



Independent observer
of the Global Fund

IN SEARCH OF THE BEST SECOND-BEST

The Global Fund is a remarkable creature, because although it has a budget regarding operating costs, it has no budget specifying how much it will give in grants each year. In effect, the Fund says to its applicants, “What will you do if you receive a grant? What results will you achieve? How much will it cost? If we believe that you can indeed achieve those results, if we believe that the results represent good value, and if we have enough money, we’ll give you the grant.”

This admirable attitude has inevitably led to a roller-coaster ride for the Fund; and never was that more apparent than at the board meeting that ended on Saturday.

In 2007, based on the fact that the number of people not receiving essential drugs and services is still escalating rapidly, supporters of the Fund (and, to a large extent, the Fund itself) encouraged donors to significantly scale up their giving, and encouraged implementers to significantly scale up their planned operations (and thus the amount of money they asked for). For instance, just six months ago the Board stated that it was “determined to scale up the Global Fund’s response to HIV, Tuberculosis and Malaria.”

The donors half-delivered. They had pledged \$1.5 billion for 2005, \$2.0 billion for 2006, and \$2.7 billion for 2007. After receiving the call for a significant scale-up, they pledged \$3.0 billion for 2008 – about an 11 percent increase on 2007. And they acknowledged that by 2010, the annual need would be \$6-8 billion.

But the implementers delivered much more wholeheartedly. In 2005, the five-year cost of TRP-recommended proposals that the implementers submitted came to \$1.8 billion. In 2006, it came to \$2.5 billion. In 2007, it came to \$2.8 billion. And then, in 2008, after implementers received the call for a significant scale-up, they submitted TRP-recommended Round 8 proposals with a five-year cost of \$5.8 billion, more than double the 2007 cost.

No wonder the board meeting was difficult. Funds weren't available to cover this situation. Some donors muttered "Oops!", and started talking of cutbacks such as approving the Round 8 Category 1 and 2 proposals but not the Category 2B proposals. Others talked of delaying the completion of Round 9.

Representatives of donors and implementers then spent many hours, day and night, negotiating in what used to be called smoke-filled back rooms, though now there was no smoke, just talk and spreadsheets.

The main arguments that the implementers had on their side were:

- In Round 8, the implementers only did what they had been asked; and the cost of what they submitted was totally within the Fund's expectations that it would grow to a \$6-8 billion operation by 2010.
- When Round 9 was launched only six weeks ago, there was no mention in the Fund's press release, application form, or application guidelines that there was a shortage of funds. (GFO, on the other hand, reported the launch of Round 9 with a headline saying "Global Fund Launches Round 9, But With No Money to Pay For It.")
- The Fund would look unprofessional if it changed the Round 9 ground rules so soon after launching the round.
- Delaying the closure of Round 9 would make the round larger, because it would provide more time for countries to develop and submit proposals.
- The whole idea of having a Round 9 decision just six months after the Round 8 decision was that it made it feasible for Round 8 Category 3 proposals to be improved and resubmitted.
- Swings in funding-availability regularly arise for institutions of all sizes. The Fund already has policies for handling such swings; it places approved proposals in a queue, and does not sign grant agreements until the necessary cash is in hand.
- This is not the time to cut good proposals; it's the time to increase donor pledges. And the Fund is now mature enough that it's time to move towards some kind of burden-sharing approach to funding the Fund (as with the payment of UN dues), rather than staying with an entirely voluntary mechanism.
- This is also not the time for the Fund to appear like a learner driver, pushing hard on the accelerator and moments later slamming on the brake.

And the main arguments that donors had on their side were:

- Sure, approved proposals can be placed in a queue until the funding arrives, but the longer the queue, the longer it will be before Round 10 or 11 applicants can get funding.
- Many of the Round 8 proposals have some "fat", with budgets that assume paying higher prices for purchased products than is necessary.
- None of the problems regarding the funding of Round 8 are the result of the recent global economic and financial crisis. But we can be sure that that crisis will soon have an impact on the Fund. So the time to get lean and mean regarding costing assumptions, and to get much more serious about efficiencies, is now. In the past, we asked for scaled-up proposals. Now we need proposals that are both scaled-up and efficient.
- If we postpone Round 9 by a few months, there is a reasonable chance that we can keep in place our plans to start testing National Strategy Applications. If we don't, we run a serious risk that we will have to postpone NSAs for a year or more.
- The concept that originally led to Round 9 was the need for a "malaria round". But in fact, Round 8 ended up being a "malaria round."
- In some cases, Round 8 proposals have been recommended for approval to countries that have Round 7 grants for the same disease; in one or two cases, those countries had not signed their Round 7 grant agreements nearly a year after the grant was approved. Are those countries really

ready to implement Round 8 grants?

In the end, agreement was reached, the details of which were described two days ago in GFO Issue 98. The central component of the deal was that “efficiency savings” (a better term than “cuts”, which is the term we used in GFO Issue 98) of ten percent could and should be found in the Round 8 proposals, in light of the fact that unit costs cited for commodities and other purchased materials were often higher than was necessary. And although budget levels for Phase 2 of Round 8 proposals were temporarily capped at 75% of the proposal levels, these caps were hopefully temporary, because Round 8 Phase 2 won’t arrive until 2011, by which time donors will, one hopes, have significantly increased their pledges in 2010 at the third Replenishment, which will cover the years 2011-13.

All in all, it was probably the best second-best that could be found.

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