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Independent observer of the Global Fund

# THE TRANSFORMATION OF THE GLOBAL FUND - CONCERNS AND OPPORTUNITIES

It has been a year of turmoil for the Global Fund. Round 11 has been officially cancelled, preceded by months of negative publicity about corruption and fraud. But the turmoil is set to continue as the Fund undergoes a process of organisational transformation. A Consolidated Transformation Plan (CTP) consisting of six “transformation areas,” 31 projects and 162 deliverables is being implemented. A new Strategy for 2012-16 (“the Strategy”) has also been produced, setting the direction for the Fund’s future evolution. With so much happening, it can be hard to “see the forest for the trees.”

This commentary identifies seven elements of the Global Fund’s future transformation and then discusses what they might mean for the Fund’s mission.

## SEVEN ELEMENTS OF TRANSFORMATION

### Contraction and tighter rationing

If the first decade was the Global Fund’s era of expansion (in terms of the number of countries supported by grants and annual levels of expenditure), the next decade looks likely to be an era of contraction. As aid budgets stagnate or shrink, and as donor commitment to the Global Fund weakens, and given the reality of scarce resources and unmet need, the Global Fund has little choice but to consider tighter eligibility criteria and a more explicit system of rationing. The original demand-driven model of funding will thus be transformed into one that is more supply-driven. Funding will become less about countries “pulling in” Global Fund grants, and more about the Global Fund “pushing out” money according to stricter eligibility criteria.

## A more hands-on approach

The Global Fund is adopting a more hands-on approach to all aspects of the grant cycle, from the initial applications for funding through grant management and programme implementation, and including grant renewals. This is designed to allow grant-making and grant-management to be better tailored to the specific context and needs of a given country. The CTP and Strategy also suggest a more operational role for the Fund in the procurement and supply management of pharmaceutical and other health commodities. In order to support this change, the status, capacity and authority of fund portfolio managers will be increased, as will the number of countries that will be managed under the country team approach. In addition, the time spent by Global Fund staff within recipient countries is expected to rise, and efforts will be made to strengthen the capacity and effectiveness of local fund agents. These changes mark a significant departure from the original vision of the Global Fund as a quick and nimble, global-level financing agency with a minimal in-country presence.

## Shorter cycles of funding

The Fund will be moving towards shorter cycles of funding. For example, in future, new grants will cover a three-year period rather than a five-year period; and applications to the Transitional Funding Mechanism are limited to a maximum of two years. Grant performance will also be subject to more rigorous (and possibly more frequent) assessments and performance management prior to semi-annual disbursements. These changes mostly run contrary to the principles of aid effectiveness and may aggravate the difficulties associated with unpredictable and uncertain aid flows.

## More emphasis on results and performance based funding

A striking feature of both the CTP and the Strategy is the even greater emphasis on results and performance measurement than before. This appears to be part of a general trend of donors and international agencies seeking to calculate their impact, especially in terms of the ultimate outcome measure: lives saved. As a result, the CTP and the Strategy include a number of plans to improve the health and management information systems of recipient countries and to improve the methodologies for measuring and attributing “results” to funders and programmes.

## More risk averse

One of the transformation areas of the CTP is entirely focused on the Global Fund’s approach to risk management. A risk management framework and strategy will be established at both the corporate and operational level. They include hiring a new and senior Chief Risk Officer; strengthening the role and management of external auditors; and ranking countries according to some type of risk score. This also marks a significant departure from the way the Global Fund was originally conceptualised. Whilst previously, the Global Fund was positively encouraged to “sail the boat whilst it was being built,” the message now is to only sail fully constructed boats which have been tested and declared fit by an independent boat safety agency!

## Changing the balance of power

Part of the Global Fund’s transformation is concerned with changes to the Fund’s governance and management. This includes the restructuring of the Board’s committees; a clearer delineation of the roles and responsibilities of the Board and the Secretariat; and the appointment of a General Manager who, apparently, will be accountable to the Board. At the same time, the Executive Management Team (EMT) has been subjected to much criticism, causing harm to its reputation and authority. Meanwhile, the Office of the Inspector General (OIG), which has been at loggerheads with the Secretariat, has escaped being subjected to “transformation” and has, in fact, emerged with a bigger budget. All this adds up to a change in the balance of power across the Board, the OIG and the EMT. It is harder to discern whether there have been changes in the relative power and influence across the different Board members.

More fundraising and appealing to donors

When first established, the Global Fund was described as a “war chest” to help fight the scourge of disease (especially HIV/AIDS). Donors were quick to back the Fund; and, in turn, the Global Fund adopted an ambitious programme of expansion. The Fund was cast as a new type of global agency – quick, reactive, pragmatic and free of red tape. If the need was there, the money would be found. The Global Fund is now experiencing life under a more austere financial climate. As a consequence, there will be a bigger onus placed on the Global Fund to persuade donors of its value – possibly increasingly so as the Fund competes with other recipients of government aid. Additionally, the Fund will be expected to increase the level of support from the private sector and from the general public (e.g., through individual donations or through mechanisms such as voluntary levies applied to purchases).

CONCLUSION

How these different elements of transformation will impact on the Global Fund is unclear. It depends on how each element is implemented and how the elements interact with each other. But it’s worth thinking about what might or might not happen.

The shift towards a more country-specific and iterative approach to grant management is potentially a good thing because it enables programmes financed by the Global Fund to align better with national disease strategies, national planning cycles and broader health systems strengthening (HSS) efforts. It could also help ensure better harmonisation with programmes funded by other development partners and sources of external funding for health. The Global Fund has been working towards simplification of its grant-making system through single-stream funding and consolidated proposals; there is an opportunity for the transformation to add further impetus to these efforts.

On the other hand, the proposed changes could result in the Global Fund becoming yet another uncoordinated actor in an already crowded health landscape. Unless the Fund deploys staff with the right competencies and mandate to work effectively with country-level stakeholders, the potential for better alignment and harmonisation may not be realised. There is also a danger that shorter funding cycles and greater pressure to demonstrate “value for money” could result in a more top-down, donor-driven funding model that would undermine country ownership. It could make it harder to invest in things that may only have an indirect or long-term impact on health outcomes.

Shorter funding cycles could also aggravate existing problems associated with short-term and unpredictable aid, and increase the transaction costs associated with frequent and multiple negotiations over grant renewals. On top of this, an over-zealous concern with risk reduction – if it leads to, for example, continued or greater use of parallel donor-specific M&E frameworks and accounting systems – could aggravate existing problems even further.

While the need to employ tighter eligibility criteria and more explicit rationing are regrettable in many respects, there is a potential silver lining in that this could create an opportunity for resources to be better allocated according to the health and financial needs of countries and communities. However, this opportunity could be undermined if proposals to incorporate financial risk into the Global Fund's future resource allocation policy are also accepted. Although an assessment of financial risk should inform the steps to be taken to ensure adequate fiduciary control, it should arguably not be used to influenceresource allocation. Resource allocation should be primarily based on need.

The notion of the Global Fund becoming more reliant on private sector financing would also have consequences that would need to be monitored. For example, a greater reliance on private sector funding could lead to a greater emphasis on the funding of pharmaceutical and other technologies. There are some views circulating that the Global Fund should become a more focused "commodities fund," concerned primarily with financing the purchase and price reduction of medicines and other technologies. Such views would be more likely to become policy if the private sector becomes more influential.

The changes to the governance and management of the Global Fund should also be monitored. Will the changes improve the overall functioning of the Global Fund? Or will they create conflicting or parallel lines of authority between the Board, the OIG and the EMT? And will the changes translate into a new balance of power between donors, recipient governments, business and civil society?

This is a significant and even bewildering time for the Global Fund. It is undergoing not just a financial and fiduciary crisis, but also a process of transformation. And multiple agendas are in play. Some of the changes appear good, but others are worrying. It is too early to predict the final impact of all the changes. However, given the unclear (and, at times, contradictory) nature of the changes, there is still some opportunity to shape the eventual outcomes of the transformation.

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