part as well, and result in greater assurance that funds will be well-utilized.

47. The timing is right for action on all sides. The AIDS crisis is not abating but spreading; the need for strengthened health delivery systems to deliver a broad range of services is

¹⁷ [The World Bank's HIV/AIDS Program of Action](#), December, 2005.

increasingly understood; the private sector and the non-governmental community appear more committed than ever to play an active role; the Global Fund Board and Secretariat are aware of the need for changes in the Global Fund's method of operations, while still adhering to the Global Fund's core principles; the World Bank has a new president reviewing the Bank's priorities and systems; and the donor community is committed – at least on paper – to support greater alignment of aid programs with country priorities and more harmonization with fellow donors.¹⁸ Moreover, as noted above, it is impressive the degree to which to the Bank, the Global Fund and their other key partners among international organizations have responded to the GTT's recommendations in the short time since they were agreed.¹⁹

¹⁸ See March 2005 [Paris Declaration on Aid Effectiveness](#)

¹⁹ See August 25, 2005, [Update Paper, Implementation of the GTT Recommendations](#) , UNAIDS website, and [GTT roll-out plan, op.cit.](#)

IV. STRENGTHS AND WEAKNESSES OF THE GLOBAL FUND HIV/AIDS PROGRAM

48. Origins. The Global Fund was established in 2001 as an independent public/private partnership, separate from the World Bank or other agencies in the UN family. As set forth in the Framework Document, the Global Fund was founded on a set of principles which differentiated it in key ways from other agencies. Thus, the Global Fund is to:

- Operate as a financial instrument, not an implementing entity.
- Make available and leverage additional financial resources.
- Support programs that reflect national ownership.
- Operate in a balanced manner in terms of different regions, diseases and interventions.
- Pursue an integrated and balanced approach to prevention and treatment.
- Evaluate proposals through independent review processes.
- Establish a simplified, rapid and innovative grant-making process and operate transparently, with accountability.²⁰

49. The Global Fund came into being in 2002 with the advantage of a very high political profile, and was quickly able to raise money and begin providing substantial support to projects around the world, despite its very small secretariat and the need to implement a wholly new approach to development assistance.²¹ The Global Fund's accomplishments during its short life have been impressive. After five rounds of proposals, the Global Fund has approved total grants of about \$2.6 billion to over 135 HIV/AIDS projects in 92 countries (as well as to several regional projects); of this amount about \$1.063 billion has been disbursed to public and private Principal Recipients. Overall, a total of about \$8.6 billion has been pledged or contributed to the Global Fund so far. 384,000 people are now on ARV treatment, three times the number a year ago. After five years it is expected that these grants will permit more than 1.8 million people to be on anti-retrovirals, 62 million clients will have been reached with voluntary counseling and testing services for HIV, and over one million orphans will have received medical services, education and community care.^{22 23}

50. The decision to create a new institution, rather than make use of funding mechanisms such as the World Bank, reflected some disappointment in the performance of established institutions – especially the World Bank and UN agencies – in confronting the AIDS crisis. While some AIDS experts and donors considered the creation of a totally new institution of this kind a great mistake, the prevailing political judgment was that existing agencies needed a jolt from new competition. The Global Fund's advocates also believed that a new, unbureaucratic

²⁰ Global Fund website.

²¹ Bezanson, A Situation Assessment, p. 10.

²² See Global Fund, Monthly Progress Report, October 15, 2005, and GF Press Release Nov. 30, 2005.

²³ As of August 1, 2005, the Phase 2-eligible grants had reached over 50,000 people with ARV treatment and 1.7 million with HIV counseling and testing. Global Fund, Third Progress Report, 2005, p. 59.

and lean financing agency was needed to tap the additional funds expected from donors to confront HIV/AIDS, and also tuberculosis and malaria. As a result, the Global Fund's designers and original Secretariat produced for Board approval in early 2002 a governance structure and set of procedures unlike those of any existing international financial or development institution. These design features remain today as a source of the Global Fund's greatest strengths – and a number of its weaknesses.²⁴

51. Transparency. There is widespread agreement that a key strength of the Global Fund is its transparency, openness and capacity for self-criticism. The Global Fund's very user-friendly website is full of valuable information on virtually every aspect of the Global Fund's work. This easy access provides interested parties ample opportunity to follow developments at the Board as well as in individual projects and to have a very good picture of results achieved. Another feature is the on-line Partnership Forum which permits a broad range of stakeholders to offer their views on the Global Fund's performance. This degree of transparency is remarkable and a model that facilitates accountability in ways other agencies, including the World Bank, would do well to emulate.

52. The Global Fund as a Financial Instrument. The Global Fund was created explicitly to provide finance on a grant basis. As noted above, the founders expected that these funds would be additional to those channeled through traditional mechanisms. There is no question that the Global Fund has generated a large amount of resources,²⁵ most probably more than would have been possible had the program been subsumed in the World Bank or another existing institution. While it is hard to prove additionality, the existence of this new agency has been particularly attractive for donors that wish to increase funding to combat these three diseases (in part due to strong pressure from domestic constituencies), but whose bilateral programs' institutional limitations restrict their ability to manage such large increases.

53. Moreover, the Global Fund (along with UNAIDS and others) has been very effective in raising public awareness around the world about the severity of the AIDS crisis. The diversity of its Board and recipients, and the Global Fund's unique design, adds to its popular appeal. This has led to the creation in many countries of organized Global Fund support groups (which are very rare in the case of the World Bank). These advocacy groups have no doubt contributed to the Global Fund's early fund-raising success.

54. Despite its initial fund-raising, however, there is now concern that the interest and commitment of some traditional donor agencies may be flagging. In 2005 the Global Fund began a formal replenishment process, and has thus far been able to gain donor commitments for about half of the amount needed to meet anticipated requirements for the next two years. Management hopes that the gap can be filled, and is working hard towards that result, but the outcome is not

²⁴ Global Fund, "Discussion Paper on the Core Business Model of a Mature Global Fund", 2004. It outlined the twin pressures faced by the Global Fund to 1) contain and reduce administrative burdens driven by burgeoning numbers of projects in the portfolio and 2) align more closely to country-owned health priorities, and the actions of other donors in support of them, to achieve greater overall impact." See Rogerson, "Rationale and Implications of Moving towards a "Program" Mode of Operations." (unpublished paper for Secretariat)

²⁵ By October 15, 2005, the Global Fund had raised \$8.6 billion in pledges from donors for work on the three diseases, of which \$4.7 billion has been received.

certain. The Global Fund has largely depended upon the traditional method of fund-raising – i.e., grants from governments - but it now has an opportunity to capitalize on the strong public interest in conquering the three diseases to augment its funding from unconventional sources.²⁶ Its fund-raising prowess has been a strong asset, but it will need to exercise increased creativity to generate new pledges in the amounts needed. The success of the Global Fund in confronting some of the concerns addressed in this paper and elsewhere will presumably have an impact on the ultimate willingness of donors to continue to provide the Global Fund the additional resources it needs to fulfill its mandate.

55. Country Eligibility. The Global Fund has broad country eligibility criteria, which means that its grant funds are available to governments and civil society in about 130 countries, including those classified by the World Bank as lower-middle income - a significant asset not matched by the World Bank's International Development Association (IDA) which is limited to low-income countries with per capita incomes below \$965. The IBRD is able to lend to middle-income countries, including those in the upper-middle income category which are only rarely eligible for Global Fund finance. (The Global Fund has projects in about 50 countries in which the Bank does not currently have an AIDS activity; the World Bank has HIV/AIDS projects in thirteen countries without current Global Fund-supported projects. (See Annex) Most recipient countries and NGOs see the benefit of having multiple funding sources to fight these diseases, especially if these funds come as grants, another reason why there is strong support among recipients for ensuring the Global Fund continues to grow in size and strength.

56. The Global Fund is not an Implementing Agency. Set up as a financing agency, the Global Fund was clearly not intended to be yet another development organization with its own implementation and technical assistance capacity.²⁷ This was a heroic assumption, especially given the complex nature of AIDS projects and the diversity of countries the Global Fund serves. Inevitably this has been a source of tension since the Global Fund's inception. Its staff was to be very limited in number – its designers apparently were thinking initially of only 15 or so staff, but soon realized a few more were needed, but still well under 100. A small staff, it was thought, would avoid the perils of slow-moving bureaucracies such as the World Bank, WHO and other UN agencies. Instead, the Global Fund would be able to move swiftly, acting solely as a funder in much the same way a foundation or grant-making academic entity might – the model the Global Fund most closely resembles - rather than that of a multilateral development bank. In fact, given the urgency of the AIDS crisis and immense public pressure to deliver quickly, the Global Fund Board and Secretariat did move fast (perhaps too quickly to ensure high-quality projects, but it did make its presence felt) in approving its first batch of proposals within the first few months of the Global Fund's existence.

57. Proposal Development and Review. Initially, the Global Fund apparently assumed that once it sent out its call for proposals (on a schedule unfortunately not linked in any way to the

²⁶ Bezanson, *A Situation Assessment of the Global Fund*, *op.cit.*, p. 7.

²⁷ In fact, in an unusual step, the Bank has provided an IDA credit to the Government of Lesotho to provide technical and implementation support to permit a Global Fund grant to be utilized. (See Bank website) In a different kind of example of donors helping the Global Fund overcome the absence of staff in-country, DFID's Permanent Secretary has offered the Global Fund the services of DFID country staff as a resource to be drawn upon as needed to monitor Global Fund-supported projects. (Source: conversation with Brad Herbert, Operations Director, Global Fund, September 28, 2005)

timing of the country's own budget cycle²⁸), it could then simply await submissions, have its expert Technical Review Panel examine eligible proposals and recommend the best of the lot, have the Board approve them, and then let the recipients implement their proposals with only a light monitoring system put in place to ensure the funds were spent as expected.

58. In some cases proposals were written not by the government or civil society entity which would be the Principal Recipient, but rather by consultants hired by a partner agency. Often these consultants had no role in the implementation of approved proposals, with obvious consequences. Moreover, in some cases design has been a problem, despite the serious efforts of the many highly qualified experts on the Technical Review Panel to assess proposals carefully.²⁹ Given the nature of the process, and the limits on available funding, many proposals are rejected by the Global Fund, although significant costs (in time and money) are incurred by countries in preparing them.³⁰

59. In short, almost all the burden was placed on the recipients in this performance-based, country-driven system. The Global Fund has no resident in-country staff, relying instead upon the Principal Recipient and its staff to implement the project and report on its progress, with the contracted assistance (in 80 percent of the countries) of the local office of an international accounting firm – such as PWC or KPMG – to review the basic numbers as the Local Fund Agent (LFA). Moreover, to the degree potential recipient organizations in-country – whether government or non-government – required help in proposal-writing, partner agencies from the UN (especially WHO and UNAIDS) and the rest of the donor community were expected to do the necessary work.³¹

60. Unfunded Mandates. While in an ideal world, altruistic cooperation between these separate agencies would be easy to accomplish, in practice this situation has engendered difficulties from the start. While Global Fund staff from top to bottom were openly anxious to establish a solid comparative advantage by differentiating the Global Fund from the bureaucratic ways of traditional agencies, this also led to an increased demand on the staff of other organizations to do the Global Fund's in-country project development, proposal writing and follow-up work. Reportedly this attitude and the reluctance to share credit tended, not surprisingly, to alienate these very same partners, and some of that experience leaves a bitter taste even today. It has also created in other organizations, especially WHO, a direct financial burden for unfunded services and a classical economic problem of the free rider.

61. Staffing Constraints. As the Global Fund's program has grown in size, and difficulties in implementation of projects have arisen, the pressure to build staff capacity has mounted, especially to spread the inordinately heavy burdens in the Operations Unit where fund portfolio

²⁸ This approach to generating proposals is an area identified by the Fund as an issue to be resolved, including the radical possibility of leaving the proposal cycle behind entirely.

²⁹ Lele, Ridker and Upadhyay, Health System Capacities in Developing Countries and Global Health Initiatives, 2005, p. 37 - "For example, GF approved a large proposal in Malawi while discouraging the grant applicants from including capacity building components, even though human capacity constraints in Malawi are legendary."

³⁰ In Round 5, about 37 percent of the AIDS project components reviewed was approved.

³¹ Recently, UNAIDS has identified about \$166 million in "unfunded mandates" for AIDS work by the various agencies, and donors to the Global Fund have begun to contribute to these expenses. For example, the US PEPFAR program provided \$12 million in FY2005 to provide technical assistance to Global Fund grantees.

managers have been responsible for a very large number of countries and individual projects. Staff burn-out has been a problem and is one reason there has been significant turnover of some key staff. New staff are now generally somewhat older and more experienced than their predecessors, and total Secretariat staff numbers have recently gone from about 75 to nearly 150, but this number is still far smaller than any similar agency managing such large amounts of money. Small numbers of overworked staff are also a partial explanation for a number of concerns that communications within the Global Fund and with its partners in the field about procedures and policies have sometimes been confused or lacking sufficient specificity.

62. Concern for Mission Creep. With the portfolio growing rapidly – now nearly 350 projects in 128 countries, with many more to come (perhaps around 500 by 2007, depending on the Global Fund’s success in raising resources) and a number of projects experiencing difficulties of one kind or another, it has become clear to Global Fund management and to some, but far from all, of the Global Fund’s bilateral donor partners that it will simply not be possible for the Global Fund to continue to operate as it has.³² The Local Fund Agents are not normally qualified to help on substantive matters and so there is a growing concern about “mission creep”, with some staff members (most of whom demonstrate very high energy levels despite being overworked) seeking to involve themselves more directly with proposal design and implementation. This could raise serious issues of ownership, as one of the Global Fund’s guiding principles is to honor a country’s own priorities.³³ Where the line should be drawn between adhering firmly to the approach of a lean financing entity on the one hand, and advising recipients on their proposals and implementation on the other, is a difficult philosophical and practical matter for the Global Fund, and is a central unresolved issue of policy for the Global Fund Board and its main stakeholders.

63. Need for Policy Clarity. While the initial Global Fund position was to stay completely out of guiding proposals, there is recognition in some quarters now that this is naïve, cost-ineffective and perhaps even irresponsible, especially given the time expended in preparing proposals without assurance of winning. However, Global Fund staff often operate without clarity as to what is required by the Global Fund’s core principles, and what is not. Operational staff have been so pressed for time, given the extraordinarily heavy workload each carried, that there has been little opportunity to ensure adequate training of staff and the setting of common standards. As a result, some staff have encouraged harmonized solutions, others have not. In some instances staff initiatives for harmonization were subsequently rejected by the Secretariat management. An important aspect of this situation is the degree of flexibility the Global Fund has to adapt its project-specific procedures to country plans and priorities, and to join with other donors in pooling of funds or support for sector-wide programs. There are instances where these

³² See Bezanson, Situation Analysis, op.cit, which makes this unequivocally clear and underscores that something has to give in the business model. The Global Fund’s Executive Director, in his oral report to the 11th Board Meeting, September 28, 2005, also said essentially that the same thing. See Global Fund website.

³³ For example, see Stillman and Bennett (Abt Associates) study in Malawi, where “informants provided several examples of the GF Secretariat providing advice or requesting procedures that were in conflict with the Malawian view or national policies. In most instances, these were relatively minor differences of opinion, but collectively they resulted in a sense of lack of ownership.” p. 24. Similarly, in Benin, Abt respondents complained about a tendency for “micro-planning and micro-management” by Global Fund staff. p. 25

approaches have succeeded, and it would be important to enlarge the group of countries where this has been introduced.³⁴

64. Performance-based Funding. Another significant feature of the Global Fund's approach is its commitment to performance-based funding. While this approach is now becoming a mainstream requirement and practice for the international development system as a whole, its application is particularly evident in multilateral agencies such as the Global Fund. Each Global Fund grant sets, for example, a target for the number of people it aims to reach or clinics it will establish with key interventions over the five-year life of the grant. A great asset of the Global Fund is its commitment to measure – and document – results, and to make them available for all to see on its very informative website. The Global Fund's approach requires that once a proposal has been approved in principle for five-year funding, including for the first two years' funding, agreement must be reached with the Global Fund Secretariat on the performance benchmarks. These must be met before the second tranche is released. As a general principle the Global Fund strives “to align its operations with internationally agreed harmonization and aid effectiveness initiatives”.³⁵ As the OECD-DAC work on alignment and harmonization has emphasized, performance-based funding can be an effective tool, especially if it is focused on national priorities and is linked to partnership-based approaches.³⁶ The Global Fund has worked closely with eight other donor agencies on a Monitoring and Evaluation Toolkit, an agreed set of monitorable indicators to be used by all. The Global Fund also has a number of project-specific indicators that it uses to permit more direct measurement of its own projects.³⁷

65. While others agencies are espousing this approach, the Global Fund seems to be more serious in its commitment, demonstrated by the withholding of grants and the non-automaticity of grant confirmation after year two of the grant. This strong emphasis upon performance, and the Global Fund's willingness in a number of instances to refuse to approve second tranche releases due to failure to meet the required measures (e.g. Senegal), or to suspend grants due to inadequate fiduciary performance (e.g. Uganda), has sent a strong message to recipients.³⁸ While it is still early to determine lasting impact, it is apparent that this approach is giving recipients greater incentives to deliver project outcomes in a timely fashion. This approach also seems to have had surprisingly good results in so-called “fragile” states, which received about 35 percent of Global Fund resources through the first four rounds. Although the evidence thus far is quite preliminary and other factors are also at play, performance in these countries was comparable to those in non-fragile states.³⁹

66. Performance-based funding has created problems in countries where the ability to implement projects quickly is lacking – for example, in small Caribbean nations where the human capacity to deal with these responsibilities is very limited. For those countries where

³⁴ At the request of the GTT, the Global Fund is working with the Bank and UNAIDS on a strategy for moving from project to program funding due to be completed by April, 2006. (GF, [GTT Roll-out plan](#).)

³⁵ Global Fund, “Outcomes of the Working Group: Soft Performance Measures”, September, 2005.

³⁶ See Paul Isenman, OECD-DAC, PowerPoint presentation at Wilton Park Conference, June 17, 2005.

³⁷ See Global Fund and others, [Monitoring and Evaluation Toolkit](#). It has not been easy in practice to implement this common framework. (See Lele et al, [Health Systems Capacities](#), p. 27)

³⁸ Recent decisions of the Global Fund Board to overturn several such Secretariat actions are troubling, however, as they suggest a politicization of a process that is supposed to be based solely on recipient performance in achieving agreed targets.

³⁹ [Global Fund Investments in Fragile States: Early Results](#), The Global Fund, 2005

there is an indication that projects are not likely to meet their targets, a new Early Alert and Response System (EARS) group has been established at the Global Fund to work with countries to improve their performance.⁴⁰

67. There is, however, an important issue as to how to balance this performance requirement – which is measured just 15 to 18 months after the project’s start - with the need for more predictable funding for AIDS and health, and the commitment of donors in the Paris Declaration to provide more predictable and stable funding in general. This is all the more a problem for the Global Fund, given the ethical and public health issues if continuation is not assured for treatment programs begun with short-term funding, either through the Global Fund or some other source.⁴¹ This also emphasizes how important it is for such programs to be closely integrated within a government’s national plan and budget for priority investments.

68. Local Fund Agents (LFA). Another issue the Global Fund is currently reviewing is the proper role and function of the LFA, given the experience gained in the Global Fund’s early years.⁴² In about 80 percent of countries receiving Global Fund grants, representatives of global accounting firms are responsible for monitoring progress in project implementation by the Global Fund’s Principal Recipients as a basis for judging performance. About 42 percent of the Global Fund’s annual operating budget is spent on this function.⁴³ While these agents perform many valuable functions, they are generally not well-equipped to assess and evaluate substantive development issues as they rely more on traditional accounting approaches.⁴⁴ At the December 14, 2001 Brussels final preparatory meeting planning the future structure of the Global Fund, various options were tabled for how this oversight role (on behalf of the Board) might be played. The World Bank was considered a strong possibility for this enhanced trustee role,⁴⁵ but it is

⁴⁰ Executive Director’s Report to the Board, September 28, 2005: “While the Global Fund is a financing mechanism and not an implementing entity, it has a responsibility to identify grant implementation challenges as early as possible and to assist in mobilizing the appropriate support to overcome these challenges. To this end, the Early Alert and Response System (EARS) has been developed in consultation with grant recipients and partners, with the goal of supporting the early identification of implementation challenges by systematic sharing of information on grant progress inside and outside the Secretariat.” p. 7.

⁴¹ See Best Practice Principles for the November 2005 HLF, which sets out important principles for the Global Health Partnerships designed to maximize benefits for and minimize burdens on countries.

⁴² LFAs are independent organizations hired by the Global Fund to “assess that the proposed Principal Recipient(s) have the capacity to assume financial and programmatic accountability for Global Fund resources before the signing of a Grant Agreement; and provide ongoing oversight and verification of the use of Global Fund financing throughout the period of the Grant Agreement” – Source: Global Fund Operational Policy Manual, Glossary

⁴³ In addition, Andrew Rogerson has estimated that the Global Fund may be spending more than ten times the staff cost per million dollars managed compared to the Bank. See Draft Background Note for Fund Futures Project Workshop, May 4, 2005, p. 12.

⁴⁴ Bezanson, Situation Assessment, p. 13, references to Kruse S and Claussen J, Review of the Roles, Functions and Performance of LFA, August, 2004, and GAO, 2005.

⁴⁵ See excerpt from draft report for the Global Fund Board, April 11, 2002: “The World Bank has confirmed that it is committed to fiduciary procedures that support results from country-led development programs, help to build country capacity, and strengthen partnerships between development organizations. It has emphasized its readiness to undertake further work with the Global Fund in the coming months, both to assist with grant implementation, and to develop fiduciary arrangements tailored to the specific needs of the Global Fund. This work would draw on initiatives already underway in the donor community to harmonize and streamline procedures to minimize burdens on recipients. One relevant example is the sector-wide program approach. In such programs, government and donor funds can be pooled, which encourages increased reliance on developing countries’ own planning and budgetary processes and standard reporting formats. This reduces the cost and administrative burden of working with multiple donors with different procedural requirements. The Bank is prepared to work to apply these principles to the operation of the Global Fund by seeking to identify common processes to which recipient countries and international

probable that at that time affiliation of any kind with the World Bank, except in the narrow Trustee role, was considered inconsistent with the desire to establish a wholly different image for the Global Fund. The situation has now changed, and it might be worthwhile for both organizations to consider if it would make sense for the Bank to take on some or all of the LFA responsibilities in a number of countries, although it is recognized that this might raise a number of difficulties.

69. Country Coordinating Mechanism (CCM). The Global Fund has also sought to engage with a wide variety of implementing agencies, both governmental and non-governmental. To develop proposals and provide oversight for implementation the Global Fund required the creation of a new multi-stakeholder institutional arrangement - the Country Coordinating Mechanism.⁴⁶ Ideally it was to be composed of representatives from all parts of society, public and private, with an interest in the fight against AIDS, TB and malaria, to ensure that proposals to the Global Fund would be truly “country-driven”. In practice, CCM leadership, composition and practices have varied widely, and they have had a mixed record of effectiveness. While in many instances they have provided an excellent means of gaining consensus on proposals, they have also become in many countries a new and separate channel which competes with and confuses the roles of other bodies – such as the National Advisory Councils (NAC) formed by governments under the Bank’s MAP and other programs. In some cases health ministers have used CCMs as a source of extra-budgetary funds, by-passing finance ministry decisions, and in some cases their existence has further complicated the already great scarcity of talented personnel. So while they were designed to help increase public participation, and in some cases have done so, in other instances they are considered a “real headache” that fragments the management of AIDS and broader health work in-country and creates a time-consuming “talk-shop”. This can be further exacerbated when the Global Fund’s Principal Recipient is an entity other than the main channel for the funds of other donors.

70. Because of requirements such as these, in its early days the Global Fund was often perceived by experienced donor representatives as a destabilizing force, introducing separate approaches that distorted priorities just as donors had managed to galvanize all parties in support of country policies. As recent country-based surveys have indicated, in some cases this problem still persists.⁴⁷ Given the speed of delivery expected from the start by the Global Fund’s principal shareholders, it may be that there was no realistic option available to the Secretariat. In any case, the Global Fund has recognized that the CCM model has problems and is seeking to improve its design and performance; more rigorous guidelines for CCM composition and governance were incorporated in Round 5 requirements, the Board in April 2005 authorized the use of grant money to support CCM functioning, and further work is underway on incentives and

organizations can equally subscribe.” (Excerpt from April 17 draft Fiduciary Paper for the April 22-24, 2002 Second Global Fund Board Meeting.)

⁴⁶ While technically it need not have been a new entity, in practice this is what happened.

⁴⁷ See the McKinsey study for illustrations of multiple channels required by donors. See also Stillman and Bennett. For a more colorful description in one country, see an Opinion Column by Sa Okuonzi in New Vision, Kampala, Uganda, September 9, 2005.

performance^{48 49} The Global Fund's acceptance of the Three Ones principles suggests this is an area where a clear-cut decision to avoid creating new channels should be made.⁵⁰

71. Links to Civil Society. Working with civil society organizations has great appeal in fighting AIDS, as sustainable solutions depend on active citizen involvement to provide information and ensure services reach deeply into local communities or marginalized segments of the population.⁵¹ An important asset of the Global Fund is its ability, in a large number of countries, to fund civil society groups directly, often groups with which governments are unable to work. Performance by such groups has generally been impressive,⁵² although this is a difficult area to track effectively, especially as not much is known about performance at the sub-grantee level, and NGOs are sometimes quite weak in essential management and financial areas. In this respect Zambia's Global Fund program offers a good model. There a key civil society recipient - the Zambia National AIDS Network (ZKAN) - sought and received training from bilateral donors to strengthen its management and fiduciary capacities before it accepted Global Fund money. The ZKAN leadership reflects great enthusiasm for the Global Fund, its accessibility and its willingness to support initiatives that come from the people rather than rely, as most development institutions do, on a more distant government channel.⁵³

72. Speed. As noted above, the Global Fund has from its inception prided itself on moving quickly,⁵⁴ as contrasted with the World Bank (and most other development agencies) that may take several years to do extensive analyses and due-diligence before a project is presented to its Board, approved and funds disbursed. (In fact, the Bank's MAP projects have been much faster than standard Bank projects, and so the distinction in these cases is less relevant. See paragraph 82 below.) In the Global Fund's case the process is reversed: the Board approval process for proposals is swift - usually just several months from the time proposals are received. After this the necessary appraisal takes place in-country, and in numerous cases this has caused considerable delays before the first monies flow while a number of fiduciary and other requirements are met.⁵⁵ The average time from approval to first disbursement is now 12.5 months. Thus, while speed was an important selling point when the Global Fund was founded, and in general it is still faster than most donor projects in getting funding to its targeted recipients, in some instances it has proven to be not that much faster than the Bank's MAP projects, and large amounts of funds have sometimes sat around undisbursed - as in Ethiopia, Kenya and Malawi.⁵⁶

⁴⁸ The Global Fund is taking the lead in following up a GTT recommendation that the CCMs' relationship to the single national AIDS coordinating authority in selected countries be clarified. A report is expected by June, 2006.

⁴⁹ Bezanson, A Situation Assessment, p.13 and Global Fund, Report of the Executive Director, 11th Board Meeting, September 29-30, 2005, p. 8.

⁵⁰ The World Bank is a member of about 29 percent of existing CCMs, which in ideal circumstances provides an opportunity for Bank engagement in proposal development and other aspects of the Global Fund program. Experience is mixed, however, because of the "talk-shop" problems noted above.

⁵¹ The World Bank also provides significant support to NGOs, but usually through the Ministry of Finance.

⁵² See Global Fund Third Progress Report 2005

⁵³ Conversation with Mrs. Elizabeth Mataka, Executive Director, ZKAN, and Global Fund Alternate Board Member, September 25, 2005

⁵⁴ See Lele et al, Health System Capacities, p. 30

⁵⁵ For example, in Angola the 4th Round proposal was agreed on June 30, 2004 and the grant agreement was signed on June 27, 2005. (GF Website)

⁵⁶ Lele, op.cit., p.32 It is also important to note that most Global Fund statistics for disbursements are to the Principal Recipient rather than to the ultimate beneficiary, as contrasted with the use of this term by the World Bank, and so making apt comparisons is not easy.

73. Procurement of Commodities and Drugs. One area in which the Global Fund is usually faster than the Bank lies in the procurement of commodities and drugs, which accounts for about half of all Global Fund expenditures. While the Global Fund's procurement rules are less restrictive than those of the Bank, there have occasionally been substantial delays as satisfactory procedures are worked out with governments (e.g. Ethiopia). In a number of instances governments have agreed with their main sources of external finance to use only one procurement system, which is the ideal arrangement.⁵⁷ To enhance effectiveness, the Global Fund's Secretariat has several studies underway to address issues in procurement, and efforts to improve and harmonize procurement practices also feature in the GTT roll-out plan. The Global Fund, WHO and the Bank have begun to run joint procurement workshops to help establish common ground rules and understandings among recipients and staffs.⁵⁸

74. Strengthening Health Delivery Systems. A major question is whether the Global Fund is equipped, or should become equipped, to lend financial support to strengthening health delivery systems. From its beginning, the Global Fund has been committed to addressing "HIV/AIDS in ways that contribute to strengthening of health systems". Little guidance has been provided, however, on what sorts of health systems strengthening is permitted and few cross-cutting proposals have been approved.⁵⁹ Nevertheless, the Global Fund argues that about half its grant expenditures contribute directly to improving health delivery systems while also supporting its core investments in specific disease programs. These investments take the form of training, physical infrastructure, monitoring and evaluation and administrative support. (As noted elsewhere, there is little evidence to support this view that these investments, while valuable in themselves, have a lasting impact on health system as a whole.)

75. In the Global Fund's recent Fifth Round of requests for proposals, an explicit fourth cross-cutting category was added: i.e., "Health system strengthening (focusing on system-wide approaches and cross-cutting responses to strengthen health systems)."⁶⁰ This decision reflected recognition of the reality that achieving results with disease-specific programs depended on improved systems. This category was added despite the reluctance of some Board Members and staff who considered this a dilution of the Global Fund's core focus on the three diseases. Three projects were approved by the Board (Cambodia, Malawi, and Rwanda) with a potential total five-year value of about \$104 million. Thirty proposals were received but the quality of most was apparently quite poor - lacking operational detail, real budgets and adequate justifications for the activities proposed. They tended to be little more than shopping lists, without demonstrating a clear understanding or plan for how the health system would function better, or how they would demonstrate improved health systems performance. In part this was because guidelines were unclear, preparation time was short and few health systems programs exist in-country on which to build new proposals. The Global Fund's expert review panel (TRP) has pointed out that "the Global Fund's system is not currently set up to generate strong Health System Strengthening proposals nor to evaluate these effectively".⁶¹ However effective the TRP system is for projects, it is not well-suited for system-wide interventions in which the on-the-ground political and

⁵⁷ In the case of India the system used is based on the long-established World Bank procedures.

⁵⁸ Global Fund, Report of the Executive Director, 11th Board Meeting, Sept. 29-30, 2005, p. 9.

⁵⁹ See Stillman and Bennett (Abt Associates), op.cit., p.2.

⁶⁰ Global Fund, Guidelines for Proposal: Fifth Call for Proposals, March 17, 2005.

⁶¹ Global Fund, Report of the Technical Review Panel and Secretariat, 11th Board Meeting ,pp.23-25.

institutional appraisal is particularly important. Moreover, the two-to-five year funding limit does not fit well with the need for long-term investments in health systems. The option of continuing to include a separate cross-cutting category in Round 6 (whenever that occurs), as in Round 5, is to be considered by the Board. It will need to resolve difficult technical and political issues, for it is apparent that maintaining a HSS category has great substantive and symbolic meaning for certain constituencies. They are concerned that the absence of such a category would devastate hard-fought gains to convince recipients and donors that health system investments (by the Global Fund and others) are integral to fighting HIV/AIDS. (A recommendation on this subject is made below.)

76. Governance System. The governance system of the Global Fund is unusual for an international institution. The Board is comprised of voting representatives from donors, recipient governments, developing and developed country NGOs, communities affected by the three diseases, and the private sector. “Board membership is simply much more democratic and inclusive than in other international organizations where governments are the major stockholders.”⁶² (The Global Fund is also meant to be a public-private partnership, and recently there has begun to be greater attention focused on exploiting its relationships with this important source of advice, support and funding.⁶³) These characteristics are both strengths and weaknesses for the Board. This governance experiment means that development and broad policy issues are usually not at the center of Board deliberations, and special interest constituencies have a good deal of influence. On the other hand, it also means that Secretariat and Board members are exposed to the different perspectives of parties seldom heard in other large financial institutions. For developing country NGO representatives on the Global Fund Board it is a source of great pride and accomplishment that they have a voice equal to, for example, the United States Government’s representative. Moreover, as one donor representative noted, this structure provides a valuable “reality check”, not easily available in the multilateral development banks. It also means, however, that there are great complexities and challenges to reaching consensus on difficult policy issues. This in turn sometimes leaves important issues of the kind raised in this paper and elsewhere without clear-cut answers – although some of these issues will be part of the ongoing Global Fund Board strategy exercise. This governance system does mean, however, that consideration of such issues does not move quickly to resolution.

77. Summary. The Global Fund’s greatest assets lie in its ability to make a focused appeal for funds for the three diseases; in the amount of grant resources it can now make available for combating HIV/AIDS; in its ability to make grants in nearly all developing and emerging market countries; in moving swiftly in approving project proposals; in the impressive results achieved in such a short time period; in aspects of its governance system; in working directly with civil society; in its performance-based allocation system; in its transparency of operations as reflected on its excellent website; in its openness and capacity for self-criticism; in its current and potential capacity to generate widespread support and finance from the private sector and general

⁶² See Bezanson, *An Independent Assessment of the Global Fund*, Global Fund, 2005.

⁶³ See *Report of the Executive Director*, 11th Board Meeting, September 29-30, 2005, p. 3: “Finally, a global AIDS fundraising campaign with some of the world’s leading consumer brands is now being finalized to be launched in early 2006. The campaign is expected to be an unprecedented multi-million dollar fundraising effort to benefit the Global Fund. The development of several other global fundraising initiatives continues to progress with expected launches in early 2006, including an industry-wide employee giving initiative, a grass-roots malaria fundraising campaign and an international AIDS fundraising stamp.”

public; in its building of public awareness about HIV/AIDS; and its speed in procuring drugs and other commodities at lower prices.

78. The Global Fund's governance principles and procedures introduced at its inception are a source of strength, but in some ways they also complicate the Global Fund's ability to fully apply these assets and to ensure that its resources, and those of others, are used most effectively. Central to this is the fact that it was unrealistic for the Global Fund's founders to assume that simply making money available would be enough. For the poorest countries in particular, it is essential to build into financing arrangements a reliable system of providing associated technical assistance. The Global Fund also needs to strengthen, not weaken, the Three Ones principles by its requirements and actions. Relying entirely on the good will and altruistic spirit of other organizations is not feasible when institutional interests are at stake. Much of what is needed to enhance Global Fund effectiveness derives from finding practical ways to strengthen partnerships, including with the World Bank, that will provide the human support needed to balance the massive financial contribution. (The recent UNAIDS effort to reach a division of labor on technical assistance is an important step.⁶⁴) There are also certain areas, in particular support for health systems, where there is real doubt as to whether the Global Fund's assets justify it making major expenditures in competition with its areas of comparative advantage. In addition, there are concerns about its long-term funding reliability, the role of CCMs and LFAs, and several other key parts of the original Global Fund design.

⁶⁴ UNAIDS Technical Support Division of Labor, Summary and Rationale, August, 2005

V. STRENGTHS AND WEAKNESSES OF THE WORLD BANK HIV/AIDS PROGRAMS⁶⁵

79. The Bank as a Development Institution. The World Bank is, like the Global Fund, a financing agency. Cumulative lending for HIV since the first project in 1988 is now over \$2.5 billion, and commitments in Sub-Saharan Africa have grown from \$10 million annually ten years ago to \$250-300 million in each of the last four years.⁶⁶ But in most other ways it is a quite different institution from the Global Fund. Unlike the Global Fund, it is a comprehensive development institution with all the additional attributes that suggests.⁶⁷ The Bank has considerable knowledge about, and has maintained long-term established relationships with, most borrowing member countries, and these links normally continue despite political changes in these countries. Moreover, the World Bank's mandate commits it to a focus on poverty reduction, and thus it has a strong interest in helping governments ensure that the benefits of publicly-financed treatment programs reach and benefit the poor. In many cases Bank operational staff have long worked with health departments, finance ministries and most other government departments. Given the breadth of multi-sectoral interventions required to effectively address AIDS issues, this ability to interact with a wide array of key decision-makers is an important asset, if properly utilized. In India, for example, in addition to free-standing AIDS programs, major attention is now being paid to mainstreaming AIDS interventions in other sectors – e.g., education and transport, and this represents a theme as well in the Bank's Global AIDS Program of Action.⁶⁸

80. Technical Assistance Capacity. The Bank is able, through its own administrative budget, consultant trust funds provided by generous bilateral donors, and project budgets funded by Bank loans, credits and grants, to offer experienced and professional technical assistance in virtually all fields. The Bank also has a large career staff of international development professionals, both in headquarters and in its many field offices – including now many skilled nationals hired locally. These staff are supplemented by a large number of consultants. It also has a significant cadre of other specialists – such as health economists, financial experts and physicians - working on health sector issues in headquarters in research, policy and program development. (This number has been reduced in recent years, however, and is now down by about fifteen percent since 1998.⁶⁹)

81. Analysis and Assessment Capacity. The World Bank has had many years of experience in providing macro-level national assessments of capacities, needs and requirements to address

⁶⁵ For an excellent and candid review of all the major HIV/AIDS issues from the Bank's perspective, and its policy and program directions for the future, see The World Bank's HIV/AIDS Program of Action, December, 2005.

⁶⁶ ibid., p. 26. Note that unlike the Global Fund, the Bank does not aggregate total numbers of people reached with these programs.

⁶⁷ As noted in the Program of Action, for example, "The Bank has contributed more than financing to global efforts against HIV/AIDS. Through strong economic and policy analysis it has helped countries identify the development implications of the epidemic and the potentially high returns to investments in prevention, care and treatment and mitigation programs (and how to choose the best ones). And through policy dialogue it has helped redefine AIDS as a development issue." p. 4.

⁶⁸ ibid., p. 38/39 "...especially in education, legal, gender, youth, transport, infrastructure and the private sector".

⁶⁹ See Lele et al, Global Health Programs etc, OED, p. 52

sectoral shortcomings.⁷⁰ It is also quite accustomed to preparing detailed sector studies and, together with the IMF, to assisting the poorest countries to develop Poverty Reduction Strategies as the basis for both debt relief programs and the setting of aid priorities. The Bank, working closely with its partners, should also be able to help countries develop costed national AIDS strategies and action plans with which donor programs can be associated, although currently there are few such plans.⁷¹ The Bank also advises governments on the proper emphasis to be given HIV/AIDS in the country's overall development agenda.⁷² These capabilities should also make the Bank a primary source for taking the lead on the complex task of helping countries strengthen their health delivery systems. The Bank has done this in the past, including in Africa in earlier periods (e.g., Zimbabwe and Mozambique in the 1980s/90s) as well as currently in several countries.⁷³ Given the current emphasis on combating HIV/AIDS and malaria in the Bank's program in Africa, delivery systems have not, however, received adequate attention, a subject returned to below.

82. Project and Program Preparation. Preparation of traditional Bank-supported projects may take several years of analytical and policy work before the project is ready for Board approval. Due to the urgency of the AIDS crisis, projects in the Bank's multi-country AIDS program for Africa (MAP) moved more rapidly to the approval stage.⁷⁴ Reviews of government fiscal and budgetary policies and procedures are usually part of project preparation. Increasingly, in countries where governmental structures have been strengthened, Bank lending takes the form of sector loans or broad budgetary support loans, designed to have increased impact in accord with agreed national plans and priorities. In many instances other donors have now joined in a pooling of funds or support for sector-wide operations (SWAp) to help finance countries' national plans and budgets. The Bank has participated in some 30 health-related SWAp in nearly 20 countries over the last decade. SWAp involve "time-slice" financing rather than earmarking particular inputs for support. There have been no full-scale independent evaluations of SWAp, and there is some concern as to whether SWAp have actually resulted in better

⁷⁰ In fact, the World Bank is currently preparing two streams of work: i) Fiscal Space for Growth: will provide countries with practical policy options (a menu) on how to increase fiscal space in different macroeconomic environments (taxation rates, debt levels etc.). This will be presented at the Spring 2006 Development Committee meeting; and ii) Composition of Public Spending: will examine impact of investments in different sectors on growth using endogenous growth model-type analysis. (Source – Summary, Oct. 11, 2005 World Bank meeting on fiscal space)

⁷¹ See OED, Committing to Results: Improving the Effectiveness of HIV/AIDS Assistance, 2005. This is an area where the Bank's strengths have not been adequately realized. A recent Bank evaluation of its AIDS projects found that the Bank had consistently overestimated political commitment and delivery capacity, that Bank programs had not impacted on the most vulnerable groups and that the Bank's overall M&E systems were either weak or quite inadequate. More positively, OED found that the Bank's HIV/AIDS programs did (a) help generate, deepen, and broaden political commitment to controlling the epidemic; (b) enhance the efficiency of national AIDS programs by helping governments focus on prevention, cost-effectiveness, and prioritization of activities in the face of scarce resources; (c) help create or strengthen robust national and sub-national AIDS institutions, usually linked to high-level units in the Ministry of Health (MOH), to enhance the long-run response; and (d) encourage governments to build the capacity of NGOs and create mechanisms to enlist them in the national response, often expanding access to prevention and care among the high-risk groups most likely to contract and spread the infection. (p. xv)

⁷² As part of the GTT follow-up, the Bank and UNDP are to produce a report in several months on what is needed by countries to help them create/improve their national AIDS strategies.

⁷³ For example, in the proposed Burkina Faso: Health System Strengthening & Multi-sector HIV/AIDS Program.

⁷⁴ OED's review found that AIDS projects worldwide "had substantially lower total time from identification through effectiveness (21.7 months) than did non-AIDS health projects in the same countries (28.7 months)." Early African MAP projects had a preparation time of only 7.7 months, but a longer time – 8.5 months – from approval to effectiveness. In later Africa MAP projects preparation time doubled to 16.5 months but average time to effectiveness was reduced by about 40 percent. OED, op.cit., p.49 (Box 4.2).

outcomes or greater efficiency. In part this is because these approaches may tend to reduce the dialogue that usually accompanies project development. But, according to one experienced observer, “where the approach works well, it can be an effective way to improve the efficiency, quality and equity of a country’s health system while ensuring a minimum package of essential health services”.⁷⁵ Moreover, a strong argument can be made that donors should maximize the chances for success of overall country programs (though such pooling of resources) rather than focus only on its own projects. In any case, this is an area that deserves more serious evaluation to determine what actually works and why.

83. Financial Management and Procurement Systems. The Bank has developed financial management and procurement systems that have been tested across a wide variety of circumstances and that are highly regarded for the security – including reduction of corruption risks – that they provide. They are generally considered by bilateral donor agencies as examples of best practice and they are made available as public goods to the entire international development community.⁷⁶

84. Monitoring and Evaluation. The Bank has an extensive system of internal monitoring and supervision in place, but this depends on administrative budget allocations being adequate, which has not always been the case. The Bank also has a highly-developed independent evaluation office (OED) which reports to the Bank’s Executive Board on performance of completed Bank-financed activities as well as on the effectiveness of country programs and activities in key sectors – such as the recent evaluation of the Bank’s Global HIV/AIDS program.⁷⁷ M&E funding within Bank-financed projects is usually quite ample, but due in part to country capacity limitations and lack of incentives these resources are often not spent.⁷⁸ The Bank has particular responsibility, in collaboration with the Joint UN Program on HIV/AIDS (UNAIDS) Secretariat, for strengthening country monitoring and evaluation systems.⁷⁹ The Bank’s Program of Action also indicates increased attention will be paid to a critical area – impact evaluations.⁸⁰

85. Loans, Credits and Grants. The World Bank has traditionally provided this wide array of services through IBRD loans to middle-income countries and International Development Association (IDA) interest-free, long-term credits to poor countries. (These loans and credits are usually channeled through recipient government ministries of finance). The Bank is the largest lender to the health sector,⁸¹ and until recently, the largest source of external assistance to AIDS programs (a statement still found on the World Bank website), but it now ranks among the three largest (along with the United States and the Global Fund). Among the first freestanding AIDS

⁷⁵ See Lele et al, Health Systems Capacities, p.54

⁷⁶ In its 2004 publication by Yolanda Tayler entitled Battling HIV/AIDS: A Decision Maker’s Guide to the Procurement of Medicines and Related Supplies, the World Bank has provided a valuable resource for implementing agencies and donors dealing with HIV/AIDS related procurement.

⁷⁷ World Bank, OED, op.cit.

⁷⁸ ibid.

⁷⁹ See Program of Action, op.cit., p. 6: “The Bank’s Global HIV/AIDS Monitoring and Evaluation Team (GAMET) will continue to provide practical, in-country support to country counterparts to develop and strengthen their national monitoring and evaluation (M&E) systems.”

⁸⁰ ibid., p. 43.

⁸¹ Bank/IDA lending for health, nutrition and population has averaged about \$1.9 billion over the past three fiscal years.

projects were India (1992-99) and Brazil (1993-98), and today these are still considered to be among its most successful.⁸² Based on significant analytic work and country-specific HIV/AIDS papers, Bank programs in each geographic region have taken somewhat different directions, reflecting the differing nature of the AIDS epidemic in these countries. They include both freestanding AIDS projects and those focused more clearly on efforts to strengthen health delivery systems and to integrate the struggle against AIDS with interventions in education, transport and other sectors.

86. In recent years IDA has been able to provide grant assistance to many of the poorest countries, including those receiving help through MAP. This program of free-standing AIDS projects has also featured significant flexibility and “learning by doing” far beyond standard Bank procedures, permitting the program to reach more directly to a wide array of civil society organizations (through sub-grants) and to become the “donor of last resort”, filling gaps not funded by other donors. In the last IDA replenishment (IDA13, for the period 2002-2005), AIDS programs were singled out for special treatment. This is no longer the case, as IDA’s owners decided that the only coherent criterion for extending IDA grants rather than credits was a need to avoid further indebtedness – i.e., grants should be a response to debt risk and nothing else.⁸³ As a result, grants in the current IDA14 replenishment period will only be available for the poorest countries participating in the HIPC debt relief program (nearly all of which are current MAP recipients). (Of the 31 Africa MAP projects approved by June 2004, 15 have been grants and the rest credits; grants have also funded a number of non-MAP projects as well.) This potential reduction of access to IDA grant resources means that strengthening the Global Fund as an effective source of finance for AIDS programs is even more important. It is also understandable that recipients would normally opt in the first instance for the grant funding available from others - including the Global Fund - rather than for loans from the World Bank, or even highly concessional IDA credits.⁸⁴

87. Governance. The Bank’s governance system is quite unlike that of the Global Fund, in that it is a giant cooperative of nation states without direct participation of NGOs or the private sector. The Bank’s 184 member governments are represented by a 24-member resident Board of Executive Directors, each constituency having vote totals roughly reflecting its relative economic strength – e.g., the United States chair has about 16.4 percent of total votes, while a director representing 25 African countries has about two percent. The manner in which the President (thus far always an American) is selected, and the distribution of Board Chairs and of voting

⁸² For example, Brazil developed one of the most aggressive, far-reaching strategies in the world to slow the rate of HIV/AIDS infection and to care for those already stricken by the virus. One noteworthy result was a drop in the number of AIDS deaths to 8,400 in 2001 – a reduction of nearly 50% from the 15,200 fatalities in 1995. Programs include massive distribution of condoms (more than 180 million have been given out), needle-exchange programs for IV drug-users, and training of nearly 4,000 teachers and 33,000 students in HIV/AIDS-prevention. (Brazil) Country Brief, 2005, Bank website). OED found that the Bank’s policy dialogue led to India acting years earlier than it otherwise might have, and kept Brazil focused on prevention, particularly on high-risk groups, even when the treatment program expanded rapidly and Brazil experienced a financial crisis. See (a) Beyrer, Chris, Varun Gauri, and Denise Vaillancourt. 2004. “Evaluation of the World Bank’s Assistance in Responding to the AIDS Epidemic: Brazil Case Study”. *OED Working Paper*, Operations Evaluation Department, World Bank, Washington, D.C. (b) OED. 2004. *Brazil: First and Second AIDS and STD Control Projects*. Project Performance Assessment Report, Loans 3659-BR and 4392-BR. Washington, D.C., April 27. (c) OED. 2003. *India: National AIDS Control Project*. Project Performance Assessment Report, Credit 2350. Washington, D.C., July 2.

⁸³ Communication from Mr. G. Lamb, Vice-President, World Bank.

⁸⁴ There are exceptions – for example in Brazil, Mexico and Venezuela.

shares, have prompted many suggestions for changes that would offer at least a greater perception of legitimacy. As yet no politically acceptable formula has been found to significantly change the current situation, but the debates continue, with particular attention focused on addressing similar governance concerns at the IMF. In practice, the World Bank's Board operates almost entirely on a consensus basis and actual votes are rare. Projects are prepared by countries (usually with extensive Bank staff and consultant help), assessed by Management and presented to the Board for approval. The Board also has the ultimate policy-making authority for the Bank. The Bank is structured with a strong role for the President, who is usually able to ensure that the Board focuses on issues of greatest importance to the institution. As a creature of governments the Board is normally able to reach consensus on major policy issues in a reasonable time period. While these features are distinct assets, the Bank Board lacks the diversity of perspectives represented on the Global Fund Board.

88. Civil Society. In the last decade, the Bank has used its impressive convening power – another important asset - and resources to engage much more with civil society on both project and policy issues. “The private and non-profit sectors, civil society groups, communities and people living with HIV/AIDS are essential partners [in Bank-supported HIV/AIDS projects] in every country.”⁸⁵ As part of its policy of greater openness, the Bank now makes available a wide array of information, documents and publications on Bank operations, country data and development issues. It meets frequently with civil society representatives in myriad fora, and promotes open, on-line consultations on important policy debates. In this way non-governmental entities are able to engage in influencing Bank policies and practices, but they do so much less directly than their counterparts on the Global Fund Board.

89. Breadth of Interests. The World Bank's size, global scope and decades of accumulated experience accord it more assets than any other single international development agency. It has often demonstrated its leadership through pioneering work, including in its early investments in the struggle against AIDS. But the breadth of its interests is also a problem for the Bank, for by covering so much territory it has become hard for it to deliver in all areas with the same high quality to which it aspires. Unsurprisingly, this has led to periodic calls for much greater levels of specialization and improvements in the international division of labor, although such decisions never come easily in the Bank. In the HIV/AIDS area, the Bank's independent evaluation office has specifically called attention to these issues, noting that “the Bank's comparative advantage continues to be in helping to build institutions, assessing alternatives, and improving the performance of national AIDS efforts”.⁸⁶

90. Shortcomings. To its great credit, it is often the Bank's own staff who are its harshest critics. In their view the Bank has fallen short of its own goals with regard to HIV/AIDS. “Neither its shareholders nor its managers gave AIDS the priority it warranted, and few Bank clients asked for advice or funding for HIV/AIDS. Most other public organizations were also slow to react in those early years, but as a leader in development the Bank bore a special responsibility - which it failed to fulfill.”⁸⁷

⁸⁵ Program of Action, op.cit., p. 40.

⁸⁶ See OED “Fast Track Brief”, May 23, 2005 p. 2

⁸⁷ The World Bank's Global HIV/AIDS Program of Action, op.cit., p.26. These comments parallel findings of the Bank's independent Operations Evaluation Department report, (OED, op.cit.)

91. These findings are based on the Bank's own evaluations over recent years, illustrating that the Global Fund is not unique in its willingness to criticize itself.⁸⁸ The Bank's independent evaluation office carried out a two-year-long review of the Bank's global AIDS programs⁸⁹ and found many similar areas of concern, as well as others that the management response contested as paying insufficient attention to significant MAP program improvements made recently. The Bank's Interim Review of Africa MAP Programs conducted in 2004 for the Bank's Africa Region provided an opportunity for important mid-term correctives. It highlighted, inter alia, the need for more rigorous strategic planning, greater health sector engagement, performance-based disbursements, and stronger incentives for monitoring and evaluation.⁹⁰

92. Intensive efforts are underway to address these concerns.⁹¹ One example of improved performance has been the increase in Africa MAP project disbursement rates which, after initial poor experience, are now reaching about 90 percent of original projections, higher than the average for Bank lending in general.⁹² This reflects in part the use of the increased flexibility built into MAP projects and the greater ability to adapt to changing circumstances. At the same time, there is some concern that the Africa Region's decision about a year ago to reduce by more than 50 percent budget allocations for AIDS project supervision has hampered follow-up and contributed to about three-quarters of current MAP projects being listed by their task managers as "at risk".⁹³

93. Links to Health Ministries. The relationship between AIDS programs in Africa and health ministries is an important and controversial subject. Because of disappointment with the very slow pace at which the Bank's Africa Region had addressed the AIDS crisis, regional management – reportedly under considerable pressure from the Bank's President – established ACTAfrica (the AIDS Campaign Team for Africa) and developed the MAP initiative in 2000 to accelerate action against the AIDS crisis. ACTAfrica was established in the Regional Vice-President's Office, rather than in the region's health group, to ensure rapid action. This had the desired outcome of producing a significant number of AIDS projects in a very short time, often developed and managed by staff drawn from outside the health sector.

94. One result of this, however, was that initially ministries of health were often by-passed and their authority weakened as resources were channeled through project monitoring units (PMUs) in ministries of finance or other governmental or non-governmental bodies. While fighting AIDS requires a multi-sectoral approach, the way this developed in Africa has frequently meant in practice a further eroding the capacity of already exceedingly weak health ministries, including their ability to integrate the efforts of various governmental departments in

⁸⁸ See, for example, Turning Bureaucrats into Warriors, a 2004 World Bank guide to preparing AIDS projects in Africa, which reflects the learning that had taken place to that time based on project experience. All the issues noted here, and many more, are reflected in this very practical and user-friendly document.

⁸⁹ World Bank, OED, op.cit.

⁹⁰ World Bank, Interim Review of Multi-Country AIDS Program for Africa, October 2004

⁹¹ OED noted "many of the unanticipated risks became apparent soon after approval of the first MAP projects...and resources have been brought to bear to address some of them". (op.cit., p.52) Also, see Management Response to OED's Evaluation, p.2. Also see Lele et al, Health Systems Capacities, p. 29

⁹² World Bank, Global HIV/AIDS Programs in Action, op.cit., p. 40.

⁹³ Of 32 health projects "at risk" in FY05, over 40 percent are in Africa and most are either HIV/AIDS operations or projects with significant HIV/AIDS components. See World Bank Sector Strategy Implementation Update, October 19, 2005 (draft), p.49.

a coherent national program.⁹⁴ As health ministries were unhappy about being by-passed, there also ensued numerous bureaucratic delays in seeking to set up the special project units. It has thus also been difficult to build into projects the essential systems-strengthening aspects that are so critical to long term success in disease control.⁹⁵ Special attention has been paid to working with civil society as an effective way to scale-up the fight against AIDS, but some well-informed observers believe that the balance in Bank-supported programs may have tilted too far towards support for community-based organizations while insufficient attention is paid to systemic capacity and institution building issues, for which governments are primarily responsible.

95. Health Delivery Systems.⁹⁶ It is widely recognized that health delivery systems in Africa are now weaker and more fragmented than they were ten years ago,⁹⁷ and yet the critical need for strengthening them has been further exacerbated as the Global Fund and other programs now promote universal access to treatment as well as for prevention of AIDS.⁹⁸ The welcome price cuts in anti-retroviral drugs have made treatment more economically feasible, especially with new funding sources available.⁹⁹ But a major ethical commitment is made once affected individuals are placed on a drug therapy regime, and this requires an adequate system to deliver these drugs as well as to ensure that once started the provision of such services will continue. Currently delivery systems rarely meet this test, and the real scaling up to meet ambitious national and global goals has hardly begun. And yet most of the very poorest countries with high AIDS prevalence, and their donor partners, have, with a few exceptions, done relatively little to address this challenge.¹⁰⁰

96. The vertical/horizontal debate has gone on for many years in the health community.¹⁰¹ The disease-specific interests of external donors have further drained domestic resources from the funding of health systems maintenance, family planning, child health and other broader health requirements. While it is important for systems to be strengthened to, inter alia, deliver AIDS treatment, such action is also crucial for prevention of AIDS and other severe health

⁹⁴ Looking back, the Bank has not had great success in capacity building. In agriculture the great successes were made largely as a result of US aid programs, from which Bank projects benefited. (Conversation with Dr. Uma Lele.) In Africa, a succession of capacity-building initiatives have had difficulty getting off the ground. A new task force report issued in September, 2005 – Building Effective States, Forging Engaged Societies – will hopefully bring greater results.

⁹⁵ World Bank's HIV/AIDS Program of Action, *op. cit.* p. 38, notes that "Given the demands that HIV/AIDS make on the health sector....the Bank will continue to provide funding and support to strengthen health systems and client country capacity for service delivery..."

⁹⁶ See excerpts from HLSP Institute website definition of health delivery systems: "A country's health system can be seen as a set of inter-related services, processes and capacities that include: direct service delivery..., supporting services..., health workforce..., physical infrastructure..., financing arrangements..., regulation and licensing..., and the overall stewardship function for the health system..."

⁹⁷ See Lele et al, DFID Health Resource Center Study, McKinsey Study and others. Note also G8 Gleneagles Summit statement in July, 2005: "limited health systems capacity is a major constraint to achieving [universal access and treatment for all who need it by 2010]".

⁹⁸ See M. Lewis, Addressing the Challenge of HIV/AIDS, CGD Working Paper 58, April 2005 on the key constraints to be confronted if the system is to meet the expanding demand for HIV/AIDS treatment.

⁹⁹ HIV/AIDS in the Caribbean Region: A Multi-Organization Review, October 20, 2005 p. 9, notes that "prevention programs were receiving less attention and line ministries and civil society organizations were not being engaged with the arrival of significant funding for treatment."

¹⁰⁰ Lewis, op.cit., "Donor penchant for vertical programs that allow countries to place "flags in the sand" undermine governments' ability to develop and integrated, functioning system for health care delivery." p. 17.

¹⁰¹ See article by Anne Mills in the Bulletin of the World Health Organization, April, 2005, 83(4): "Mass Campaigns versus general health services: what have we learnt in 40 years about vertical versus horizontal approaches?"

problems. It is entirely likely that lives of AIDS patients saved through expensive anti-retroviral drug treatments, to say nothing of the millions of other sick people neglected by the diversion of funding to stand-alone disease programs, may be lost to diarrhea or other health problems which are easily prevented by a functioning basic health delivery system.

97. There are many reasons for this lack of adequate attention to health systems. Not least important is that investing in health delivery systems is a difficult long term endeavor, and requires addressing critical questions of relationships between the public and private sector as well as devising complex incentive systems.¹⁰² The gaps in the supply of trained human resources (in part growing because of AIDS' heavy toll among health workers), the lack of efficient and well-managed systems for procurement and delivery of commodities, the need to establish clinics and other infrastructure within easy reach of rural communities, and the inherent costs of any system that seeks to provide a range of basic health services, all constitute a daunting task. "Moreover, the crisis demands political as well as technical solutions because it is deeply associated with national priority setting and because it often involves overcoming conflicting interests at the core of national and international political processes."¹⁰³ In many countries the political incentive to improve the appalling health situation does not exist because the ruling elite is not concerned by health issues primarily affecting the poor and powerless. The result is a very complex, poorly-organized and vastly inefficient web of actors who are loosely organized around the MDG theme. Systems development is clearly not just a priority for health ministries, but for ministries of finance and other sectoral departments as part of a comprehensive national strategy. The costs of building such systems will be large, although it is very hard to estimate exactly how much would be needed without careful country assessments. In addition, there will be significant annual expenditures to run whatever systems are put in place, thus highlighting the critical need to ensure sustainable levels of financing.

98. A focus on individual high profile diseases such as AIDS and those which offer relatively quick short term results – such as malaria and TB – are attractive investments for government ministers in democratically-elected governments, both in donor countries and in developing countries. System development programs with payouts over much longer periods, usually beyond the tenure of such officials, are less attractive. Even certain bilateral donors (e.g. DFID) with a long history of supporting health systems development (and maintaining health experts on their field staffs) have begun to move toward general budget support, which in some cases has inadvertently had the impact of weakening the focus on strengthening systems.¹⁰⁴ It is also apparent that the willingness many years ago of certain Asian countries – e.g., Korea – to think

¹⁰² The World Bank is embarking on a substantial program of sector work to learn lessons from strategies already implemented, for "the debate on effectiveness of service delivery is poorly grounded in evidence and often dominated by sometimes simplistic ideological debates". See "Health Services Delivery – Lessons from Low and Middle-Income Countries: *Concept Note*, December 6, 2005 (draft)

¹⁰³ See p. 35, Health and the Millennium Development Goals, WHO, 2005

¹⁰⁴ This has also been true of the World Bank. "There is a growing view within the Bank, however, that the multi-sectoral approaches may inadvertently have undermined the capacities of health ministries, disempowering them and resulting in the loss of qualified staff to other ministries. Completion and audit reports of HIV/AIDS projects suggest that Bank operations that helped to strengthen the capacity of ministries of health in countries such as Brazil and India may have been more effective in capacity building than has its support for multi-sectoral projects." See Lele et al, Health System Capacities, p. 17. The Bank's Global HIV/AIDS Program of Action recognizes this and emphasizes that the "Bank will continue to provide funding and support to strengthen health systems and client country capacity for service delivery, as part of HIV/AIDS program funding, and/or within broader health sector support". op.cit. p.38.

about the longer term, and to support this vision with the necessary resources, has not been evident – or perhaps feasible - in most of the poorest African countries.

99. It is not surprising that domestic interests and the international health community have had great difficulty in convincing hard-nosed finance ministers in the poorest countries or aid agencies' cost-benefit-oriented analysts to commit the necessary human or financial resources to focus on this need. That is not to say there has been no such investment. In fact, the Bank's 1997 Health Sector Strategy emphasized it as one of three priority areas.¹⁰⁵ The Bank has invested in other geographic regions over the past 25 years, and to some degree in Africa as well (e.g., Mozambique and Zimbabwe some years ago; a systems project for Burkina Faso is currently in preparation).¹⁰⁶ As noted above, the Global Fund argues that about half its financing has gone to support systems development (even before the Fifth Round established a special category for this purpose), but what research evidence there is suggests that relatively little disease-specific investment of this kind actually has a lasting impact on delivery systems, unless it is designed with that objective in mind.

100. In the World Bank Africa Region's recently released Plan of Action, a brief mention states that health systems "are at risk of collapsing", and suggests sector-wide operations (SWaps) will be scaled up, but the specific actions listed in the Plan are focused on AIDS, malaria programs and nutrition.¹⁰⁷ The Bank and WHO are also about to embark on a Gates Foundation/Norad-supported program in five or six African countries to understand more about how to address the crucial human resource gap in health delivery.¹⁰⁸ A focus on human resources is seen by Bank health specialists and key interested donors as not only an important subject in its own right, but as a "driver of the policy dialogue" towards gaining support for a more integrated attack on the delivery system issue.¹⁰⁹ As the World Bank is a very large enterprise, important investments in system strengthening are found in other regions. Some of the most experienced staff are found in regions with the strongest health systems, where the need for outside assistance, while still present, is less critical than in Africa. But even in these regions there is need to rebuild the Bank's capacity to address health systems issues, and a review in these areas should also be undertaken, including how best to build on experience in these countries for use in parts of Africa.

101. The question is whether this primary focus on the human resources issue is an ambitious enough target for the World Bank, in light of current global priorities, resource availabilities,

¹⁰⁵ "HNP Priority Two: To work with countries to enhance the performance of health care systems by promoting equitable access and use of population-based preventive and curative HNP services that are affordable, effective, well managed, of good quality, and responsive to client needs." p. 18, Health, Nutrition and Population Sector Strategy Paper, World Bank, 1997.

¹⁰⁶ In the past three fiscal years, annual IDA/IBRD lending for strengthening Health System Performance has averaged about \$500 million. (Source: World Bank, HDNHE)

¹⁰⁷ World Bank, Meeting the Challenge of Africa's Development: A World Bank Group Action Plan, September 26, paras. 134/35. As one step to help address such issues, the Bank's central Health Office is now working with the Africa Region to focus particularly on those countries off track for the MDGs.

¹⁰⁸ This is, without doubt, an enormous problem in many countries, and is a significant part of the systems challenge. See, for example, World Bank, The Millennium Development Goals for Health: Rising to the Challenges, pp. 111-130 for a good overview. It should be noted that in some cases absenteeism and other governance problems are a part of the problem. See M. Lewis, *op.cit.*, pp.16/17, and Lewis, Governance, Institutions and Corruption in Health Care Delivery: A Review, (unpublished draft), Sept. 21, 2005, pp. 17-22.

¹⁰⁹ Sigrun Mögedal, Norad, "The HRH-Health System Link" – Note for Dialogue, 30.09.05

needs of the partner agencies – and the Bank’s comparative advantage? The answer would appear to be that it is not. This conclusion is encouraged and reinforced by the views of respected experts that there is now a “window of opportunity” where an expanded World Bank leadership role, in conjunction with technical experts at WHO and in cooperation with others such as the Global Fund, GAVI and certain bilateral donors, would be welcomed by the international community.¹¹⁰ (A major recommendation to this effect is made below.)

102. Danger of Generalizations. There is great danger in generalizing about programs spread across many different countries with widely varying circumstances. Moreover, detailed conversations with staff and recipients about their experiences produced a wealth of valuable information that reinforced this need for caution, for there is much impressive work underway by the Bank and its partners that is path-breaking and succeeding under most difficult circumstances. It is also important to recall that circumstances change over time, and the accuracy of the evaluations and assessments often do not keep up with changes introduced to strengthen existing projects.¹¹¹

103. Nevertheless, perceptions are important, often contain more than a grain of truth, and are helpful in determining a general sense – based on outsiders’ views as well as those of the most objective staff members - of the Bank’s strengths and weaknesses. For example, there are well-informed Bank supporters from donor nations who believe “the Bank has the comparative advantage, but is not living up to it” and its programs are “not joined up”. There is concern that the Bank’s “exceptional response” through MAP has not been well-integrated into mainstream development in-country, that the Bank’s general support for country development strategies and its AIDS projects in those countries lack coherence, that the Bank’s global priorities in the health sector and its AIDS programs are often not reflected in its country priorities (or in the countries’ own PRSPs¹¹²), that the Bank is not easy to work with in a partnership of equals, that the health sector staff have not in the past worked closely enough with the MAP program staff, and that AIDS is not integrated sufficiently into health work (especially important now that treatment is such a priority).

104. Global HIV/AIDS Program of Action. This recent document produced in a Bank-wide exercise addresses all of these issues, and more, in a forthright and open fashion. It provides a full accounting of the many challenges faced by the Bank and its many partners in designing and implementing HIV/AIDS programs. It is an excellent source for information and detailed exposition on the array of areas in which the Bank will work in the next several years. It stresses that the Bank will focus on areas of its comparative advantage¹¹³, and highlights its role as a partner with others at work in fighting the AIDS crisis.¹¹⁴

¹¹⁰ In fact, President Wolfowitz is quoted as saying at the High Level Forum on November 14, 2005 that it was important for developing countries to invest in “stronger performing health systems which are the driving force behind effective health resources”. (Associated Press report)

¹¹¹ It is also a fact (sometimes unfortunate, sometimes fortunate) that personalities often play an important role, despite whatever the institutional priorities might be, so a simple change of task manager can make a big difference in levels of collaboration with partners and creativity in overcoming project difficulties.

¹¹² While this impression is widespread, a recent Bank Implementation Update found that the health sector was listed as a priority in all FY05 PRSPs. See World Bank Sector Strategy Implementation Update, October 19, 2005 (draft), p.45.

¹¹³ “These areas include the ability to respond across many sectors; to provide long-term investments in health system strengthening; to access a wide range of policy makers including especially those responsible for finance, planning and

105. It singles out the following five particularly important and interlinked lessons learned from twenty years of experience, and notes that these are also the areas endorsed by the Global Task Team in its division of labor. The action areas endorsed are:¹¹⁵

- Support for *strengthening national AIDS strategies*, to ensure they are truly prioritized and evidence-based, and integrated into development planning;
- Continued and sustained *funding* for national and regional HIV/AIDS programs, and for strengthening health systems, *to support effective HIV/AIDS* responses that are of sufficient scale and scope;
- *Accelerating implementation*, to increase the scope and quality of priority activities;
- Strengthening *country monitoring and evaluation systems* and evidence-informed responses, to enable countries to assess and improve their programs; and
- *Knowledge generation and impact evaluation* of what works, as well as other analytical work to improve program performance.

106. These priorities are very important, and in a general fashion consistent with key elements of the Bank's comparative advantage. Moreover, a key theme is that "the Bank will use its [greater] flexibility [with respect to both the countries and range of activities it can finance] to finance major gaps in HIV/AIDS programs that other funders cannot address as effectively".¹¹⁶ This is a very generous offer, and a quality that recipients and partners may well appreciate.¹¹⁷

107. A concern, however, is that the overall document is so comprehensive that it leaves unclear what the Bank will not do, as in one way or another seemingly every aspect of the AIDS challenge is addressed. As the Program of Action currently stands, specific priorities are not yet clearly set, targets are not established, and costs are not estimated. It thus lacks clarity on what the Bank can reasonably do and the strategic precision called for in the OED evaluation.¹¹⁸ Moreover, the setting of such benchmarks will make it possible to judge performance after three or five years. It is very encouraging that the follow-up implementation plan promised for January, 2006 is expected to provide that kind of detail, building on the Bank's comparative advantages.¹¹⁹

macroeconomics; experience and commitment to participatory approaches that help empower communities; and extensive experience, know-how and lessons learned in program preparation and implementation." The World Bank's Global HIV/AIDS Program of Action, p. 35/36.

¹¹⁴ Interesting, however, it does not spell out how it will interact with, and divide the burden with, the other two big players, PEPFAR and the Global Fund. Direct and specific references to these two agencies are virtually non-existent in the Program of Action.

¹¹⁵ The World Bank's Global HIV/AIDS Program of Action, ibid., p.35

¹¹⁶ ibid., p.37. The Program of Action cites, for example, lending to middle-income IBRD countries not eligible for Global Fund and other financing, aid to post-conflict countries, financing long-term institutional and operating costs, and activities and commodities that may be controversial (e.g. clean needle programs).

¹¹⁷ Consistent with this approach, the Bank's Vice President for Africa has stated that wherever the Global Fund was present and enough financial resources had been provided, the Bank would focus instead on providing needed technical assistance. (Conversation with Mr. Gobind Nankani, Nov. 10, 2005)

¹¹⁸ The OED report urged Bank specialization in HIV/AIDS in three areas: i) Help governments to be more strategic and selective, to prioritize activities, using their limited capacities to implement activities that will have the greatest impact on the epidemic; ii) Strengthen national institutions for managing and implementing the long-run response, particularly in the health sector; and iii) Create incentives to improve the local evidence base for decision-making.

¹¹⁹ See President Wolfowitz's speech to staff on Dec. 1, 2005 (World AIDS Day): "We are working on an implementation plan that will convert this action plan into a long-term and sustained program, with clear targets that will allow us to track progress; in part, through the use of a scorecard so everyone can see and work off the same set of numbers." (Bank website.)

108. Summary. The World Bank has many strong attributes, and some important weaknesses as well. Its assets include: being a development institution with long experience in nearly all developing countries; its commitment to poverty reduction; the quality, diversity and size of its staff – both at headquarters and in the field; its diagnostic and analytical capacity; its ability to work in a multi-sectoral fashion with key ministries, mainstreaming HIV/AIDS in several key sectors; its ability to work closely with governments, through policy dialogue, in setting priorities and drawing up national and sector plans – and to lend resources in support of these programs; its ability to stay engaged for the long haul, with both funds and technical assistance; the flexibility of its MAP programs; its capacity to help build stronger health delivery systems; its implementation experience, including financial management and procurement system development; its impressive convening power; and its potential capacity to focus on evaluation of programs. But as noted above, it has not been able to exploit all these assets as well as it might.

109. It is now very important that, building on these assets, the World Bank work together with the Global Fund to delineate more clearly the respective comparative advantages of each, and to act accordingly. This should result in both programs being strengthened according to the principles set forth in the Three Ones vision and the Paris Declaration on alignment and harmonization.

VI. IMPLICATIONS

110. The challenge for the Global Fund and the World Bank is to convert this impressive array of assets into complementary, efficient and effective roles and programs in accordance with their respective comparative advantages. This is especially the case in working to meet challenges in the poorest and weakest of developing countries and is an essential precondition to the realization of the full potential of the two organizations in the global fight against AIDS. If this can be achieved, both organizations would then better reflect the fundamental principles set forth in the Three Ones vision and the Paris Declaration on alignment and harmonization.

111. Consensus of Recent Studies. Many valuable studies and reports have of late focused on the impact on developing countries of various global health programs (GHP) – including the Global Fund and the World Bank’s MAP.¹²⁰ These studies acknowledge the many contributions made by the GHPs, but a common conclusion is that the GHPs’ “collective impact has created or exacerbated a series of problems at the country level” – including, for example, “poor coordination and duplication, high transaction costs, variable degrees of country ownership, and lack of alignment with country systems. The cumulative effect of these problems is to risk undermining the sustainability of national development plans, distorting national priorities, diverting scarce human resources and/or establishing uncoordinated service delivery structures.”¹²¹

112. Problems Now Quite Well-Understood. The explosion of AIDS has propelled the world’s leadership and the international development system to expand programs and interventions in an historically unprecedented manner. This was bound to create problems as well as promise solutions. Without diminishing in any way the severity of the problems resulting from the explosive growth of GHPs, many of these are probably inevitable growing pains. Most of the difficulties and risks identified in these independent studies – and highlighted as well in this paper – are already well known to the institutions themselves. Many staff members in both the World Bank and the Global Fund are already working together and with governments and other partners to help overcome these very difficult problems with ingenuity and persistence.¹²² As the focus appropriately falls on what can be done to strengthen performance, it is important not to allow these difficulties to prompt a retreat from the massive intensification of the global effort that is required.

113. Radical Reform Not Needed. Neither the Bank nor the Global Fund can meet the needs of their clients on their own. They need each other, and both should be able to make a number of necessary changes without forsaking their core principles or exceeding their mandates. This in turn would have positive benefits for the work of other global health initiatives.¹²³ In this connection, the DFID study’s conclusion seems eminently sensible: “More rapid and effective

¹²⁰ See McKinsey & Co, Global Health Partnerships: Assessing Country Consequences, November, 2005; DFID Health Resource Center Mapping and Assessing Study; Lele et al, Health System Capacities, Stillman and Bennett (Abt Associates), and others.

¹²¹ See “Best Practice Principles for Global Health Partnership Activities at Country Level”, p. 8, Report by the Working Group on Global Health Partnerships for the High Level Forum on the Health MDGs, November, 2005

¹²² See, for example, the Global Fund-World Bank Matrix of GTT Deliverables. (Annex)

¹²³ This view is also consistent with the McKinsey Report conclusions.

change will come through mechanisms to improve collaboration and division of labor, rather than major and radical reform of the overall architecture. This echoes an implicit assumption in the Global Task Team's process for coordinating the HIV and AIDS response, and in the current implementation of its recommendations."¹²⁴ The Global Fund and the World Bank have established an impressive common agenda of work to follow up on the full set of GTT recommendations, implementation of which will go a long way in enhancing the opportunities for effective coordination and reducing duplication at the country level.¹²⁵

114. Early Cultural Problems. This common effort was not a high priority for either institution in the early years of the Global Fund's existence. From the start there was a clash of cultures between the Global Fund and the Bank. The architects of the Global Fund {i.e., the Brussels Group, made up principally but not exclusively of the main donors} required that the Global Fund staff do things differently from the "old, established agencies" (even as the Global Fund needed to rely on them for a large body of unfunded substantive work). Meanwhile, perhaps excessively self-confident Bank staff viewed the creation of the Global Fund as an unwelcome intrusion, with some of its methods seen as setting back the lessons of development practice twenty years and getting in the way of approaches based on long development experience (even if they did not always produce the desired impact).

115. Enhanced Environment for Cooperation. Extensive discussions in the past several months with operational staff and leaders in both organizations suggest that the environment for cooperation now appears to be rapidly changing for the better. The apparent causes (outlined in the Background section above) include, inter alia, the harsh reality of project implementation difficulties, donor and recipient dissatisfaction with institutional rivalries popping up on many occasions in public and private meetings, the need to face the rigors of a Global Fund replenishment exercise and donors' concerns, the near-universal agreement on the Three Ones principles, the remarkable consensus on the GTT recommendations, the Paris Declaration on aid alignment and harmonization, and a growing recognition on the part of many staff members of the two agencies that they actually need each other if lasting success is to be achieved in addressing the AIDS crisis. Even those staff with unfortunate experiences from earlier encounters now acknowledge the importance of finding ways to work together in harmony, based wherever possible on common and coordinated support for essential parts of national plans and strategies. Moreover, Global Fund Executive Director Richard Feachem recently told his Board that "harmonization matters" and that the Global Fund needs to "revisit our business model...as the current model is not sustainable".¹²⁶

116. This does not mean that the relationship problem is solved, or near to being so. Institutional cultures and habits are exceedingly difficult to change, particularly in large and very

¹²⁴ DFID Health Resource Center, Mapping 43.

¹²⁵ See ibid., para. 83, "The Global Fund and the World Bank intend to work together to review and improve their alignment with national cycles and action plans; undertake joint annual reviews as primary evaluation where their Principal Recipient of funding is the same (in at least three countries by June 2006); pilot joint fiduciary assessments; foster communications, information-sharing and joint action, for example by regular meetings and sharing reports, terms of reference and mission reports; identify procurement and supply bottlenecks in the implementation of grants; define problems between National AIDS Commissions and CCMs."

¹²⁶ Oral Report of the Executive Director, 11th Global Fund Board Meeting, September, 2005. Global Fund website.

active organizations.¹²⁷ There will need to be strenuous efforts by both the Global Fund and the Bank to ensure that the complementary partnership is built and nurtured - or as one well-informed donor representative calls it, “negotiated complementarity”-¹²⁸ - and that other key partners become an integral part of this alliance. To help ensure this enhanced degree of cooperation, important decisions should be made about a clearer division of labor based on the relative strengths of each institution.

117. Particular Focus on Sub-Saharan Africa. While the recommendations set forth below have broad application, in fact this discussion applies especially to countries in Africa and other least developed countries. In most (but not all) of these countries both the World Bank and the Global Fund have a significant presence. It is particularly important in these cases that the two programs be especially well-coordinated and complementary. In some other cases, the Bank is a significant source of finance but the Global Fund is not present (e.g., Brazil) and in other cases the reverse is true (e.g., Togo). As the Global Fund has AIDS programs in about twice as many countries as the Bank, there are a large number of countries where problems of overlap or duplication are non-existent – although the need for complementarity is also present in countries where the Bank has health projects.¹²⁹

118. Thus, much of what follows concerns work in sub-Saharan Africa.¹³⁰ But even where the World Bank does not have an HIV/AIDS program, it should play its traditional role as a source of fiscal analysis to ensure macro-level coherence and that the magnitude of financial support not prove inflationary and destabilizing. These are not areas of Global Fund’s expertise, and it highlights the importance of division of labor even in the absence of parallel HIV/AIDS investments – it is just a different form of cooperation and complementarity which depends on the particular country situation.¹³¹

119. Follow Comparative Advantage But Do Not Set Rigid Global Program Choices. It does not make sense to rigidly determine at a global level what activities may be funded by each agency, only in part because of the widely differing levels of activity in individual countries noted above. In some countries a division of responsibility along regional and district lines makes good sense. Perfectly reasonable arrangements have been made for the Bank and the Global Fund to support similar activities in different parts of the same country, with good donor coordination and the government ensuring that the pieces fit together into a national program. In other cases a topping-up of one organization’s project by the other would also be appropriate. In

¹²⁷ Recent country visits by the McKinsey team suggest the new spirit has not yet been implemented in the field, but perhaps this was because the visits occurred in the summer of 2005 just as these changes at the top were being agreed.

¹²⁸ Ms. Sigrun Møgedal (Norway), private communication, 9.22.05

¹²⁹ The Global Fund has HIV/AIDS programs in over 50 countries where no Bank AIDS program is present (about 12 of these are in Africa) and there are about 15 countries where the reverse is true. See Annex Background Information.

¹³⁰ For an interesting assessment of the African situation see Alexander Preker et al, “Capacity Building in the HNP Sector: Achieving the Strategic Options for Better Health in Africa”, World Bank, June, 2005. “This report recommends an expanded definition of capacity building to include strengthening of the underlying institutions and organizations, in addition to the traditional focus on management and infrastructure. This includes ensuring that there is a strong government role in the stewardship function, that sustainable financing is channeled through risk- sharing arrangements, that input generation takes full advantage of the drive and innovation of the private sector, and that service providers are allowed the autonomy and required accountability to provide high quality care for specified population groups.” p. iv

¹³¹ This is also an obvious area involving another key actor – the International Monetary Fund – in the current debates over “fiscal space”. See, for example, Health Financing Revisited: Conference Draft, World Bank, Nov. 2005, p.xix.

some countries there will be a continued need for the Bank to finance high-priority prevention activities that are not popular, and to ensure that basic public functions like monitoring and evaluation occur.¹³²

120. As noted below, there are functions which are better performed by one or the other based on comparative advantage, and these are highlighted, but beyond these priorities the critical factor is that specific country circumstances influence what is best funded and by whom. With proper guidelines and known areas of emphasis, especially where there is a national costed AIDS action program in place (as in Rwanda – see below), a coordinated program of assistance can be worked out at the country level if the steps below are implemented. It should also be stressed that this division of labor does not take place in a vacuum, as there are many other donors engaged in similar efforts. It is for this reason that the Paris Declaration principles of alignment and harmonization must be followed by these two financing giants working closely with other partners in a common effort.

121. Rwanda example. To illustrate the risk of relying too heavily upon generalizations in this area, and to demonstrate that there are examples of what can be done with strong country leadership and donor flexibility, the case of Rwanda’s treatment program is an interesting example – although it can certainly not be considered typical, given its small size, tumultuous recent history, and government structure.¹³³

122. In recent meetings, the Executive Secretary of Rwanda’s HIV/AIDS Commission¹³⁴ described an impressive story of Rwanda’s treatment program (while noting that there is a huge “unfinished agenda” in prevention). The starting point for this effort is a talented, forceful and tenacious leader, well-supported by her Minister and President, heading a national program with clear goals and objectives. Rwanda has insisted that donors adapt their programs to fit the country’s overall plan and budget, and their procedures must do so as well, as Rwanda is a strong believer in putting the Three Ones principles into practice. Thus, all external support for AIDS (and four other diseases) is integrated into the national health system, procurement takes place according to one national plan, and all coordinating committees (including the Global Fund’s CCM) are chaired by a single national official. If donors do not like these conditions, then Rwanda will neither permit them to work there nor accept their monies. “Money can be poison”, she says, and so it is unacceptable if donors wish to impose their own priorities on Rwanda. This has produced a coordinated and complementary effort by the government, civil society and the external sources of support, including the Bank and the Global Fund as well as a large U.S. PEPFAR program. “There is no overlap or duplication between the Global Fund and the Bank in

¹³² Other donors are not the subject of this paper, but it is especially important to recognize the extremely important role that PEPFAR plays in the 15 countries in which it is active. “As of September 30, 2005, the President’s Emergency Plan has supported antiretroviral treatment for more than 400,000 men, women, and children through bilateral programs in 15 of the most afflicted countries in Africa, Asia, and the Caribbean - turning the despair of suffering and death to the hope of health and life. More than 395,000 of those being supported live in sub-Saharan Africa. The U.S. continues to support treatment for more people than any other international partner in the world.” PEPFAR Fact Sheet, Dec. 1, 2005.

¹³³ Rwanda is considered a model by some – e.g. Stephen Lewis, UN Envoy for HIV/AIDS, speaking in Kigali on November 28, 2005: “Rwanda is a model; we recognize this in the U.N. and in other countries”, he told reporters. Source: The New Times (Kigali), Nov. 28, 2005.

¹³⁴ Based in large part on comments by Dr. Agnes Binagwaho at the World Bank, October 27, 2005 and discussions with Bank and Global Fund staff.

Rwanda”, because of this leadership from the country and the demonstrated flexibility of the donors. MAP flexibility has been used many times to provide on short notice consultant services to help strengthen the effectiveness of the government’s AIDS program. While the HIV/AIDS Commission Executive Secretary now has nothing but praise for the work of the Bank in her country, two years ago the story was very different. Relationships were very poor as the Bank’s then-task manager tried to impose, through the MAP project, a number of conditions considered by Rwandans as much too intrusive. With the advent of a more sensitive and creative task manager, the now prevailing highly positive relationship was established – thereby demonstrating again the importance, like it or not, that personalities can have in this business.

123. Meanwhile, Rwanda represents “one of the most successful implementers of Global Fund grants”,¹³⁵ with its broad range of stakeholders having met or exceeded most of the agreed performance targets in a timely fashion. Earlier this year the first of Rwanda’s grants to be evaluated after its first two years of operation was approved for continued funding with grant performance measures yielding greater than 100 percent success rates in all eleven of its service delivery areas. The grant to combat HIV/TB co-infection extended AIDS drugs to more than 4000 people in the last 18 months, more than twice the original target for phase one of the project. In November, 2005, a new grant was signed that will support improved accessibility to health care and strengthened quality of health care delivery in six of Rwanda’s twelve provinces, targeting 4.7 million Rwandans.¹³⁶

124. Thus, while far from typical, Rwanda’s adoption of these (and other) important practices, based on strong government leadership along with donor flexibility and complementarity, offers hope that additional similar opportunities exist – or can be nurtured – elsewhere and exploited for the benefit of many millions of people. What is needed now is for both the Bank and the Global Fund to agree on the steps needed by both to establish a real partnership based on complementarity – in the context of a broad donor effort to support country-led programs.

¹³⁵ Global Fund Press Release, Nov. 28, 2005

¹³⁶ Global Fund website.

VII. RECOMMENDATIONS

125. **Three fundamental themes emerge from this study.** Simply put, they are:

1. **The “Three Ones” principles must be adhered to.** Both organizations must make a number of concrete adjustments and stronger efforts to do so. Broad pronouncements and exhortations are not enough. Country-specific action plans must be prepared, budgeted and implemented, consistent with the GTT recommendations.
2. **The Global Fund** should go beyond emphasizing and reemphasizing its comparative advantage as a financing, not an implementing, agency. It needs to give much greater strategic and operational precision to its financing role. This will require enhanced specificity on what it will not do as well as what it will do. Its main focus in this regard should be on financing directly the prevention and treatment of the three diseases. In differentiation from this, bilateral and multilateral donors, including the World Bank and providers of technical support such as UNAIDS co-sponsors, should provide more support for policy dialogue, analytic work, project preparation and implementation at the country level.
3. **The World Bank’s** main comparative advantage lies in systemic health sector capacity building. Its strategic and programmatic focus should emphasize this to a much greater extent and with enhanced clarity. This is fundamental to progress not merely on AIDS but to other diseases and, more generally, to the sustainability of all efforts to improve human health in poorer countries. This is a difficult and complex area, but no other agency has the reach, the expertise, and the experience that the Bank has, including the ability to link the health sector to broader macroeconomic and budgetary issues in each country. Similarly, the Bank should help governments to be more strategic and selective in setting priorities for its AIDS and health activities, encouraging countries to use their limited capacities to implement activities that will have the greatest impact on the epidemic.

126. Flowing from these three fundamental themes are the following specific actions needed to ensure that the Global Fund and World Bank HIV/AIDS programs become even more complementary and mutually reinforcing.

Joint Actions to Strengthen and Furnish Concrete Support for the Three Ones Principles

127. **Commitment to Harmonization.** Both the Bank¹³⁷ and the Global Fund¹³⁸ have endorsed these overarching principles, but implementation lags behind. As stressed by the McKinsey study, the proliferation of separate donor procedures and rules creates confusion and additional

¹³⁷ The Bank has emphasized in its Program of Action its commitment to the Three Ones vision, *op. cit.*, p. 13

¹³⁸ See, for example, statement by the Global Fund’s Executive Director to the 8th Board Meeting, June, 2004: “The recent announcement of the ‘Three Ones’ is an important and helpful development. The Global Fund participated in the development of the concept of the ‘Three Ones’, and is fully committed to it. The challenge now lies in the implementation of the concept of the ‘Three Ones’ on a country by country basis.

work for already overstretched country officials. This is one area where there is duplication between the Global Fund and Bank – e.g., the CCM/NAC problem.

128. Numerous interviews with Global Fund operational staff indicated differing levels of exposure to harmonization principles, perhaps reflecting the degree of their public sector experience. Reactions ranged from those whose first instinct is to draw upon the extensive country knowledge and expertise of their Bank colleagues, to those who do not know whom to contact to arrange a meeting with Bank colleagues.

129. Bank staff also vary in their enthusiasm for the time-consuming burdens of coordination, but in recent years most have accepted that such efforts are important and can have a large payoff. While they vary widely in their degree of contact with Global Fund staff, a broad spectrum of AIDS and health sector operational staff have expressed a strong willingness to work together with the Global Fund for the common good.

130. Initiatives by these two big players to foster effective implementation of the Three Ones will also have a salutary impact on other donors. The Global Fund and the Bank should capitalize on the enthusiasm expressed by donors for the Paris Principles to press ahead on alignment and harmonization actions. Ideally, the government should take the lead, and donors should coalesce behind a government plan (for which the Bank in particular has an especially important role – see below).¹³⁹ In fact, this point needs to be emphasized strongly with those governments which may be reluctant to make the necessary decisions to foster an environment consistent with the Three Ones.

131. Incremental Costs. It is important to stress, however, that effective collaboration and harmonization involve substantial incremental costs. Bilateral donors have eagerly set standards and requirements for multilateral agencies that they cannot begin to match in their own programs. These steps are important and worthwhile changes, but the bilateral agencies should not continue to ignore the costs to international organizations of building effective partnerships.

132. **Proposed actions include the following:**

1. In the next several months, both institutions should issue clear guidance to their staffs that promotes support for one national plan (costed and prioritized),¹⁴⁰ one national coordinating body, and one national monitoring and evaluation system. These principles are not simple to implement, and follow-up work to the GTT has recognized the difficulties,¹⁴¹ but it is particularly crucial to address these problems given the large

¹³⁹ A recent World Bank/WHO/IMF meeting on “fiscal space” and the health sector has proposed that a pilot project be undertaken in up to 6 of the 18 debt relief recipient countries, financed by the World Bank, WHO, Global Fund, and interested donors, to establish a collaborative mechanism for the development and implementation of appropriately detailed, costed, and results-based health plans for scaling up to meet the MDGs which will feed into annual budget processes, PRSPs, and MTEFs. The donor group would enter into a contract with each of the pilot countries, which will be enforced through a revamped Consultative Group process, to guarantee a fixed predictable level of aid over a five year development and implementation period.

¹⁴⁰ In following up a GTT recommendation (1.1), the Bank is currently analyzing existing strategic documents and planning a conference of experts in early 2006 to prepare the ground for a major work program with countries. (See GTT roll-out plan.)

¹⁴¹ See, for example, Global Fund “Harmonization of Global Fund Programs and Donor Coordination”, August 2005, which highlights the importance of strong government political will and national leadership.

number of agencies working in the AIDS area in many countries, resulting in time-consuming and confusing impact on country partners.¹⁴²

2. Staff should encourage the unification of the NACs (or their equivalents) and CCMs wherever possible.¹⁴³ This guidance should emphasize that as staff work with governments and principal recipients to develop proposals and programs, they should ensure that where there is an on-going Bank-supported project, the Global Fund's Principal Recipient and the CCM should use similar channels to the greatest extent feasible. This will help strengthen government capacity to manage its own programs, whatever the source of financing. Similarly, where the Bank is beginning a program and the Fund is already present and a CCM in place, then the Bank program should use that channel as well – a course that was recently followed in Angola, for example.¹⁴⁴
3. Similarly, the guidance should also encourage Bank and Global Fund staff to begin concrete work towards having a common procurement system as well as a common monitoring and evaluation system – including other donors wherever possible - in order to reduce burdens on the recipient country.^{145 146 147}
4. Both institutions should, as a matter of institutional policy, commit to and promulgate practical guidance to their respective staffs to encourage the consensus selection of a lead donor in each country to help organize its counterparts – perhaps a bilateral, perhaps the Bank, perhaps a UN agency, depending on the strength and quality of the resident personnel¹⁴⁸ and of their working relationships with the government, civil society and other donors.
5. Employ the January 2006 workshop of operational staff from the Global Fund, the World Bank and PEPFAR as an important occasion to explore the practical steps, barriers and requirements for effective collaboration in support of the Three Ones. The lessons learned should be widely promoted.
6. Bilateral donors should initiate the actions required to help cover the additional costs incurred by the Global Fund, the World Bank and other international agencies as they

¹⁴² See Global Health Partnerships: Assessing Country Consequences, McKinsey & Co., November, 2005

¹⁴³ This is consistent with the GF-WB Matrix of GTT Deliverables – item 2.1

¹⁴⁴ See Angola MAP Project Description (PAD) Nov. 29, 2004. In fact, while the Global Fund had approved a grant of \$27.6 million o/a July 1, 2004, the grant agreement was not signed until a year later. The Bank project design took into account the use of these funds and those of other donors in a coordinated effort supporting the government's program.

¹⁴⁵ Similarly, a Bank/Fund effort is underway to agree on “concrete steps for the harmonization and alignment of procurement and supply management policies and procedures”. op.cit., Matrix item 2.2. In these and other areas the Global Fund and the Bank should also make every effort to abolish excessive reporting and other requirements.

¹⁴⁶ The Bank and Global Fund Russia HIV/AIDS programs are a good example of increased coordination between the two agencies in support of the Three Ones. In March and June 2005, a common M&E reporting mechanism and selected common indicators were agreed. A common needs assessment will guide investment decisions under the two World Bank and Global Fund-financed projects. The most recent joint mission took place in mid-December. (Message from P. Marquez, World Bank)

¹⁴⁷ The Bank is an active leader of the Global AIDS Monitoring and Evaluation Support Team (GAMET).

¹⁴⁸ See Lele et al, “In some cases – e.g. TB in China and India – the Global Fund approves proposals that supplement or scale up programs that are already well developed, appraised, and funded by other donors, have a good track record, but lack financial resources.” p. 34

seek to implement the actions recommended by the GTT to support the Three Ones and the further steps recommended in this report.¹⁴⁹

An Action Plan for the Global Fund

133. Proposed Actions include the following:

1. The Global Fund should ensure that its model can be readily adapted to build on lessons learned in its first four years. It should remain consistent with its original role – and its comparative advantage - as a financing mechanism for the three diseases. With the elimination of the special AIDS designation in IDA 14, the Global Fund’s primary financing role becomes even more critical.
2. Every opportunity should be exploited to raise funds for these three diseases, an area of clear comparative advantage, seeking new and innovative approaches – including making greater efforts to tap the private sector - in addition to relying on the normal replenishment process.
3. While in most areas there cannot be hard and fast rules about which agency funds what, given the very different country circumstances in which the two operate, the Global Fund should focus on AIDS prevention and on the procurement of the commodities and drugs essential for treatment.
4. The Global Fund should not include health system strengthening as a separate priority category in its Round 6 and future Requests for Proposals. Instead, the World Bank should take the lead in this area. This does not mean that the Global Fund should be unconcerned with health system strengthening, but it should mean that the lead role in this area should generally be assigned, as a matter of policy, to the World Bank. Global Fund investments tied to the three specific diseases, but consciously including system-strengthening elements associated with a broader plan, could, under certain circumstances, be an efficient use of Global Fund resources (e.g., topping up a Bank-supported project, or contributions to a SWAp).
5. Moreover, all Global Fund proposals should identify the system-wide consequences of their proposals, as well as identify means of dealing with them. All proposals should take into account investments by others in core health delivery programs. The Secretariat should prepare explicit language for inclusion in the Request for Proposals to convey the strong message that strengthening health systems is a very high priority. This would entail significant changes in the current proposal approaches – e.g., who is involved, what kind of collaboration is needed in-country and with Global Fund partners, and what kind of reporting is needed. CCMs should include members knowledgeable about health systems and officials with a broad system-wide view. The TRP should include health

¹⁴⁹ UNAIDS has estimated that the technical assistance needed will cost UN agencies about \$166 million in 2006-07. Donors have begun to provide some of these resources. UNAIDS, Making the Money Work, August, 2005.

systems experts as well. Should the decision be made (as recommended by this report) to discontinue the specific HSS proposal category, under no circumstances should it be interpreted as a sign to recipients or donors of systems' reduced importance; on the contrary, as noted above, it would reflect increased attention to health systems, greater adherence to relative comparative advantage and strengthened channeling of Global Fund support through a more coherent overall program.

6. The Global Fund, without in-country staff of its own, also needs to adjust its policies and procedures in order to take this reality into full account and to facilitate much enhanced collaboration and partnerships with countries and other agencies, including particularly the World Bank. In this regard, the Global Fund should enunciate and operationalize an incentives regime to encourage its principal recipients to rely more heavily on the World Bank's country analysis, and its diagnostic work and evaluations, in the preparation of proposals. The current propensity of the Global Fund to support different and unique channels for its projects, and to eschew being part of the effort to adhere to national priorities, is not consistent with its comparative advantage or with its commitment to the Three Ones principles. Perhaps the most important principle from which such flexibility can follow is that Global Fund programs are meant to be country-driven.¹⁵⁰
7. Wherever possible, Global Fund proposals – whatever the source - should build upon and become part of coordinated programs prepared by government, with support from donors, as reflected in pooled funding (e.g., Mozambique) or SWAps (e.g. Malawi) or other forms of joint or coordinated funding, such as represented by the Rwanda example (noted above) or Guyana.^{151 152}
8. Global Fund requests for proposals should require that each submitted proposal take into account, and be part of, a costed agreed country plan (where they exist), demonstrate that the proposal complements and does not duplicate activities of other donors, and provide assurances that the World Bank has seen and commented on the proposal. If the World Bank disagrees with a proposal it should be expected to say so. Global Fund leadership should recognize that any issues that concern the Bank enough to keep it out of an area should concern the Global Fund as well.¹⁵³

¹⁵⁰ See Rogerson note on Program Mode.

¹⁵¹ A recent Bank-led interagency Caribbean AIDS program evaluation recommends that The World Bank and Global Fund, in collaboration with bilateral partners, should implement an explicit harmonization program in two countries—the Dominican Republic and Guyana—to test out the practical implications for using single mechanisms for procurement, financial management, reporting, disbursements and program oversight. HIV/AIDS in the Caribbean Region: A Multi-Organization Review, Draft Final Report, October 20, 2005.

¹⁵² Excerpt from Caribbean Evaluation: Guyana Report: “More importantly, the project benefits from the strong leadership of the Minister of Health, assisted by a strong head of the principal implementation unit, the Health Services Development Unit (HSDU). The MOH is taking the lead in fostering greater harmony among major donors, particularly the Global Fund and the Bank. The HSDU is implementing agency for both GF and WB projects (and three IDB health operations). There is one procurement process, one annual audit of the HSDU, one reporting system, a harmonized financial reporting arrangement. The MOH is pressing for a single M&E system around about 45-50 indicators rather than the 160+ indicators required by individual donors. Given that the WB and GF share so many aspects of implementation of their respective projects, it may be appropriate to move toward more formal joint activities, including annual reviews, and possibly toward a programmatic approach in which funding may actually be pooled or coordinated in support of an agreed annual program of activity.”

¹⁵³ This position was the strongly-held view of an experienced Global Fund portfolio manager.

9. To facilitate this closer interaction with government and other donors, the Global Fund staff need clear guidance and management support systems to ensure that they are able to use the relatively wide latitude available to them as they advise Principal Recipients and other partners on the design and implementation phases of Global Fund-supported projects.
10. Moreover, the Global Fund and the Bank should explore once again whether the Bank taking on some of the LFA functions in a number of countries might be in the best interests of both organizations, and a service they could offer to recipient countries and to other partners.¹⁵⁴ This would not be easy to accomplish, as it would entail complicated institutional relationships. Nevertheless, in selected instances it might be advantageous. Aside from its direct benefits, this would also help ensure that Global Fund and Bank-supported projects/programs are based on comparative advantage and avoid unnecessary overlap and duplication.¹⁵⁵ It is possible that undertaking this responsibility would also result in closer monitoring and supervision of the Bank's own projects (many MAP projects are currently categorized as "at risk" and in need of more supervision) as well as those of the Global Fund, and any experience gained would be immediately shared across traditional bureaucratic barriers. Thus, while there are several matters of importance to be considered before this approach could be introduced, examining this proposition again could be worthwhile.
11. Given the urgency of implementing necessary changes, the Global Fund Board and Management should move swiftly to address these recommendations, and the Board should also move quickly to complete its work on the Global Fund future strategy, including guidance on the difficult issues beyond the direct control of the Secretariat that will permit clear instructions for the staff on core features of the Global Fund's *modus operandi*.
12. Among the issues that should be covered in this guidance are Global Fund policies on:
 - a. "performance-based coordinated funding" arrangements, such as SWAPs, pooled funds, and budget support;
 - b. the degree of detailed project level accountability/attribution required;
 - c. the desirability of topping-up disease specific projects prepared by other donors;
 - d. linkage of CCMs to implementation arrangements for government national plans, and other policies needed to ensure maximum flexibility, a minimum of additional bureaucracy and the ability to engage in substantive partnerships without forsaking the Fund's most essential core principles.

¹⁵⁴ The recent Caribbean evaluation (op.cit., page 29) proposes just this: "For a fee, the World Bank might agree to serve as implementation agent for the Global Fund which does not supervise projects in the field."

¹⁵⁵ A precedent exists with the Global Environment Fund, for which the Bank provides project-related functions, program coordination and trusteeship services. The GEF pays about \$25 million annually to the Bank administrative budget for these services.

An Action Plan for the World Bank

134. The World Bank should take the lead in helping interested low-income countries strengthen their health delivery systems, assure sustainable financing and develop their capacity for strategic decision-making.

135. Rationale. The broad-based capabilities that are essential to assisting interested countries to strengthen their overall health systems is a clear example of the Bank's comparative advantage,¹⁵⁶ but it has not thus far been fully developed and adequately exploited – although it is important to recognize that strengthening health systems has been included as an important priority in the Global HIV/AIDS Program of Action.¹⁵⁷ The World Bank should give higher priority to systems work, particularly in and for Africa's poorest countries, helping them to develop practical programs and strategies. These strategies need to grapple with large uncertainties and ambiguities about the future, including the need to make often heroic assumptions about fiscal realities and capacities to pay in ten, twenty and thirty years' time. Thus, agility and adaptability need to be essential components in the construction of such strategies. As such they cannot aim to achieve perfect predictability, as has so often been the case in past efforts; the ideal should not be permitted to become the enemy of the good and practical.¹⁵⁸

136. Framework for others. These programs could then become the framework around which other donors could provide their support.¹⁵⁹ It would also permit the Global Fund to concentrate its resources in a fashion more consistent with its comparative advantage. In addition, GAVI has four billion dollars to invest over ten years in systems strengthening that will link to increased capacity for immunization, but these funds will only be allocated in cases where a solid framework is in place.¹⁶⁰ Bilateral donors such as DFID have also made clear their interest in such frameworks being put in place.¹⁶¹

137. Why the World Bank? The World Bank is the best candidate to lead this effort, although it would not necessarily be a universally popular choice, especially among some governments and civil society groups with lingering concerns about Bank and IMF-supported 1980s/90s structural adjustment programs and their impact on social sector investments as well as continuing worries in some quarters about the Bank's perceived ideological bias. Not surprisingly, earlier World Bank efforts have had mixed results. These views should not, however, cause the Bank to shy away from taking on this important responsibility or the Global

¹⁵⁶ See Lele et al, op.cit., p.xix, "As the only agency with significant operational capacity in all sectors, the World Bank has a relative advantage in assessing the appropriate balance between disease-specific and overall health system approaches, bringing into play non-health sectors, viewing health in a macroeconomic context, and helping design and support country-specific capacity building programs relevant to the health sector. It is also in the best position to provide leadership at the country level in coordinating bilateral donor programs for building health system capacity."

¹⁵⁷ Bank's Global HIV/AIDS Program of Action, op.cit., p. 37.

¹⁵⁸ It is encouraging that the Bank's Africa Region Human Development Unit is initiating work to develop a "fairly simple but robust" way to look at countries' system needs so that these elements can be blended into future SWAps. (Conversation with Mr. Yaw Ansu, Nov. 11, 2005)

¹⁵⁹ Note also the proposals for an HIV/AIDS Stabilization Fund and/or a tax of perhaps ten percent on all incoming funds to help pay for upgrading the health care system. See Lewis, "Addressing the Challenge of HIV/AIDS", op.cit., p. 22

¹⁶⁰ Personal conversation with Dr. Julian Lob-Levyt, Executive Secretary, GAVI, Sept. 27, 2005

¹⁶¹ Personal Conversation, Mr. Masood Ahmed, Director-General, DFID, September 21, 2005

Fund from lending strong moral, political, financial and policy support to the Bank assuming strong and determined international leadership in this area. Moreover, despite some perhaps well-founded concerns about the Bank dominance when it “takes the lead”, leadership in these circumstances does not mean that the Bank should assume all the responsibilities or act without regard for other partners. On the contrary, the Bank should also serve as a broker to the much larger effort and investments required to build sustainable health delivery systems in poorer countries, especially as the resources required will doubtless exceed by a considerable margin even those available to the World Bank.

138. Comparative Advantage. Thus, this is a situation where support for relying more heavily on comparative advantage calls for a division of responsibility, with the Global Fund focusing on projects with clear disease prevention and treatment outcomes and with the Bank taking the responsibility for leading on broad-based systems development. Meanwhile, WHO and bilateral donors need to address the technical issues on health and build the capacity of developing countries to address them.

139. Bank Partnership with WHO. This partnership is particularly important for the Bank, both for WHO headquarter’s strengths and for its highly skilled health experts who have the confidence and respect of developing country health ministries. Bilateral donors interested in achieving enhanced coordination and greater success in the health sector should help ensure that the Bank and WHO overcome continuing bureaucratic tensions and work more closely together, each contributing to the overall effort in areas where they are best equipped. WHO’s expertise in technical areas related to individual diseases - itself in need of strengthening, in part through access to more reliable and larger sources of budgetary funds - should permit an even tighter and more complementary partnership with the Bank. There is no need for the Bank to duplicate expertise in the specific disease-related technical areas where WHO should be the lead authority. Similarly, WHO should not duplicate the Bank’s comparative advantage in the broad-ranging health systems area.¹⁶²

140. For the Bank to take the lead on health systems development the following actions are needed:

1. The Bank’s top management must decide to accord a specific policy priority to a committed and engaged effort in health sector strengthening in low-income countries as an important service to member governments that cannot effectively be performed by any other agency. This should be seen as an essential element in the World Bank’s campaign for improved livelihoods for the poor. The lasting success of individual disease program investments will be made more likely if such systems are put in place.
2. The Bank’s partners – shareholders (on the Board and in capitals) and cooperating agencies – will need to emphasize, in various fora, how important it is that the Bank play a leading role on health systems. The Bank, pressed from all sides, has a hard time

¹⁶² See DFID, Health Resource Center, op.cit., p. 39

making decisions about competing priorities, and thus strong shareholder encouragement is essential if health systems are to prevail over other important priorities.¹⁶³

3. The Bank needs to exploit the opportunity of tapping into a large pool of resources from other sources (including the Global Fund) that will be made more productive, in Africa in particular, by it taking the lead in strengthening health systems. Although still woefully inadequate when measured against global needs, the amount of money being invested in health in one way or another is now many times what it was a few years ago, thanks largely to the much expanded support for specific disease programs.
4. The Global Fund, with its very effective efforts to nurture positive and open relationships with all its stakeholders, can be a great asset in building media attention and public support for this critical, but less flashy, part of the struggle against poverty in general and the three diseases in the Fund's portfolio in particular.
5. The Bank does not need to forsake commitments recently made to emphasize HIV/AIDS and malaria programs. The Bank can continue to help its borrowers reduce morbidity and mortality from these diseases, even as it simultaneously helps to establish viable delivery systems for the long-term.
6. As resources are limited, however, in countries where both the Global Fund and World Bank are active, the lead responsibility for health systems should be with the Bank, and for prevention and treatment with the Global Fund. Thus, if a trade-off becomes necessary, the Bank's comparative advantage lies with systems work, and the Global Fund's with prevention and treatment through the financing of essential drugs and commodities.
7. The Bank should use the momentum and pressure for performance on AIDS and other diseases as an engine to lever better performance from the health care system as a whole.¹⁶⁴

141. The Bank has a great deal to do to be able to make the needed contribution in this area, and the problems are not simple to solve.¹⁶⁵ The Bank will need to:

1. address internal management constraints and create better incentives for multi-sectoral work within the budget system;¹⁶⁶
2. commit adequate funding for an extended period of time for needed staff and associated costs;

¹⁶³ An encouraging sign is that the Bank Board's Committee on Development Effectiveness (CODE) has asked that the 1997 health sector strategy be updated with particular attention paid to health system development.

¹⁶⁴ See in this connection an interesting unpublished draft paper by Brian Levy (World Bank), "Strengthening Country Performance: Are Global Programs a Problem or an Opportunity?" p. 15

¹⁶⁵ See Lele et al, *Global Health Programs, Millennium Development Goals, and the World Bank's Role*, OED, 2005: "Budgetary resources and incentives for Network anchor and operational staff to develop internal synergies are often limited. Since 1998 the Bank has experienced a 15 percent reduction (from 230 to 200) in the number of professional staff in the HNP sector and a shortage of health policy analysts, health economists, health specialists, and development and financing experts. Frequent changes in the HNP anchor managers have also contributed to a lack of continuity."

¹⁶⁶ The Bank's Africa Region staff are exploring how this might best be done.

3. ensure that the Bank's AIDS and health staff work more closely together (including consideration of the costs and benefits of bringing the staffs together again);
4. strengthen its skills and leadership in this area, including committing a cohesive team of experts in various fields to work with ten to twenty interested governments in Africa to establish the framework for coordinated investments in health system strengthening, drawing upon both the public and private sectors, and making sure that PRSPs reflect this heightened priority.¹⁶⁷ The global health partnerships, including the Global Fund, should help establish early priorities for this group by defining the most urgent and important questions they need answered to permit them to do their jobs better;
5. include in this strong team of experts those with organizational skills who are knowledgeable about the exceedingly difficult problems of the poorest countries, financial analysts, health economists, institutional development experts, and other experienced policy analysts who know what it means to work through concrete issues in these countries;¹⁶⁸
6. also include in the team persons skilled in developing public/private partnerships given the prominent role played by private sector providers in many countries; and
7. include, perhaps most important of all, individuals who can discuss such matters knowledgeably and make a strong and positive impression, not only with ministers of health, but also with ministers of finance.^{169 170}

142. As an integral component of its focus on health systems strengthening, the World Bank should assign priority to helping governments build an enabling policy framework that will benefit the Global Fund and all other donors. This would include:¹⁷¹

1. doing more analytical work, such as public expenditure reviews, and give more emphasis to effective health reform plans and monitorable performance indicators as part of strengthening SWAps and PRSPs.

¹⁶⁷ While Bank Regional Departments prefer to have staff located in the region and not the Center, experience with other major priorities – such as Health, Rural Development, Urban Development, and others in the past thirty years – suggests a push from the Center is required.

¹⁶⁸ The Bank's Africa Region has begun an internal study of how to facilitate this interaction across sectoral lines. The Region is also seeking to develop a template for the type of simple description of priority needs for health sector strengthening.

¹⁶⁹ See Lewis, *op. cit.* p. 23, "Finally, the World Bank needs to do more. The institution is unique in its ability to work across the governments with ministries of finance, health and economy. Acceptable solutions to the myriad of sectoral and systemic issues outlined above require broad understanding and action across government. The World Bank has a comparative advantage, relative to other institutions, in taking on the broader agenda of budget management, public sector reform, and the interface with the health sector. Building on its experience with HIV/AIDS programs, the Bank should continue to contribute resources, but also help to focus both borrower and donor attention on easing the administrative and capacity constraints that slow disbursements from all sources. For example, the Bank could serve as honest broker in discussions between ministries of finance and health to persuade the former to fund health care or accept donor funds, and the latter to give priority to financing and performance issues."

¹⁷⁰ See also summary report of fiscal space discussion at the World Bank: "It was felt that the key person to convince concerning both increased aid flows and their meritorious use in the health sector is the Minister of Finance. S/he is the person who can impair DAH 'additionality' by reducing domestic budget support for health. S/he needs to understand such situations as a general budget issue, not a health budget issue."

¹⁷¹ These functions are essentially in line with the UNAIDS Technical Support Division of Labor lead organization role for the Bank.

2. assisting countries to prepare sustainable costed strategic plans for the health sector and AIDS action programs, helping governments to set realistic priorities.¹⁷²
3. placing more emphasis on doing applied research and evaluation of what works and what does not in the AIDS arena, a subject greatly understudied, and establish incentives to encourage enhanced performance by recipients of Bank support.

143. The Bank should, building on its comparative advantages, set specific costed priorities and targets from among the breadth of issues addressed in its HIV/AIDS Global Program of Action. It should emphasize that its desire to be flexible and to finance major gaps will not inadvertently leave the impression that it is a “donor of last resort”, willing to fund low-priority activities when other donors are meeting all the high-priority needs. In those cases where Global Fund (and other) financial resources are sufficient, the Bank should provide only needed technical assistance.

Recommendations for Procedural Steps by the Global Fund and the World Bank

144. Following the recommendations above will move the Global Fund and the World Bank further towards the goals set forth in the GTT report, as programs will be better focused on their respective comparative advantages and help ensure that unnecessary overlap and duplication is avoided. In addition to these steps, however, there are a number of important procedural steps that should be taken to ensure that the maximum degree of alignment and harmonization takes place. In fact, the Bank and the Global Fund have already, as a result of the GTT initiatives, begun to work together more effectively to address such issues in very practical ways, as spelled out in the Matrix of GTT Deliverables. The recommendations that follow build on these actions and others that have been proposed as a result of the intensive attention that has been given these relationships in the past year.¹⁷³

145. The Global Fund Executive Director and the World Bank President should arrange a high-profile meeting in the next three months and commit themselves publicly, and in a clear message to their staffs, to a closer and more complementary working relationship. To ensure this is implemented, Bank and Global Fund staff should be required to meet and maintain regular contact with their counterparts.

146. While obviously not a sufficient condition for overcoming bureaucratic inertia, expressions by the two leaders of their mutual interest in a strong partnership – and a commitment to take the difficult steps needed to make it a reality – are important messages that need to be heard by both organizations and more broadly by the larger community of interested parties. Of course, much more will be needed to make this partnership work. Coordination is time-consuming and costly, and seldom rewarded by either institution. Based on a new vision

¹⁷² The GHAPA states that “Under the aegis of the program of action of the GTT, the Bank, in collaboration with UNDP and other partners, will make a major commitment to assist countries to strengthen strategic, prioritized national plans, which have: a sound epidemiological foundation and evidence-informed approaches; well defined goals and targets; explicit priorities; systematic planning; well identified timeframes; clear plans for monitoring, evaluation and knowledge utilization; clearly specified implementing actors and responsibilities; detailed cost estimates; strategies for resource mobilization; and analysis of the institutional and human resources required for effective action.”

¹⁷³ As, for example, in the McKinsey Report, DFID-supported studies, and so forth, as referenced earlier in this paper.

and drive from the top, incentives should be given to staff to ensure close collaboration, producing what one Bank task manager calls a “collaborative paradigm”. A formal Memorandum of Understanding (MOU) between the two organizations is not needed,¹⁷⁴ as Bank experience is that such documents take a long time to negotiate and create unnecessary bureaucracy, when what is needed is a signal encouraging cooperation that all staff down the line can understand.¹⁷⁵ This will require that a clear vision be enunciated about the importance of the challenge to improve health status worldwide. It also requires a recognition that large bureaucracies such as the World Bank or smaller ones such as the Global Fund need continuing incentives, encouragement and regular monitoring of progress to defy traditional behavior patterns if the culture of partnership, alignment and harmonization is to really take hold.

147. Proposed actions include the following:

1. The Global Fund CEO and the World Bank President should arrange a high-profile meeting in the next three months and commit themselves publicly, and in a clear message to their staffs, to a closer and more complementary working relationship. A clear vision should be spelled out, with respective comparative advantages highlighted along the lines of those set forth in this paper.
2. This commitment should include the importance of accelerated efforts to increase both prevention and treatment programs as mutually reinforcing activities.¹⁷⁶
3. Senior managers in each agency – a Bank Vice President¹⁷⁷ (or, alternatively, the HIV/AIDS Program Director) and the Global Fund Deputy CEO, for example - should be designated with responsibility for ensuring the relationship is developed and that follow-through occurs on a timely basis.
4. Clearly defined incentives should be identified and enunciated and their application should be an integral component of annual target setting and performance review. A track record of effective collaboration with the partner counterpart should be an explicit factor in this review.
5. To the extent it still exists, mutual “bad-mouthing” should stop.
6. As this effort to change cultures is not a one-shot affair, the two managements should institute an annual workshop on collaboration at which senior policymakers of both agencies, as well as operational staff and others, meet to identify ways to work together more effectively. Discussions would review what works and what does not and how to

¹⁷⁴ There is a Memorandum of Understanding between the Global Fund and UNAIDS which provides “a framework for cooperation” and “opens the way for more detailed relationships to be pursued between the parties for specific activities and purposes”. See MoU p. 2.

¹⁷⁵ For example, such effective informal understandings provided a strong basis, some years ago, for close collaboration in South Asia between the Bank, the US Centers for Disease Control, and WHO. (Source: R. Skolnik, personal conversation, October 14, 2005)

¹⁷⁶ See, for example, UNAIDS, December 2005 AIDS Epidemic Update: “Prevention and Treatment are Essential Partners”. The importance of prevention is reflected in these shocking numbers: 90 percent of those living with AIDS have not been tested and therefore do not know they are HIV positive, and only 20 percent of those at risk are reached by prevention.”

¹⁷⁷ The reason a Vice-President may be more appropriate is to ensure that the health systems work is properly coordinated with the AIDS programs.

ensure that successful approaches are spread more broadly. There should be a clear agenda and arrangements for follow-up to ensure progress.¹⁷⁸

7. Issues in need of resolution that might well be on the agenda for such a workshop could include the CCM/NAC duplication of effort, other Three Ones implementation problems, the role of Local Fund Agents, and so forth.
8. Managements should select several countries in which to demonstrate how well this collaboration can work in practice (e.g., Rwanda, Burkina Faso, Russia).
9. If the Bank and the Global Fund are not going to work together in a country, staff should have to explain why.
10. Among recent good steps that need to be reinforced and repeated are messages to staff encouraging them to be in regular communication with their Bank or Global Fund counterparts.¹⁷⁹
11. Global Fund staff should be included on Bank missions to assess program opportunities. At least once or twice each year the Bank Task Manager and the Fund Portfolio Manager should schedule joint country visits.
12. Reports and other key documents should be shared, as agreed in the GTT Deliverables Matrix, and appropriate staff drawn into reviews of on-going program activities.¹⁸⁰
13. Starting with the MAP program, expand amount of project detail and other reporting available on the Bank's website. The Bank should seek to emulate as far as possible the openness reflected in the Global Fund's website.¹⁸¹

¹⁷⁸ This suggestion is based on the pattern of existing World Bank-European Commission "Limelette III" Workshops: "The Limelette meetings are guided by European and internationally agreed principles on aid effectiveness, including those set forth in the Paris Declaration of March 3, 2005, and are intended to help ensure that such principles are implemented. The meetings engage staff from country offices and headquarters in an open and frank discussion about what works and what does not. Positive lessons are identified for broader application. Issues are resolved or a process is agreed for resolving them." Excerpt from Summary, Oct. 10-11, 2005 Workshop.

¹⁷⁹ For example, Global Fund Operations Director Brad Herbert's May 10, 2005 email to staff, and a broader note on the GTT undertakings from the Bank's Jonathan Brown to regional AIDS focal points on September 7, 2005. The GTT roll-out plan includes as well bi-monthly teleconferences.

¹⁸⁰ Recent examples include the Bank-led evaluation of Caribbean AIDS programs, and the very helpful participation in early December 2005 by the Global Fund's portfolio manager in the review of a troubled Bank program in Eastern Europe.

¹⁸¹ The Bank's Program of Action includes improvement of the website. p. 44.

VIII. CONCLUDING REMARKS

148. There are many good examples of this collaboration already (as the footnotes in this paper suggest), for in a significant number of cases the two staffs are working closely together on developing their respective programs in ways that will capitalize on their institutions' respective comparative advantages and minimize burdens on the recipient country. (For example, Rwanda, Burkina Faso, Cameroon, Senegal, and many others). Moreover, the message on collaboration in the future seems to be getting through.¹⁸²

149. The urgency of the AIDS crisis demands that all participants in the fight mobilize their resources and use them well to gain the most impact. The Global Fund and the World Bank have important opportunities to ensure that resources expended on AIDS programs are used more efficiently and effectively to produce even better results. They need to concentrate more on exploiting their respective comparative advantages – with the World Bank taking the lead on helping to strengthen health delivery systems while the Global Fund concentrates on disease programs – and by both agencies emphasizing the critical importance of aligning their programs with country priorities and harmonizing their approaches to make working together with their partners easier and simpler for all concerned. This will take significant effort and creative leadership in both institutions, but staff members are ready for this improved relationship. The organizations' shareholders, board members, international partners and other stakeholders all have an interest in making sure this partnership works and in contributing to it.

¹⁸²See, for example, a recent email from the Global Fund's portfolio manager for India. "We will also initiate our discussions with World Bank and NACO on harmonization for HIV/AIDS. I have meetings with UNAIDS and WB on this.... The target is to have both WB and GF harmonize with national systems and with each other within six months. This would also mean working with UNAIDS on Three Ones." By the way, India HIV/AIDS program is showing very good results, thanks to our efforts with the partners and some serious letters to the Secretary of Health. This will become an excellent example where partners such as UNAIDS, WHO, UNICEF, Clinton Foundation, Gates, and the World Bank joined hands to support NACO. *My target is to show this as an example of what can happen when partners and government comes together.*(emphasis added)

ANNEX BACKGROUND INFORMATION

1. COUNTRY ELIGIBILITY

GLOBAL FUND: All countries classified by the World Bank as Low-Income (61) or Lower Middle-Income (57) countries. The latter must provide co-financing. Upper Middle-Income countries are eligible if they have a very high current disease burden – only Botswana (for AIDS, TB and Malaria) and Gabon (for Malaria) qualify at this time.(120 in toto)

WORLD BANK: There are three basic categories: countries eligible for IDA (grants and credits) (81), and those eligible for IBRD loans (74). (Includes 14 “blend” countries eligible for a mix of both.) (141 in toto).

II. COUNTRY PROGRAMS

GLOBAL FUND: The Global Fund currently funds 135 HIV/AIDS projects in 96 countries (plus four regional programs). There are an additional seven HIV/TB programs in five of these same countries.

WORLD BANK: The Bank currently funds 79 AIDS projects underway in 56 countries and in 6 regional projects. There are 33 IDA credits, 31 IDA grants, 1 IBRD/IDA, and 14 IBRD projects.

III. COUNTRIES WITH GLOBAL FUND PROGRAMS WITHOUT WORLD BANK

In the following 52 countries there are Global Fund programs but no current World Bank country AIDS programs (not including any regional programs):

Algeria, Argentina, Armenia, Azerbaijan, Belarus, Belize, Bolivia, Botswana, Chile, Colombia, Comoros, Costa Rica, Cote d’Ivoire, Croatia, Cuba, Ecuador, El Salvador, Equatorial Guinea, Estonia, Gabon, Georgia, Guatemala, Haiti, Indonesia, Iran, Jordan, Kazakhstan, Kyrgyzstan, Lao PDR, Liberia, Macedonia FYR, Mongolia, Morocco, Myanmar, Namibia, Nepal, Nicaragua, Papua New Guinea, Peru, Romania, Somalia, South Africa, Sudan, Suriname, Swaziland, Tadjikistan, Thailand, Togo, Turkey, Uzbekistan, Yemen, Zimbabwe.

IV. COUNTRIES WITH WORLD BANK PROGRAMS WITHOUT GLOBAL FUND

In the following 13 countries there currently World Bank projects but no Global Fund country AIDS programs (not including any regional programs):

Barbados, Bhutan, Brazil, Cape Verde, Grenada, Mauritania, Mexico, Sri Lanka, St. Kitts/Nevis, St. Lucia, St. Vincent, Trinidad & Tobago, Venezuela.

V. PRINCIPLE RECIPIENTS

GLOBAL FUND: For all Global Fund projects, the following distribution applies:

Government	51 percent
NGOS	25
Private Sector	5
Academic Institutions	5
Faith-based Organizations	5
People Living with AIDS	4
Other	5

WORLD BANK: For all Bank projects the government concerned is the principal recipient. The implementing agency is usually the ministry of health or another ministry (e.g. planning) or the National AIDS Council or its equivalent.

GLOBAL FUND - WORLD BANK MATRIX OF GTT DELIVERABLES

	DELIVERABLE	DUE DATE	STEPS TO OPERATIONALIZE	RESPONSIBLE AGENCY	STATUS
Dec-05	2.1. The Global Fund, the World Bank, and other multilateral institutions and international partners will identify specific approaches to improving the alignment of their financing with country cycles and annual priority AIDS action plans.	December 2005	1) GF to analyse & document where GF is aligned with national cycles and action plans. 2) WB to undertake same exercise. 3) Where programs are not aligned, specific approaches to align are to be developed. GF to lead.	GF (Ops)	Work Ongoing: alignment with fiscal cycles largely in place; alignment with planning cycles and action plans is dependent on the ASAP work in providing assistance in the development of those plans
Jun-06	2.1. The Global Fund, the World Bank, and other multilateral institutions and international partners will participate in joint annual reviews of national AIDS programs (where relevant) and subsequently accept these joint annual reviews as their primary evaluations (within governance structures of each).	Use of joint annual reviews in primary evaluations in at least 3 countries by June 2006	1) WB & GF to identify in which countries PR is same; where a country has planned an annual review and start date of GF grant is after 1 January 2005 2) GF to identify what participation means and to commit that the results will be an input to Phase 2 3) At least 3 countries to be then be identified for joint annual review. WB to lead	WB to lead (GF - Ops)	Work Ongoing: Identification of potential countries for Joint Annual Reviews ongoing - use of same PR not considered essential as long as program wide review is undertaken
Jun-06	2.1. Based on requests from countries, UNAIDS, the Global Fund, and the World Bank will support efforts at country level to define problems in the relationship between the single national AIDS coordinating authority and the Country Coordinating Mechanism, clarify principles, and disseminate good practices.	June 2006	1) GF to understand where issue has been raised by countries (i.e. Swaziland, Mozambique, Malawi, Tanzania) 2) GF and partners to define nature of problem 3) GF to clarify principles of CCM functioning. If necessary, options for modifications to CCM functioning to be presented to S & P Committee. GF to lead.	GF (Ops - CCM Coordinator)	GF in discussions with a number of countries on rationalizing coordinating structures to fit Three Ones and GF CCM requirements. No explicit request received from countries to date.
Apr-06	2.2. The Global Fund, the World Bank, other multilateral institutions and international partners will progressively shift from project to program financing.	Report on progress to spring 2006 Global Fund Board Meeting	1) GF to develop strategy and report to April 2006 Board Meeting 2) WB & UNAIDS to develop strategy and report to June 2006 PCB	GF (Strategy)	This is with the Policy and Strategy Committee of the Global Fund; and under discussion by WB and UNAIDS supported by ASAP initiative
Dec-05	2.2 The Global Fund and the World Bank will pilot joint financial management & procurement assessments (...).	December 2005	1) Identify relevant Round 5 grants which may coincide with existing or pending WB investments 2) Determine whether joint assessments are feasible. 3) Conduct joint assessments. GF to lead initial steps.	GF (Ops)	Assessments for Round 5 ongoing with LFAs strongly encouraged to use existing assessments. No countries identified that are in both WB appraisal and GF assessment to allow simultaneous, coordinated assessment
Dec-05	2.2 The Global Fund and the World Bank will pilot (...) joint programmatic and financial reporting.	December 2005	1) Identify GF grants where WB has same PR. 2) Determine whether financial and/or programmatic reports for WB and GF would fulfil institutional reporting requirements or whether new format would need to be developed. Where WB & GF funding is pooled, SWAp reports could be sufficient.	WB	GF accepting joint reporting in SWAp in Mozambique (Finance and Program) and Malawi (Program for HIV, both for Malaria), and emerging in Mali. Other cases in process of being documented.

GLOBAL FUND - WORLD BANK MATRIX OF GTT DELIVERABLES

	DELIVERABLE	DUE DATE	STEPS TO OPERATIONALIZE	RESPONSIBLE AGENCY	STATUS
Sep-05	2.2 The Global Fund and the World Bank will take concrete operational steps to improve communications, i.e. sharing ToRs prior to country visits, sharing mission reports, holding bi-monthly teleconferences, and holding annual meetings.	September 2005	1) GF & WB to ensure staff inform counterparts at GF/WB of missions & ToRs and to share trip reports. 2) Hold bi-monthly teleconferences. 3) Hold annual meeting tentatively in October. WB to lead.	WB	GF and WB staff adopt policy of notifying other of country missions. Regular senior level WB-GF teleconferences. GF-WB-USG Coordination meeting held on all three diseases in Wash., Jan. 2006
Sep-05	2.2 The Global Fund and the World Bank will assess current status of joint implementation process and identify challenges to expand the use of joint approaches by Sept 2005	October 2005	1) GF and WB to identify in which countries we use same PR 2) Potential use of joint management unit to be explored. WB to lead.	WB	Joint processes being used in varying degrees in Guyana, Mali, Malawi and Mozambique. Further analytical work to be done on obstacles and challenges.
Jun-06	2.2. The Global Fund, the World Bank and other parts of the UN system, and other multilateral institutions and international partners will engage in a process to identify procurement and supply management bottlenecks, and to agree upon concrete steps for the harmonization and alignment of procurement and supply management policies and procedures.	June 2006	1) Each agency to identify possible bottlenecks with implementation of grants. 2) AMDS, WB and GF to address these and potential solutions in regional workshops. 3) Explore potential for harmonisation of procurement policies and procedures. GF to lead.	GF (Procurement)	WHO-WB-GF-UNICEF coordinated PSM workshops and technical support ongoing. Exploration of Joint procurement planning in a number of countries underway.
Jul-05	3.2. A joint UN-system-Global Fund problem-solving team (global level) to be established that support efforts to address implementation bottlenecks at country level. This team will meet regularly to help address problems identified by country-level stakeholders and will identify good practices and disseminate them together with lessons learned to support countries' efforts to scale up their AIDS programs.	July 2005	1) To be established during UNAIDS-convened meeting 6-7 July 2005.	UNAIDS	GIST established July 2006. Monthly meetings and consideration of countries facing challenges ongoing. Nigeria CIST actively engaged in development of TA plan to support implementation. Several other countries with ongoing GIST support
Sep-05	3.3. The Global Fund and the World Bank will lead a rapid process to evaluate and clarify areas of overlap, comparative advantages and complementarities between the two to establish a more functional and clear division of labour in order to more effectively support countries.	By September 2005 Replenishment Conference	1) GF & WB to contract consultant to develop process for and paper evaluating areas of overlap, comparative advantages and complementarities.	GF	Alex Shakow developing paper to address subject. Expected final draft January 2006
Dec-05	4.2. The Global Fund and World Bank to implement information-sharing practices globally, including on planned and actual commitments and disbursements, recipients and intended use of funds, and on performance including actual results achieved.	December 2005	1) GF & WB to disseminate information collated. 2) Potential joint information-sharing to be explored. GF to lead.	GF (SIE)	Global Fund website recognized as model for transparency and information sharing - all grants and disbursement requests as well as Grant Report Cards posted on website in real time. World Bank considering approaches to improve availability of similar information.

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