About the Global Fund to Fight AIDS, Tuberculosis and Malaria

The Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) is a global public-private partnership dedicated to raising and disbursing financial resources to prevent and treat HIV/AIDS, tuberculosis (TB), and malaria. Since its creation in 2002, the Global Fund has become a major funding channel for programs to fight these three diseases, with approved funding of US$22.9 billion in 150 countries (as of January 2012).

The Global Fund provided just under one quarter (24%) of all international financing for HIV/AIDS in 2010. In 2009, it supplied 64% of international funding for TB control in the 22 high-burden countries, rising to an anticipated 84% in 2011. The 2011 World Malaria Report found that the Global Fund was the single largest source of funding for malaria control, accounting for 51% of total international disbursements in 2010.

As a public-private partnership representing governments, civil society, the private sector, and affected communities, the Global Fund presents a new model of international health financing (see Guiding principles below). Its success relies on the financial pledges of donors, the technical support of multilateral agencies, and the development and implementation of programs by in-country partners. Its governance body is the Global Fund Board (referred to in this profile as “the Board”).

While the guiding principles of the Global Fund remain intact, the partnership is currently undergoing a far-reaching reform process with significant changes in its business model. A key element of this process is its new strategy for 2012–2016, called Investing for Impact, adopted at its 25th Board meeting held in Accra, Ghana, in November 2011 (see Strategic objectives and associated strategic actions on page 2, which shows the five strategic objectives for 2012–2016).

At the same meeting, the Global Fund Board also adopted the Consolidated Transformation Plan. In addition to changes to the funding model described in the 2012–2016 strategy, the plan integrates the recommendations of various reform activities, including (but not limited to):

- The reform plan developed by the Comprehensive Reform Working Group, endorsed by the Board in May 2011.
- The recommendations of the High-Level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms (the High Level Panel). The panel was created in March 2011 after the Global Fund’s Office of the Inspector General (OIG) reported misappropriation of Global Fund funding in four countries. The recommendations were adopted by the Board in September 2011.

The transformation plan’s overall objective is to move the Global Fund from a past focus on emergency funding to a new funding approach based on strategic investment of resources for achieving sustainable impact.

At the heart of the plan are reforms aimed at improved fiduciary control and grant management and strengthened governance, including working more actively with countries and Global Fund partners to improve grant implementation. The transformation plan spans a period of 18 months, and presents reform actions under six areas (see Consolidated transformation plan on page 2).

Responding to a current funding shortfall, the Board canceled the Global Fund’s 11th funding round at its meeting in November 2011. Round 11 was supposed to finance new country proposals up to at least 2014. The implementation of a Transitional Funding Mechanism is under way (see Resource Mobilization on page 3).

Guiding principles

- Operate as a financial instrument, not as an implementing entity.
- Make available and leverage additional financial resources.
- Support programs that evolve from national plans and priorities.
- 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.
- Operate with transparency and accountability.

Source: Global Fund website: Our Principles
## Strategic objectives and associated strategic actions

### 1. Invest more strategically
- Focus on the highest-impact countries, interventions and populations while keeping the Global Fund global
- Fund based on national strategies and through national systems
- Maximize the impact of Global Fund investments on strengthening health systems
- Maximize the impact of Global Fund investments on improving the health of mothers and children

### 2. Evolve the funding model
- Replace the rounds system with a more flexible and effective model
- Facilitate the strategic refocusing of existing investments

### 3. Actively support grant implementation success
- Actively manage grants based on impact, value for money and risk
- Enhance the quality and efficiency of grant implementation
- Make partnerships work to improve grant implementation

### 4. Promote and protect human rights
- Integrate human rights considerations throughout the grant cycle
- Increase investments in programs that address human rights-related barriers to access
- Ensure that the Global Fund does not support programs that infringe human rights

### 5. Sustain the gains, mobilize resources
- Increase the sustainability of Global Fund-supported programs
- Attract additional funding from current and new sources

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### Consolidated transformation plan

#### The plan calls for transforming:
- **Resource allocation, investment, results measurement and evaluation**
  - New application process for more strategic investment of resources
  - More proactive reprogramming of existing grants to boost impact and value for money
  - Strengthening of results measurement and evaluation
- **Risk management** through new corporate and operational risk management frameworks
- **Grant management** through standardization and quality control of procedures, with emphasis on capacity building of country level actors; expansion of Country Team Approach
- **Secretariat organization, management and culture**
  - Refocused executive management team
  - Improved human resources policies and procedures; shift of staff resources to core grant-related functions, particularly in Fund Portfolio Manager roles
- **Governance** through approval of new Board Committee structure with new charters and procedures
- **Resource mobilization**
- **Review of replenishment model**
- **Exploration of new financing options**

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Source: GF/B25/4 Board Decision: Consolidated Transformation Plan, Twenty-Fifth Board Meeting
Resource Mobilization

The Global Fund quickly developed into a major engine of international health financing. It contributed 24% of all international disbursements to HIV/AIDS and 51% of international disbursements to malaria in 2010. In 2009, it provided 64% of international funding for TB control in the 22 high-burden countries, rising to an anticipated 84% in 2011. Such a funding record makes the Global Fund the largest channel of international financing for malaria and TB, and the second-largest for HIV/AIDS, behind the United States President’s Emergency Plan for AIDS Relief (PEPFAR).

Since its launch in 2002, the Global Fund has mobilized large and rapidly growing resources. As of December 2011, it had received a total of US$30.4 billion in donor pledges. Of this amount, 94% (US$28.5 billion) was pledged by Organisation for Economic Co-operation and Development (OECD) governments.

In recent years, the Global Fund has mainly mobilized its resources through its Voluntary Replenishment Mechanism. This mechanism, which is complemented by additional ad-hoc contributions, is a dedicated instrument to raise funds from public and private donors. It involves a donor forum, at which donors discuss the operations and effectiveness of the Global Fund, consider its funding needs, and make financial pledges to the Fund for the next three years. Before the replenishment mechanism was introduced in 2004, all contributions were made on an ad-hoc basis. To date, three replenishments have taken place (see Resources pledged through the Voluntary Replenishment Mechanism below, left).

Ten donors account for 85% of all pledges to the Global Fund (see Top 10 donors to the Global Fund below). The US government is the largest contributor, with total pledges to date of US$9.5 billion. It is followed by the governments of France (US$3.9 billion), the United Kingdom (US$2.2 billion), Japan (US$2.1 billion), and Germany (US$2.1 billion). The Bill & Melinda Gates Foundation is the largest private supporter of the Global Fund, with pledges of US$1.2 billion.
The largest contribution from the for-profit private sector (US$182.7 million) is from the RED Campaign, a consumer-based private sector initiative. The campaign works with consumer brands to make “Product RED” items; up to 50% of the profits from the sales of these items goes to the Global Fund. Overall, the private corporate sector accounted for just 0.9% of the total annual pledges and contributions to the Global Fund in 2010, well below the Global Fund target of 4.5%.

In spite of the Global Fund’s success in raising large amount of additional finance to fight the three diseases, the gap between country demand and available resources is widening. The Global Fund’s resource scenarios for the 2011–2013 timeframe indicated that an additional US$13 billion to US$20 billion would be required to meet expected country demand in this timeframe. However, the amount pledged by donors for 2011–2013 was only US$11.7 billion.

Given the existing funding shortfall, the Board canceled the Global Fund’s 11th funding round in November 2011 and established a TFM. Its purpose is to ensure the continuation of essential prevention, treatment and/or care services of the three Global Fund target diseases. Funding requests for the TFM were accepted by March 31, 2012.

The Global Fund has also suspended its participation in the Health Systems Funding Platform (the Platform), which it was developing together with the GAVI Alliance and the World Bank. The Platform aims to simplify developing countries’ access to funding for health systems strengthening (HSS), and to streamline existing and new resources. E2Pi’s Policy Brief on the Platform is available at e2pi.org.

As part of the Global Fund’s reform agenda, the replenishment model will undergo a review in 2012. The review will lead to recommendations being provided to the Board by the end of the second quarter of 2012, so that any changes could be implemented before the fourth replenishment in 2013.

In parallel, the Global Fund will intensify its efforts to expand its donor base (e.g., emerging economies and the private sector) and to raise additional funding through innovative mechanisms. One example of such a mechanism is Debt2Health, which aims to “channel resources of developing countries with high debt and disease burdens away from debt repayments towards life-saving investments in health.”

### Financing Portfolio

Since its launch in 2002, the Global Fund has approved funding support for 150 countries.

**Breakdown of funding by disease type:** Of the US$22.9 billion that the Global Fund has approved to date, 53% was allocated to HIV/AIDS, while 28% was allocated to malaria and 17% to TB (see Approved funding by disease opposite).
Breakdown of funding by region: More than half of all approved funding (55.2%) is allocated to the three Sub-Saharan African sub-regions—East Africa, West and Central Africa, and Southern Africa (see Approved funding by region below). A Global Fund analysis found that the share of approved funding in each region is broadly in line with that region’s share of the global burden of HIV, TB, and malaria (see the Global Fund 2010 report Innovation and Impact, figure 2.23).

Breakdown of funding by country income group: About 46% of Global Fund financing goes to low-income countries, and about 34% to lower middle-income countries. Upper-middle income countries account for 17% of funding. The remaining 3% go to multi-country proposals, high-income countries and to countries not classified according to income level.

Breakdown of funding by top recipient countries: About 37% of all approved funds (US$8.5 billion out of US$22.9 billion) are channeled to 10 out of the 150 countries and multi-country proposals that have received Global Fund support as of December 2011 (see Top 10 recipients below). The same ten countries also account for 38% of the Global Fund’s total lifetime budget (US$13.0 billion out of US$34.2 billion).

Data source: Global Fund grant portfolio, as of January 17, 2012
Breakdown of funding by type of principal recipient: By the end of the 2009 reporting cycle, just over one-third (36%) of reported cumulative expenditures was spent by ministries of health, one-third (33%) by civil society organizations/academia, and 15% by other government organizations (see Cumulative expenditures by type of principal recipient below).

Cumulative expenditures by type of principal recipient* (distribution by the end of the 2009 reporting cycle)

- Ministry of Health: 36%
- Civil society and academia: 33%
- Other government organizations: 15%
- UNDP: 7%
- Other multilateral organizations: 4%
- Faith-based organizations: 3%
- Private sector organizations: 2%

Total=US$6.8 billion

*Figure based on Global Fund Results Report 2011

The Affordable Medicines Facility – malaria (AMFM)

Launched in April 2009, the Affordable Medicines Facility – malaria (AMFM) is a financing mechanism designed to make artemisinin-based combination therapies (ACTs) more accessible in places where malaria is endemic and there are high levels of resistance to older anti-malarial drugs.

Under the AMFM, a donor-funded co-payment is made directly to the manufacturer towards the cost of ACTs purchased by eligible first-line buyers (i.e., public and private buyers eligible to order ACTs from participating pharmaceutical manufacturers). Subsidized ACTs will then be distributed through providers across the public, private, and not-for-profit sectors. The AMFM hopes to reduce the cost of ACTs to that of other anti-malarials (e.g., chloroquine, sulfadoxine-pyrimethamine, and artemisinin monotherapy) to ultimately curtail emerging resistance to artemisinin (see The AMFM impact model). It aims to increase the market share and use of ACTs among vulnerable groups (e.g., poor people, rural communities), scale up ACT availability, and reduce the consumer price of ACTs to that of other anti-malarials.

The AMFM is being introduced in a phased manner. A first pilot phase (AMFM Phase 1) is being undertaken in Cambodia, Ghana, Kenya, Madagascar, Niger, Nigeria, Tanzania (mainland and Zanzibar), and Uganda.

Phase 1 was initially funded as a 24-month pilot program, but since some pilot countries were slow to begin implementation, the program was extended for an additional 6 months. At its second meeting in 2012, the Global Fund Board will decide whether to "expand, accelerate, modify, terminate or suspend the AMFM business line." The Board decision will depend on (a) the outcome of an Independent Evaluation, which has been commissioned to determine whether the pilots have been successful in achieving the AMFM’s four objectives, and (b) the advice of the AMFM Ad Hoc Committee (AHC).

The AHC commissioned E2Pi, the Evidence to Policy initiative, to estimate “benchmarks” of success for the AMFM pilot. E2Pi has published a full report and a related policy briefing available at e2pi.org.

Organizational Structures and Governance

Legally, the Global Fund is an independent organization that is registered as a foundation under Swiss law. As a partnership between governments, civil society, and the private sector, the Global Fund represents an innovative approach to international health financing. Its organizational structures include the Global Fund’s Board, the Secretariat in Geneva, as well as several other governance, management, and oversight structures at the global and country levels.
Global Level Structures and Governance

Global Fund Board and Board Committees

The Board is responsible for overall governance of the Global Fund, for developing new strategies and policies, and for the approval of grants. Compared to other international financing organizations, the Global Fund’s Board has a unique structure and membership (see Global Fund Board membership at the top of page 8).

It currently includes 20 members with voting power; these voting members are divided into two groups:

- **a donor group**: eight seats for donor governments, one for the private sector, and one for private foundations
- **a recipient group**: seven seats for developing countries, two seats for non-governmental organizations (NGOs), and one seat for communities affected by the three Global Fund diseases.

In addition, there are six non-voting members with observer status.

The Board aims for consensus, but if no consensus can be reached, any member of the Board with voting privileges is able to call for a vote. In order to pass, motions require a two-thirds majority of both the donor group and the recipient group. The Board usually meets twice a year, typically in April/May and November/December.

The Board is supported in its decision-making by Committees whose main function is to prepare the Board’s decision-making. In the context of the ongoing governance reform a new committee structure was introduced in November 2011. Three committees and an advisory group now support the work of the Board, complemented by a “Board Coordinating Group” of Board and Committee chairs and vice-chairs:

- **Strategy, Investment and Impact Committee** (which is advised by the Market Dynamics Advisory Group)
- **Finance and Operational Performance Committee**
- **Audit and Ethics Committee**.

The Global Fund is currently undergoing a two-phase governance reform:

- **Phase 1** had the objective of identifying the role of the Board, developing a streamlined and effective committee structure, improving committee composition, and establishing standards for Board Member selection and participation. Initiated in May 2011, the conclusion of Phase 1 was a decision point at the 25th Board Meeting in November 2011.
- **Phase 2** will focus on evaluating the Board composition, including the bloc structure, constituency size and composition, and the role of the non-voting seats. It will also assess the roles of other governance, administrative and evaluative bodies such as the Technical Review Panel (TRP) and the Partnership Forum. Recommendations are expected for the 26th Board meeting (May 2012).

Global Fund Secretariat

The Global Fund Secretariat was staffed (as of April 2012) with 548 employees, all in Geneva. Its administrative costs, including both the Secretariat’s expenses and fees for Local Fund Agents, account for about 5% of total annual expenditures, which is extremely low compared to other multilateral or bilateral agencies.

Until early 2012, the Secretariat was led by the Global Fund’s Executive Director (ED). Richard Feachem served as the Global Fund’s founding ED from 2002–2007. He was succeeded by Professor Michel Kazatchkine, who stood down from his position in March 2012. The Secretariat is now headed by the **General Manager of the Global Fund**, a position that was created in 2012.

Recent organizational reviews, including that of the High Level Independent Review Panel on Fiduciary Controls and Oversight Mechanism (the High Level Panel), have emphasized the need to strengthen Secretariat leadership and management, to rebalance staff resources to core business, and to improve internal systems/processes.

Actions to be taken in 2012 as agreed by the Board are summarized in the Consolidated Transformation Plan, with key elements including:

- The appointment of a **General Manager** reporting directly to the Board to help to take the organization through its transformation and to strengthen the performance of the Executive Management Team. On January 24 2012, the Global Fund appointed Gabriel Jaramillo, a former chairman and Chief Executive Officer of Sovereign Bank, to this newly created position.
New Secretariat structure: One of the key tasks of the new General Manager was the reorganization of the Secretariat to strengthen its function, particularly its grant management functions. Under this new structure, there will be three major divisions reporting to the General Manager: (1) Grant Management (headed by Mark Edington); (2) Strategy, Investment and Impact (headed by Debrework Zewdie, the Deputy General Manager); and (3) Resource Mobilization and Donor Relations (headed by Christoph Benn).

Strengthening of grant management functions: In the future, full-time Fund Portfolio Managers will be assigned to manage the countries with the highest risk of grant mismanagement, disease burden and investment volume (previously, the allocation of Fund Portfolio Managers did not take the risk profile of countries into account). The strengthened focus on grant management is to be carried out through internal reassignment of staff (rather than growth). In the future, 75% of Secretariat positions will be focused on grant management. The number of country teams is also being expanded according to risk distribution in the global portfolio, with the aim of reaching up to 38 countries (an increase of five over current coverage).

Office of the Inspector General

The Office of the Inspector General (OIG) operates as an independent unit of the Global Fund and reports directly to the Board.

The OIG has the responsibility of providing objective assurance over all Global Fund operations and programs and is particularly active in the fight against fraud, corruption, and abuse of funds. It has the capability to independently carry out audits and investigations within countries.

The OIG encourages the reporting of fraud and abuse through its web-based reporting system (the Integrity Hotline) and a toll-free telephone line.

OIG reports can be found online. A protocol for improved OIG/Secretariat interactions around audits and investigations was completed for the November 2011 Board meeting.

Technical Review Panel

The Technical Review Panel (TRP) is an independent group of international experts in the three diseases and in cross-cutting issues (e.g., health systems) that reviews proposals for Global
Fund grants and rates them on their technical merits. The TRP is intended to guarantee the quality, transparency, and consistency of the proposal review process. Its members are appointed by the Board.

The panel makes recommendations to the Board about which proposals should be approved, which should be revised, and which should be rejected. Applicants whose proposals were rejected in two consecutive rounds can appeal the second decision to an Independent Appeal Panel.

**Country Level Structures and Governance**

To date, the Global Fund (like the GAVI Alliance) has operated without a country presence, relying on the capacity and expertise of partners or contracted support for in-country assistance and oversight.

**Country Coordinating Mechanisms**

Country Coordinating Mechanisms (CCMs) include representatives from governments, multilateral and bilateral agencies, non-governmental organizations, academic institutions, private businesses, and people living with HIV, TB, or malaria. CCMs develop and submit grant proposals, nominate the Principal Recipient (i.e., the organization that is accountable for managing the grants), and oversee the grant’s progress during implementation. Guidelines for CCM composition recommend that civil society organizations (CSOs) and communities affected by the three diseases should be prominently included in the CCM.

For each grant, the CCM nominates one or more public or private organizations to serve as Principal Recipients (PRs). PRs can be governmental actors (often the Ministry of Health or the Treasury), international organizations (usually UNDP), NGOs, or (less often) corporations. The Global Fund signs a legally binding grant agreement with the PR who is responsible for the program’s implementation. Many PRs both implement and award sub-grants, i.e. they pass a portion of funding on to other implementing organizations (“sub-recipients”).

Based on evidence that CSOs and the private sector play a critical role in scaling up programs and reaching at-risk populations, the Global Fund recommends dual-track financing. CCMs are encouraged to nominate both a government entity and a non-governmental entity to be the PRs in a grant proposal. If the proposal is approved, the Global Fund signs a separate grant agreement with each PR. As a result of this policy, about 40% of PRs in Rounds 8 and 9 were from civil society or the private sector, compared to 23% over the previous seven rounds.

As outlined in the report of the High Level Panel and the Consolidated Transformation Plan, CCMs are not always performing to their full potential—they need to strengthen their accountability and oversight role in grant management. As part of the ongoing transformation process, the Global Fund plans a number of measures to improve the performance of CCMs. For example, CCMs will be included in training modules between March and December 2012 to improve understanding of roles and expectations, and to extend sharing of best practices.

**Local Fund Agents**

To oversee and report on grant performance at country level, the Global Fund contracts so-called Local Fund Agents (LFAs). LFAs are typically audit and accounting firms or entities that screen the capacity of organizations nominated as PRs and also verify the progress reports and disbursement requests submitted by PRs.

The Global Fund usually has one LFA per country, which is selected through a competitive bidding process. Improvements in LFA performance in the context of the ongoing transition process will be reinforced through adapted investments in LFA services based on country risks. A new model for procurement of LFA services is also being planned.

**Funding Process**

Building on its existing model, the Global Fund is currently reforming its resource allocation funding process, with a view towards funding proposals under the new model beginning in early 2014. In the past, the key window of opportunity for countries to access funding from the Global Fund was the Rounds-Based Channel, typically once a year.

Countries that met the eligibility criteria of disease burden and income level could submit grant proposals without involvement by the Global Fund. Country Coordinating Mechanisms (CCMs) were responsible for designing and submitting proposals. After an initial screening by the Secretariat for timeliness, completeness, and eligibility, the Technical Review Panel (TRP) reviewed proposals for technical merit and made a recommendation to the Global Fund Board, which it usually endorsed.

**Current Changes in Program Design and Review**

In light of existing resource constraints, the Global Fund Board established a TFM in November 2011 to ensure funding for the continuation of essential prevention, treatment and/or care services by current grantees (see Transitional Funding Mechanism at the top of page 10).

To ensure strategic investment of resources, the Board decided that new eligibility criteria will now also be applied to grant renewal applications. As of January 2012, G-20 upper middle income countries with less than an extreme disease burden are no longer eligible for support, notably affecting China, Russia, Mexico and Argentina (the US$800–US$900 million worth of grants that had been planned for these four countries will be directed elsewhere). To ensure that most Global Fund investments continue to benefit lower-income countries, the Board further decided that the total funding approved for grant renewals for Low Income Countries (LICs) will be no less than 55% of any annual funding window.
In the future, the current TRP review and grant negotiation processes will be replaced with a two-stage grant process (see The New Two-Stage Grant Process at the top of page 11). The process aims at increasing dialogue between the key stakeholders during proposal development, with the goals of: accelerating grant approvals; improving proposal quality and risk management; and allowing better targeting of high-impact countries, interventions, and populations.

Support will be increasingly based on national strategies, aligned with national systems and structures, and on an applicant’s record of performance-based results. National Strategy Applications (NSAs) are a new funding approach by the Global Fund to “further facilitate alignment of Global Fund financing with country priorities within the framework of a country’s national strategy.” The NSA approach has been implemented through a phased roll-out, starting in 2009 with a “First Learning Wave” in five pilot countries (worth $US 434 million over the first two years of implementation).

Although a Second Wave of NSAs was announced in January 2011, the cancelation of Round 11 means that funding requests from countries participating in this Second Wave were subject to TFM criteria. NSA applicants were able to request funding for up to two years.

### Program Implementation and Management

The Global Fund is currently also making far-reaching changes in the disbursement of funding. The Global Fund’s traditional model is progressively being replaced with a new funding model that moves the Global Fund from a project-style approach towards a national program approach, which allows for better alignment with national budget and reporting cycles.

### Transitional Funding Process

The traditional funding model is based on multiple, stand-alone funding agreements per PR per disease, i.e., a separate funding agreement is signed for each individual grant. When a grant agreement is signed, the World Bank, as the Global Fund’s trustee, makes a first disbursement based on the needs of the upcoming funding period—quarter, semester, or year—and on an agreed performance framework. This framework includes indicators, baselines, and targets for the first phase of the grant.

For each individual grant, PRs have to submit progress updates and disbursement requests to the Global Fund Secretariat. These are used by the Global Fund to monitor grant performance and to give performance ratings for each progress period (quarter, semester, or year). These ratings indicate whether a grant has performed well and has achieved the previously defined targets (i.e., grant performance is measured through the indicators in the performance framework). The quality of the reported data is

### Transitional Funding Mechanism

<table>
<thead>
<tr>
<th>What is it?</th>
<th>• Applications for funding of up to 2 years for programs providing essential prevention, treatment, and/or care • Application deadline was March 31, 2012</th>
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</thead>
<tbody>
<tr>
<td>Funding from whom?</td>
<td>• Programs that would face disruption between January 1, 2012 and March 31, 2014 and that have no alternative sources of funding available</td>
</tr>
<tr>
<td>Special circumstances</td>
<td>• Prioritization will be needed if demand exceeds supply • If programs face disruption before funds become available under the Transitional Funding Mechanism, Secretariat will develop a bridge funding mechanism • Funds may be staggered to minimize disruption of activities</td>
</tr>
<tr>
<td>When?</td>
<td>• April–May 2012: Screening of applications • June 2012: Technical Review Panel (TRP) review meeting, applications checked against requirements • July 2012 (anticipated): endorsement of initial TRP recommendations by Board • From July 2012/13 on a rolling basis: Board funding decisions</td>
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verified through the Local Fund Agents (LFAs). Failure of a PR to properly collect performance data can block the disbursement process.

Disbursements are geared to the pace of implementation: when grants are being implemented slower than expected, funds can be reduced. When implementation is faster, funds can be accelerated. Funding for weak performers is reduced or stopped.

After 18 months, the Global Fund conducts a comprehensive performance review for each grant. At this stage, the Secretariat gives each grant a Phase 1 performance rating, and recommends what amount of money should be awarded for Phase 2. The Secretariat recommendations fall in the categories “Go,” “Conditional Go,” and “No Go.” This recommendation becomes the basis for the Phase 2 funding decisions taken by the Board. If a grant is approved for Phase 2 funding, a new grant agreement is signed and a newly-approved performance framework established.

Innovations in the Funding Process: New Grant Architecture

In November 2009, the Board approved a new grant architecture. This new architecture brings important changes to the Global Fund’s operating model, including how grants are managed, and how performance assessment is conducted. The new architecture is intended to streamline grant management, to improve alignment with country cycles, and to shift towards a more program-based approach—and away from the current “project-style” of funding requests, grant management, and performance-based funding. Two core elements of the new grant architecture are:

- **Single Stream of Funding:** In the Global Fund’s traditional funding model, each approved proposal leads to a separate grant agreement with its own budget, performance framework, etc. Under the new grant architecture, the Global Fund will establish a single stream of funding (SSF) per PR per disease. There will be one grant agreement for the same PR and the same disease. PRs that manage grants for more than one disease will have a funding agreement for each disease (e.g., a single HIV stream and a single malaria stream). If there are two or more PRs for a country disease program, a SSF will be created for each of them. The Global Fund expects that this new model will simplify the application process and the grant management for both PRs and Fund Portfolio Managers. While existing grants usually have funding commitments of five years (i.e., Phase 1 takes two years, and Phase 2 takes three years), single funding streams will have fixed review and financial review cycles of up to three years, called “implementation periods.” These implementation periods are set by recipient countries based on their own budget cycles to allow for better alignment with country budget, planning, and review cycles.

- **Periodic Reviews:** SSFs will have fixed periodic reviews once every implementation period. As in the Phase 2 review process, each periodic review will evaluate performance and determine funding levels for the next commitment period. The
The key difference between the new and the traditional process is that under the new grant system each PR will only have one periodic review per disease every cycle. In the traditional model, PRs have separate performance reviews for each of their grants (e.g., one for the PR’s Round 5 HIV grant and another one for its Round 7 HIV grant). The periodic review must take place at least once every three years. Periodic reviews and commitment cycles will be designed in collaboration between the Global Fund, CCMs and PRs to achieve better alignment of Global Fund financing. PRs will still need to submit periodic progress updates and disbursement requests.

The Global Fund has set the objective of managing 50% of grants through SSFs by 2013 and all grants by 2016. By November 2011, one third of Global Fund grants had transitioned to SSFs. In addition, about 70% of Round 10 grants were SSF agreements, based on “consolidated disease applications.” These provide a complete overview of the proposed Global Fund-financed activities in a disease program (i.e., they provide an overview of the funding already approved from previous rounds, in addition to any new funding requested). It is also expected that the first 26 periodic reviews, which will progressively replace Phase 2 reviews, will be conducted in the first half of 2012.

Results

The Global Fund has played an important role in the scale-up of key interventions to fight HIV/AIDS, TB, and malaria.

The Global Fund measures the performance of each of its grants. Before the November 2009 revisions to its grant architecture, every grant was comprehensively reviewed after 18 months (the phase 2 review) and received a Phase 1 performance rating (in the revised architecture, the phase 2 review is being replaced by the Periodic Review).

The Global Fund’s 2011 Results Report states that by the end of 2010, 522 grants had received a Phase 1 rating:

- About 76% of programs were assessed as performing well and were rated A (grant exceeds or meets expectations) or B1 (adequate performance)
- About 20% were assessed as performing inadequately but showing potential (rated B2)
- Only 3% received a C rating for unacceptable performance (see Grant performance ratings at phase 2 review opposite).

The ratings of A–C are based on whether a grant recipient reached the targets for the proposed performance indicators (e.g., number of condoms distributed, number of people with advanced HIV receiving antiretroviral therapy [ART]). Ten of these indicators are considered as being the most important (the “top 10 indicators”), and are given greater weight in calculating the final rating.

By the end of 2010, Global Fund grants achieved an average of between 59% and 137% of their Phase 2 review targets for each indicator (see Results achieved by Global Fund-supported programs against targets for key services at the top of page 13). The best results were for care and support to orphans (average of 137% of targets achieved) and the worst results were for cases of malaria treated (average of 59% of targets achieved).

There is mounting evidence that the Global Fund has helped to achieve substantial impact on global health through its funding of HIV, TB, and malaria programs. The Global Fund’s 2011 Results Report estimates that programs that it supports have saved 6.5 million lives. In addition, together with other international and national partners, Global Fund support helped to achieve the following results:

- The UNAIDS 2010 Report on the Global AIDS Epidemic shows that Global Fund financing—alongside funding from other donors—has resulted in significant declines in AIDS mortality in countries in which provision of ART has been scaled up.
- The 2011 World Malaria Report found that in nine countries in sub-Saharan Africa, the number of malaria cases or deaths has fallen by over 50% since 2000 through scale-up of malaria control tools.
- In many countries that receive Global Fund support, TB prevalence and mortality rates are falling.
Outlook

An independent evaluation of the Global Fund at five years (the “5-Year” evaluation) concluded that the organization had succeeded in delivering on its mission to dramatically increase resources to fight three high-burden diseases—HIV/AIDS, TB and malaria. As of January 2012, the Fund had approved $22.9 billion in funding to 150 countries. An analysis by the Global Fund shows that it has also been able to direct these resources to areas of greatest need (see the Global Fund 2010 report Innovation and Impact, figure 2.23). The Global Fund’s 2011 Results Report, published in November 2011, estimates that programs which it supports have saved 6.5 million lives.

In addition to rapid mobilization of funding, the Global Fund also quickly built the organizational structures required to finance scale up of disease-specific interventions, and to support health systems strengthening (HSS) more broadly. It has:

- contributed to a massive mobilization of partners at the global and country level
- channeled large amounts of financing through civil society organizations
- set new standards of transparency, with virtually all grant, resource, and policy information being accessible to the public, including detailed documentation of its Board and committee deliberations and decisions.

The Global Fund was born as an emergency response. Now, a decade after its creation, the organization must address questions about its business model, governance, and management in order to continue to attract sustainable support, especially in an austere economic environment.

Some of these issues were already highlighted in the Global Fund’s 5-Year Evaluation, including limitations in performance-based funding at the country and Secretariat levels; unclear grant oversight, monitoring and technical assistance; and a lack of negotiated partnership commitments. Others surfaced in early 2011 when allegations of misuse of funds led to a comprehensive independent review of the Global Fund’s processes and management by the High Level Independent Review Panel and to various other reform efforts (e.g., the reform plan developed by the Comprehensive Reform Working Group). The ongoing reform process will need to address a range of challenges, including (but not limited to) the Global Fund’s funding approach, accountability, cost effectiveness, and country-level structures.

Reforming the Funding Model

Following the steps the Global Fund had already taken towards a consolidated grant architecture and national strategy applications, the High Level Panel recommended that the Global Fund should adapt its one-size-fits-all approach to approving and managing grants (which currently leaves some countries with large amounts of funding and others with none at all).
To be effective, the Global Fund needs to be more targeted and assertive about where and how its money is deployed, taking into account global disease burden and adopting a customized response to different risks and opportunities in the field. Efforts are underway to move towards a new two-step funding model, which the Secretariat will develop during 2012. A key challenge in this effort will be to ensure that the Global Fund does not get too involved in the design of programs whilst still being able to provide more guidance to recipients.

Improving Value for Money

Given tightening government budgets and the funding short-fall facing Global Fund programs—manifested in the recent suspension of Round 11—it will be critical to optimize cost-effectiveness of existing and new activities. This value for money agenda includes, for example, improved alignment with national strategies, systems for lowering transaction costs, greater country ownership, strategic targeting of HSS investments, and intensified collaboration with partners (including civil society) to maximize maternal, neonatal, and child health outcomes. Improving value for money will also include lowering service delivery unit costs (e.g., the cost of delivering an insecticide-treated bed net to one person, or the cost of delivering antiretroviral therapy to one patient for one year).

Strengthening Country Level Structures and Ownership

The 5-Year Evaluation conducted between 2007 and 2009 already pointed to significant weaknesses in the Country Coordinating Mechanisms (CCMs). While CCMs have been successful in mobilizing partners for the submission of proposals, their roles in grant oversight, monitoring, and mobilizing technical assistance remain unclear and substantially unexecuted. These weaknesses were echoed by the recent High Level Panel review. The review found that the Global Fund’s principle of “country ownership” was not being appropriately applied, and there was a hazy definition of such ownership. A new definition of country ownership will be elaborated, including (a) how CCMs should exercise their responsibility for accountability, particularly by ensuring equal participation of all stakeholders in decision-making, and (b) how country ownership should be seen in the context of the broader national picture and of country capacities. Although the Global Fund aimed to elaborate this definition by March 2012, this deadline was not met.

Strengthening Accountability and Risk Management without Becoming Overly Bureaucratic

The Global Fund’s Office of the Inspector General discovered misuse of funds totaling $US34 million in four countries, which received widespread media attention in 2011. Following this discovery, an independent review of Global Fund systems by the High Level Panel pointed to significant weaknesses in the Global Fund’s fiduciary controls and oversight mechanisms.

A number of efforts are now underway to strengthen the Global Fund’s risk management and to do a better job of tracking finances and performance. These efforts include:

- a new operational risk management and accountability framework for Secretariat staff and country-level stakeholders
- on-going risk-based segmentation of the entire Global Fund portfolio per country
- an Implementers’ Code of Conduct, and related trainings for Secretariat staff, CCMs, PR, LFs and other stakeholders.

These measures will be critical in regaining donor confidence in the Global Fund’s risk management. At the same time, it will be important to tailor strengthened controls to different risk environments so as to not hold up progress in implementation.

Ensuring Strong Executive Management to Lead the Global Fund through Its Next Phase of Development

During its first ten years, the Global Fund Secretariat has continuously struggled to keep up with the pace of its growth in the development of its management capacity, systems, and processes. It has also suffered from fluctuations and tensions within its Executive Management team and between Secretariat leadership and the Inspector General of the Global Fund.

For the continued success of the Global Fund, it will be critical to ensure that a strong, strategically aligned Executive Management Team is in place. This team will need the managerial capacity to lead the Secretariat through the next crucial phase of the Fund’s development and to ensure the highest professional standards are maintained and organizationally supported, including mutual accountability standards.

The new General Manager, Gabriel Jaramillo, must implement changes swiftly in order to deliver on the Fund’s internal reform agenda and to ensure continued confidence of donors and other stakeholders.
Funding and Authorship
This profile was funded through a general operating support grant from the Bill & Melinda Gates Foundation to the Global Health Group at UCSF, with a subcontract to SEEK Development. The Foundation played no role in writing the profile. The profile was written by authors at SEEK Development (Marco Schäferhoff, and Christina Schrade), and E2Pi at the UCSF Global Health Group (Gavin Yamey). Research assistance was provided by Emil Richter, Janina Schnick, and Raimund Zühr (SEEK Development). For information on authors’ competing interests, see www.e2pi.org (click on Smarter Aid section).