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## THE GLOBAL FUND AND DISBURSEMENTS - MOVING MONEY OUT THE DOOR

As more funds become available for prevention and treatment of HIV/AIDS in poor countries, the ability of grant-making agencies to move money into the field is crucial. In this regard, the Global Fund to Fight AIDS, Tuberculosis and Malaria has an admirable record, particularly for an organization formed so recently. The Fund is moving money to grant recipients with considerable – and increasing – speed.

The Fund's disbursement process is central to an understanding of the Fund's pace of disbursements. The Fund does not disburse an entire 2-year grant at once. The Fund disburses grants in installments, generally on a quarterly basis. This method enables the Fund to ensure that the grant money is being used properly and that progress is being achieved. Thus, a seemingly low proportion of grant commitments that have been disbursed so far (as of mid-November, the Fund has disbursed \$164 million, or about 11%, of the \$1.5 billion in commitments for Rounds 1 and 2) does not mean that the Fund is having trouble disbursing money, or that it has more money than it can spend. Indeed, it has committed all funds pledged through 2003, as well as \$138 million pledged for 2004, a total of \$2.05 billion – more than the \$1.71 billion that donors had actually paid into the Fund as of December 4, 2003.

Most grantees have received one or two sets of disbursements; Ghana and Haiti have received three. The Fund is on pace to disburse \$1 billion by the end of 2004 towards its \$2.05 billion in commitments for the first two-years of proposals approved for Rounds 1, 2, and 3. Because the disbursements are made in installments, the disbursements will always be below commitments.

Most of the time between proposal approval and the first disbursement passes as the Fund and country coordinating mechanism work to establish the in-country mechanisms needed to ensure that the grant is used effectively and efficiently. This process entails finding a Local Fund Agent (which provides financial

oversight) and a Principal Recipient (which is responsible for distributing the funds among the implementing organizations). The Fund can then sign a grant agreement with the Principal Recipient, enabling the funds to flow once any other requirements (such as the need to develop an approved plan for procurement and supply management) are fulfilled. As these mechanisms are established in an increasing number of countries, and as the Fund gains more experience in laying this groundwork, the time between when a proposal is approved and when a grant agreement is signed will decrease significantly. Indeed, from the first round to the second round, this period of time decreased from an average of 10.3 months to 4.6 months (a decrease of 55%). The first two grant agreements on a Round 2 proposal, both for Madagascar, were signed 2.7 months after being approved. As of November 15, 2003, grant agreements had been signed for 78% of the proposal components approved in Rounds 1 and 2, and had a total value of \$1.09 billion as of mid-November 2003 (64% of contributions).

Once these mechanisms are in place, funds are being disbursed with increasing speed. In the first quarter of 2003, it took an average of 81 days after the grant agreement had been signed before the first disbursement was made. In the second quarter of 2003, the average time period was cut to 40 days, and the Fund is committed to further reducing this time. The Fund has disbursed approximately 75% of grant money that countries had budgeted for the initial 6 months of their 2-year grants within that time period, measured from the signing of the grant agreement. This percentage can be expected to increase as the time between grant agreement and disbursement continues to decrease.

According to data available from the Global Fund in mid-November, of the 133 proposals from the first two rounds for which grant agreements had been signed, at least the initial disbursement had been made for 103 of them (77%). Grant disbursement had begun on 84 of the 87 grant agreements (97%) signed before August 2003.

In some cases, the turn-around time between grant agreement and disbursement has been only several weeks – or less. For example, two grant agreements were signed with Benin on September 17, 2003, and disbursements were made on September 26. Ethiopia received a disbursement on a grant agreement signed August 1, 2003, in less than three weeks. Thailand received two grants based on its Round 2 HIV/AIDS proposal in one and two weeks after grant agreements were signed. Disbursement on one of Madagascar's grants began only two days after a grant agreement was signed.

The Global Fund's disbursement processes represent a responsible response to the health crisis facing the world. The Fund develops the mechanisms – namely the Principal Recipient and Local Fund Agent – to ensure that the grants will be used effectively, and once these mechanisms are established, disburses funds in short order. In the case of one of Madagascar's Round 2 grants, the entire process took less than three months. The speed of this example represents a service standard to which the Global Fund aspires as it streamlines its internal processes and as in-country mechanisms become more established.

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