Aidspan
Independent observer of the Global Fund

Stalled Growth: The Global Fund in Year Four

In April 2001, UN Secretary General Kofi Annan declared that there should be a “war chest” of $7 billion to $10 billion per year to finance the fight against AIDS, and proposed that much of this should be raised, and then disbursed, by a “Global Fund.”

Within less than a year, the Global Fund to Fight AIDS, Tuberculosis and Malaria went from concept to reality. The Fund opened its doors in January 2002, and over the following three years raised billions of dollars, approved hundreds of grants, and enabled millions of people to benefit.

However, the growth has now stalled. The next two years will be particularly tough, with a real possibility that the Fund will be unable to increase its income much beyond the $1.5 billion per year required to sustain existing grants. This means that the next round, Round 6, may not be approved before late 2007, which would represent a dramatic slowing down in the Fund’s approval of new grants.

The determining factor will be whether the more conservative donors can be convinced that troubled grants will be fixed or terminated and that the money spent is actually saving the number of lives that was anticipated. Right now, the donor jury is out.

The Global Fund has had, from the beginning, an astonishing range of supporters, from AIDS activists to Republican Senators. This is largely because the Fund operates differently from traditional forms of foreign assistance, using a model that emphasizes control over grants by recipients, and a business-like approach. The Fund’s board includes not just donor governments, but also developing country governments and various components of civil society. The programs to be funded are designed and run by the recipient countries, without the Fund telling them what is in their best interest. Grant approvals are based purely on feasibility and technical merit, with no consideration given to ideological factors. With some grants, significant portions of the money are passed through to grass-roots NGOs. Overhead is kept to an absolute minimum, with the whole operation being run by a staff of 150 in Geneva. And the grants are "results-based," meaning that if the results promised by recipients are not delivered, the grant may be terminated and the money diverted to more effective projects.

This no-nonsense, no-frills approach has been aptly summarized by Richard Feachem, the Fund's Executive Director, in six words: "Raise it, Spend it, Prove it." However, once the start-up funding had been provided, the sequence in reality became "Spend it, Prove it, Raise it." The Fund must spend its start-up money efficiently. It must then prove that the expenditure led to good results. And it must finally point to those results to persuade donors to give more. it's a classic chicken-and-egg situation, and the problem is that the time taken to "Spend it" and "Prove it" is several years, which means the Fund is now encountering difficulties with "Raise it."

Spending it

The Fund has approved 322 grants to 128 countries, at a cost of $3.4 billion for the first two years of these grants. And it has actually disbursed $1.6 billion, with regular further disbursements to come as results are delivered. The Fund's Secretariat has of necessity become an enormous meat-grinder, approving project plans, signing grant agreements, requesting and approving progress reports, and making disbursements. The pace is relentless, leading to a certain amount of burnout among staff.

The Global Fund says that thus far, its financing has helped to provide 220,000 people with antiretroviral treatment for HIV; 600,000 patients with tuberculosis treatment under DOTS (Directly Observed Treatment, Short Course); more than 1.1 million people with treatment for malaria; and more than 3.1 million insecticide-treated mosquito nets. By the end of the fifth year of all currently approved grants, these substantial achievements will be scaled up at least eight-fold, if grants perform as planned.

The Fund's rules say that proposals must normally come from a Country Coordinating Mechanism (CCM), a national-level committee made up of government, NGOs, the private sector, and more. For each grant, the CCM then chooses, subject to Fund approval, one or more organizations to serve as the Principal Recipients (PRs) that will administer the grant. Most grants have just one PR – usually a government ministry; but the Fund is increasingly encouraging CCMs to consider choosing two PRs per grant, one from the government and one from the NGO sector. NGOs can also benefit from the Fund if they are chosen by the PR as sub-recipients. By enabling small community-based organizations to become sub-recipients, the Fund can partially offset the constant lament of some donors that there is insufficient absorptive capacity to handle significant increases in funding.

Proving it

At this point in time, it's hard to know whether the promised results are being fully delivered by grant recipients, and whether adequate corrective action is being taken when grants run into trouble. it's known that money is sent from the Fund to Principal Recipients in each country, and is then passed on as needed to sub-recipients. it's known that clinics are being built, doctors trained, and drugs purchased. But what about that last mile? To what extent are pills being put in people's mouths in an appropriate and sustainable way? And to what extent are prevention programs actually averting potential infections? The bottom line is: How many lives are being saved that would not have been saved if the Fund did not exist? it's just too early in the life of the grants to know.

On the other hand, the challenge of computing “lives saved per million dollars spent” has proven just as difficult in all other AIDS programs. PEPFAR (the enormous U.S. bilateral program), for instance, has quietly shifted from President Bush’s statement that it “will treat at least 2 million people with life-extending drugs” to simply saying it will “support” treatment for that many people. If a program is only “supporting” treatment, how can one determine how many lives it is saving?

Unlike PEPFAR, the World Bank, and most other funding agencies, the Global Fund is remarkably willing to make its data publicly available. But the data is so abundant that the Fund is in danger of drowning in it. The Fund spent a year developing a system designed to automatically trigger alerts when grants were running into trouble, which it then abandoned. It then developed a new system that is only now producing results, not yet public, though most of the raw data is available at the Fund’s website.

To compound the challenge, the availability of data does not guarantee its reliability. The Fund uses local fund agents (LFAs) – usually local branches of global accounting firms – to serve as its eyes and ears in-country. The LFAs are responsible for checking not just whether the money is being spent as claimed, but whether the claimed results are indeed being delivered. However, conducting programmatic audits of health programs in rural areas is hardly a primary strength of these companies; and they have also, on occasion, failed at detecting financial mismanagement. It took a message from a Ugandan whistleblower to trigger an investigation that found all sorts of financial problems among government and non-government sub-recipients in that country, leading to the temporary suspension of those grants.

And even when the Fund has unambiguous evidence that a grant is not working, it has been extraordinarily reluctant to terminate the grant. The Secretariat has tried to live up to the Fund’s founding principle of being “results-based,” but the board has over-ruled almost every attempt by the Secretariat to close down a grant This means either that the Secretariat is not doing a good job, or that the board is meddling or has a different definition of success. There is irony in the fact that the board originally insisted on the right to second-guess the Secretariat because of its fears that the Secretariat would be too lenient – not that it would be too strict. The main explanation for what has happened is that board members have been the recipients of excessive lobbying when the Secretariat has proposed terminating grants.

Raising it

Image not found or type unknown

The Global Fund currently receives a little over $1.5 billion per year from governmental donors – considerably short of what the circumstances require. At the Fund’s September replenishment meeting, donors who had been asked for $7.1 billion to cover anticipated needs through the end of 2007only pledged $3.7 billion. This means that for now, there is no money to pay for Round 6 grants (which the Fund had hoped to approve in 2006) or Round 7 or 8 grants (which the Fund wanted to approve in 2007).

What is happening is that some donor governments are hesitant to escalate their contributions beyond current levels without clear proof that the current grants are achieving their planned results. But that proof cannot come for another year or two. Despite the fact that this problem was predictable, even inevitable,

the board has unfortunately developed no clear plan for how best to get through that time period.

Another factor is that Western governments have disagreed for years, even internally, on which of three approaches to fighting the three diseases they prefer. The most common approach is the traditional “bilateral plus vertical” approach, whereby each donor supports specific health projects. The second is the “multilateral plus horizontal” approach, whereby donors collectively pool money to strengthen a country’s entire health sector through SWAps (Sector-Wide Approaches), “basket funding” (in which donors pool their resources into a health fund), or direct support to the government’s budget. The third, of which the Global Fund is a prime example, is a hybrid – it’s “multilateral plus vertical.” When donors prefer bilateral and/or horizontal interventions, the Fund loses out. Furthermore, some donors may claim that their reason for not yet giving more to the Fund is that they are waiting to see increased proof of the Fund’s success, when the real reason is that they are leaning towards a more horizontal and/or a more bilateral approach, or that they not yet have made up their minds and wish to keep their options open.

The Fund seeks to obtain its governmental funding through a “voluntary replenishment mechanism.” The problem with voluntary and relatively ad hoc donations to the Fund is that recipient countries that wish to scale up health programs, particularly programs involving antiretroviral treatment, need secure and long-term financing. For the Fund to provide this, it must have financing of its own that is equally secure and long-term. Relying on voluntary contributions makes the Fund – and its recipients – vulnerable to changing donor priorities, economic uncertainties or donor fatigue. The Fund was left to its own devices to develop a replenishment mechanism, yet the mid-level officials who serve on the board have always been deeply reluctant to discuss the funding challenges, and there have been few precedents to follow.

One proposal for raising the money needed by the Fund was suggested over three years ago by this author and others. Called the Equitable Contributions Framework, this was a formula whereby donor governments would accept a moral obligation to finance the Fund’s declared needs and would contribute in proportion to their ability to pay – that is, in proportion to their share of the global economy.

The Fund’s secretariat, after regarding this concept as something of a hot potato, has now adopted and indeed enhanced it as an analytical framework that it offers to donor governments for their consideration. it’s hard to know to what extent this influenced the donors’ thinking; but it is gratifying to note that Japan, which until recently gave far less to the Fund than was recommended by the Equitable Contributions Framework, has now taken a major step towards giving its “fair share.”

The U.S. currently finds itself in an awkward position regarding the Fund. For the last couple of years the U.S. has had legislation in place saying that it will give no more than one-third of the total contributions received by the Fund (one-third being the U.S. share of the world economy). Taken literally, just one dollar would have met that commitment. But fortunately, the U.S. has thus far treated this one-third not as a cap, but as a goal for which there is some kind of moral commitment; and through fiscal year 2005, the U.S. has indeed given one-third. However, the increased amounts pledged to the Fund for 2006+7 by non-U.S. donors mean that for the U.S. to continue contributing one-third, it will have to give at least $1.5 billion over 2006 + 2007. President Bush proposed giving the Fund $300 million for fiscal 2006, the House of Representatives has called for $400 million and the Senate, for $600 million. At present, it looks as if the outcome will be between $450 and $550 million. Unless this amount is dramatically increased in fiscal 2007, the U.S. will for the first time be providing significantly less than one-third of the Fund’s total contributions.

Another major disappointment has been that despite the Global Fund being a “public-private partnership,” nobody has found a way to persuade the private sector, or foundations other than the Gates Foundation, to contribute substantial amounts of money. These donors, like most, prefer to point to the specific impact that their own donations have made; but that is not easy when all donations have to be placed, without “earmarking,” into a multi-billion-dollar pool before being disbursed. Accordingly, the private sector prefers to provide in-kind gifts, but rather than confront the tricky challenge of determining which gifts would be acceptable and which would not, the board has declined all such gifts.

The Fund was intended from the beginning to be innovative, and innovators always face unanticipated challenges.

What separates successful from unsuccessful innovators is how quickly they recognize, candidly discuss, and then find ways of surmounting these challenges.

Where the Fund goes from here depends very much on the board. However, board members representing donor governments are understandably hesitant to discuss why their governments are not giving more money; and board members representing developing-country governments are equally hesitant to discuss why some grants are in trouble. Furthermore, each of these two groups is diplomatically hesitant to push the other. As a result, the core factors that inhibit the Fund's growth are rarely discussed in any detail at board meetings.

The best option for achieving a breakthrough at the board level may lie, therefore, with the five civil society board members, representing NGOs from developed and developing countries, people living with AIDS, foundations, and the private sector. If they can proactively and collectively propose solutions that acknowledge and offer ways round the challenges that the Fund currently faces, the Fund might have a chance to resume growing towards the scale of operations that Kofi Annan originally envisaged.

[Bernard Rivers (rivers@aidspan.org) is Executive Director of Aidspan (www.aidspan.org), an NGO watchdog of the Global Fund, and Editor of Aidspan's Global Fund Observer. He has had observer status at all board meetings since June 2004.]

Note: The above article is an extended version of the author's "'raise it, Spend it, Prove it': The Global Fund's Approach to Financing the Fight Against AIDS," published in the November/December issue of Global AIDSLink, a newsletter of the Global Health Council. GHC members can access all issues of AIDSLink at www.globalhealth.org/publications. The November/December issue, which focuses on the funding of AIDS programs, is also posted, with permission, at www.aidspan.org/gfo/docs/aidslink94.pdf. Its contents are as follows:

3 Inside Track

Moves and News in the HIV/AIDS Community

4 'Raise It, Spend It, Prove It': The Global Fund's Approach to Financing the Fight Against AIDS

By Bernard Rivers, Aidspan and Global Fund Observer

6 Getting More for the Money: How Lower-Price ARVs Were Possible, Progress to Date & the Challenges Ahead

By Anil Soni & Ira C. Magaziner, Clinton Foundation HIV/AIDS Initiative

8 Building Foundations for Success: Fixing the Delivery Mechanisms of Aid for AIDS

By Jeff Barnes, Population Services International

9 The EU Confronting HIV/AIDS in Developing Countries: Stepping up the Response

By Dr. Lieve Fransen, Directorate General for Development, European Commission

10 Letter from the President

By Dr. Nils Daulaire, Global Health Council

11 Money Money Everywhere…

AIDSLink Interviews Stephen Lewis, UN Envoy to AIDS in Africa

12 Making the Money Work Today, Supporting Sustainability for Tomorrow: The President's Emergency Plan for AIDS Relief

By Ambassador Randall L. Tobias, United States Global AIDS Coordinator

14 The Aftermath: A Small NGO in the Wake of Brazil's Response to the U.S. 'Anti-Prostitution Pledge'

By Gabriela Pinheiro, Transformarte

16 The Tribulations and Trials of a Small NGO in Ethiopia

By Sara Woldehanna, Academy for Educational Development

17 Faith-Based Organizations are Getting All the Money: Reality or Rumor?

By Allison Herling & Ray Martin, Christian Connections for International Health

18 Fighting HIV in India: the Business of Avahan

By Ashok Alexander, Bill & Melinda Gates Foundation

20 Dollars and Sense: Making It Add Up

By Kevin Osborne, International Planned Parenthood Federation

21 Funding for Global HIV/AIDS By Major Donor Governments: An Overview

By Jennifer Kates, Kaiser Family Foundation

22 TimeLine

24 Launching a New China-Merck Public-Private Partnership: Addressing HIV/AIDS in Sichuan

By Linda M. Distlerath, Merck & Co., Inc.

26 Resources

27 Positive Voice: Lucky to be a Brazilian

By Marcello Duarte, Cidade

Read More