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## BOARD MEMBERS DISCUSS WHETHER THERE SHOULD BE CHANGES TO THE GLOBAL FUND'S CURRENT BUSINESS MODEL IN HIGH-RISK COUNTRIES

Should the Global Fund Secretariat have an in-country presence? At its last meeting in Montreux, Switzerland on 16-17 November, Board members discussed ways to strengthen its current business model in high-risk countries as well as possible alternatives to the model. No decisions were taken.

The discussions were based on a 70-page paper prepared for the Board meeting which presented the findings of a study undertaken by the Secretariat. The study involved focus groups with country team members; a survey of over 800 in-country stakeholders; interviews with about 50 Board members, standing committee members, and representatives of constituencies. The study also included a detailed costing of potential options.

The discussions focused primarily on whether changes were needed to the current model – specifically, whether the Global Fund Secretariat should have some form of country or regional presence. The study found that while opinions varied about options to evolve the model, over 70% of respondents preferred to focus first on improving the current model.

Some of the options for evolving the model included placing “liaisons” in a subset of countries (an option favored by 10% of respondents); moving a sub-set of country teams in-country (10% in favor); and establishing regional hubs (10% in favor). The Secretariat estimated that the cost to implement these measures would range from \$3.8 million to \$8.4 million a year.

In the Board paper, there is considerable discussion about exactly what role liaisons would play and what authority they would have.

None of the survey participants favored moving all country teams in-country.

According to the paper prepared for the Board, survey participants identified a number of strong advantages of the current model. They said that the model facilitates country ownership and accountability; encourages multi-stakeholder partnership and participation; ensures that responsibility for implementation of programs clearly resides with the principal recipients (PRs); and provides flexibility in implementing programs and mitigating risk. Participants said that the Global Fund has a lean and efficient organization that encourages consistency and knowledge-sharing and enhances swift internal decision making. They also said that the Global Fund model compares well with those of partners who have a country presence.

Survey participants identified challenges in three areas, as follows:

**Partner engagement and portfolio management.** Some stakeholders said that the business model may make it difficult to ensure an appropriate level of technical support in countries with an absence or limited presence of bilateral or multilateral partners; to optimize coordination and relationship-building in high-risk and high-burden portfolios where many partners operate; to respond rapidly to issues or crises in country; and to have up-to-date knowledge of country context, risks, and political dynamics.

**Risk management.** Concerns were raised about the lack of synergies between risk actors in country (such as local fund agents, fiscal agents and auditors) that could lead to duplication of work or uneven performance.

**Country coordinating mechanisms (CCMs).** Stakeholders identified problems such as insufficient CCM involvement in oversight of grants; variable engagement and empowerment of civil society and key populations on CCMs; and inappropriate linkages with key actors in country. The last item could refer to a lack of effective ties with key governance bodies in the country or having ties that create conflict of interest situations within the CCM. A [recent audit of CCMs](#) performed by the Office of the Inspector General identified similar problems.

The Board paper listed several initiatives that were already underway to address these challenges. For example, with respect to partner engagement and portfolio management, the Global Fund is involving partners more through initiatives such as Implementation Through Partnership; is encouraging longer country staff visits; is adapting its approach through initiatives such as Differentiation for Impact; and is strengthening monitoring, training, and knowledge-sharing among country teams.

Concerning risk management, a number of initiatives are underway, such as streamlining risk mitigation measures; improving the performance of service providers; and improving the quality of financial audits.

Regarding CCMs, the Fund is introducing a code of conduct for CCM members; ensuring that there are programs in place to induct new members; and conducting workshops to improve CCM performance where weaknesses have been identified.

The Secretariat recommended that the Global Fund focus near-term efforts on implementing improvements to the current model “while maintaining its long-term commitment to continuously assessing and adapting the business model.”

Next steps

In January 2017, the Secretariat will develop a draft plan that describes the key milestones and timelines to implement improvements.

Between now and next March, the Secretariat will perform additional analyses of similar organizations with country presence to understand how these organizations manage common in-country risks and what good practices the Global Fund may learn from them. The findings from these analyses will be incorporated into the implementation plan.

At the March/April cycle of committee and Board meetings, the Secretariat will report back to the committees with an implementation plan and provide an update on progress on ongoing initiatives related to improving the business model.

At subsequent committee and Board meetings, the Secretariat will provide regular updates on progress against the implementation plan; on the results of its assessment of how effective the improvements are in addressing residual risks; and on whether it thinks any additional changes to the business model are required.

Board Document GF-B36-28 (Review of the Global Fund Business Model) should be available shortly at [www.theglobalfund.org/en/board/meetings/36](http://www.theglobalfund.org/en/board/meetings/36). An executive summary is available as a separate document.

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