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Independent observer of the Global Fund

Global Fund Identifies Stock-Out Risks in 20 Countries

E.D. report to the Board touches on many issues

One country has experienced stock-outs of several antiretroviral (ARV) drugs as a result of several factors, including weak forecasting; accelerated enrolment of patients; and a lengthy procurement process. This information was provided in the report of the Executive Director to the Global Fund Board for the Board meeting recently concluded in Geneva. The E.D., Michel Kazatchkine, did not name the country.

According to the report, the Secretariat has worked with partners in this particular country to initiate emergency procurement; revise peripheral stock levels to reallocate medicines and prevent treatment interruptions; monitor delivery; introduce monthly monitoring of central stock levels and provide longer-term technical assistance.

In addition, the report said, the Secretariat is aware of stock-out risks in 19 other countries and is working with partners to mitigate, monitor and respond to these risks.

The report says that the Secretariat has taken a number of steps to address this issue, including the roll-out of the country team approach at the Secretariat; more effective collaboration with partners in areas such as mapping of risks; joint emergency actions to identify short-term solutions for countries with imminent stock-outs; and strategic discussions on addressing the root causes of stock-outs. The Secretariat is also assessing the benefits and risks of joining existing emergency stock schemes rather than “misusing” the Voluntary Pooled Procurement VPP mechanism for emergency procurement.

The E.D.’s report touched on a variety of other topics. Below, we provide some highlights.

Health Systems Funding Platform (HSFP) pilot. The Global Fund invited seven countries – Ethiopia, Ghana, Kyrgyzstan, Malawi, Nepal, Uganda and Vietnam – to participate in the HSFP pilot. Participants will submit funding requests for HSS using their jointly assessed national health strategies. GAVI and the World Bank are also engaged in discussions with these countries to provide funding based on the strategies. See GFO article for background information on the pilot.

Drug theft. The Secretariat has identified 56 countries at higher risk for drug theft based on a number of criteria, including the value of health products financed, the local fund agent (LFA) assessment of country systems, and countries with ongoing or pending investigations related to potential drug theft. For each of the 56 countries, a closer assessment of pharmaceutical and health product management risks will be undertaken, including the risk of drug thefts, and the Fund will collaborate with partners to develop action plans to mitigate those risks. Progress against action plan targets will be monitored as part of the disbursement process, with funding tied to performance against the plan.

Fundraising. The challenging fiscal environment had a significant impact on Global Fund financing during 2010, with several European governments deciding to not pay, or to pay only part, of their pledges for 2010 due to fiscal difficulties – i.e., Italy, Spain, Netherlands, Ireland and Portugal. Continuing programs of fiscal retrenchment will affect several major donors during the remainder of 2011, and this will continue to put pressure on national official development assistance (ODA) budgets.

The negative media reports on cases of fraud in early 2011 have exacerbated the existing challenges. Three donors – Germany, the European Commission and Denmark – have indicated that they will not be paying their 2011 pledges until additional measures to strengthen fiduciary controls are in place and/or until the conclusion of different independent reviews, including the high-level, independent review panel. Spain has indicated that its announcement of a replenishment pledge is subject to similar conditions.

On the other hand, Netherlands has announced that it will contribute €54.5 million to the Global Fund in 2011, a reduction compared to 2009 but a higher level of funding than the country had originally proposed. And, as reported in GFO, the United States decided in April to allocate $1.05 billion to the Global Fund for 2011 (the same amount as last year).

Recovery of losses. When there is evidence that Global Fund money has been misused, the Global Fund Secretariat attempts to recover the losses. Up to the time of this report, $7.6 million has been refunded, deducted from future disbursements, or accounted for. Recently, Zambia and Mauritania have committed to pay back $9.5 million. This is additional to previous commitments from Uganda, Cameroun and Cambodia to refund $5.0 million.

Prevention of mother-to-child HIV transmission (PMTCT). Eighteen months ago, the Global Fund launched an initiative to reprogamme grants in selected countries to scale up prevention of mother-to-child transmission of HIV. As a result of reprogramming in 13 countries, $83 million has been redirected from other programmes to PMTCT programmes. A requirement of the reprogramming (and all new proposals) is that the country will switch to a package of care recommended by the World Health Organization (WHO) that includes more efficacious drug regimens in the antenatal and breastfeeding periods, CD4 count screening in pregnancy, and early infant diagnosis. All countries undergoing reprogramming have agreed to report against targets for their PMTCT initiatives, and have committed to the ambitious goal of reducing transmission to less than 5% by 2015.

Single stream of funding. As of April 2011, 110 grants in 28 countries have been consolidated and aligned into 56 single streams of funding. Because many Round 10 grants will be signed in the next few months, the Secretariat estimates that it will be able to establish approximately 100 new single streams of funding in 2011, which will represent up to a third of the portfolio.

Country team approach (CTA). The CTA was introduced in September 2010 in 13 countries. The Secretariat is now managing 33 countries under this approach, with plans for further expansion to 46 countries in 2011 and 2012.

Health systems strengthening. The number of cross-cutting health systems strengthening requests recommended for funding dropped to 11 in Round 10, from 17 in Round 9 and 25 in Round 8. The two-year cost of the approved proposals in Round 10 dropped to $128 million, from $363 million in Round 9 and $283 million in Round 8. The Global Fund says that these drops are likely to due to a range of factors, including availability of funding from other sources, previously approved requests, and proposals not being of the best quality.

Grant portfolio. By the end of March 2011, the Global Fund had disbursed a cumulative total of $13.4 billion through 890 grants in 150 countries. There were 507 active grants. Fifty-five per cent of the portfolio is invested in HIV/AIDS, 28% in malaria and 17% in TB. Nearly 90% of the portfolio is invested in low-income and low-middle-income countries.

Disbursements. In 2010, disbursements were distributed much more evenly throughout the year, compared to previous years. The median time for disbursement processing was 23 calendar days, compared to 35 days in 2009.

Performance data. In 2010, 85% of grant performance reports were published within two weeks of disbursements, compared to 61% in 2009. The target for 2010 was 90%.

Grant performance. About 80% of grants performed well in 2010 (i.e., were rated B1 or higher). Of the grants that performed poorly in 2009, half of them improved to a B1 or better rating in 2010.

Grant signing. In 2010, signing grant agreements took just over 11 months, on average. For the last few years, the target has been eight months, but it has never been met. Of the 143 grants approved for Round 9, 135 have been signed.

Status of Round 10 grants. Of the 80 proposals approved in Round 10, 49 had completed the TRP clarification process by early March 2011. The first grants are expected to be signed in June.

Phase 2 Review. Of the 522 grants that had undergone Phase 2 review by the end of 2010, 76% had received an A or B1 rating at the time of the review. More than 80% of the grants managed by civil society organisations received an A or B1 rating, compared to 75% for government agencies. Grants in Eastern Europe and Central Asia performed particularly well, with 95% receiving an A or B1 rating. Of the 27 Phase 2 decisions in 2011, 52% received a “GO,” 41% a “Conditional GO” and 7% (two grants from one country) a “No GO.”

Voluntary Pooled Procurement (VPP). As of March 2011, principal recipients from 43 countries (representing 84 grants) had utilised the VPP mechanism to purchase health products. In addition, three countries are receiving extensive support to address challenges in procurement and supply management through the Global Fund’s Capacity Building Services (CBS) and Supply Chain Management Assistance. In the almost two years that the VPP has been operational, orders worth $558 million have been placed, of which 87% (in dollar value) are for core health products. These include 81 million long-lasting insecticide nets (LLINs), 26 million courses of artemisinin-based combination therapy (ACT), and ARVs to

maintain 270,000 people on treatment.

Gender issues. The Secretariat has commissioned an independent evaluation of the Global Fund's (a) Gender Equality Strategy and (b) Sexual Orientation and Gender Identities Strategy.

The Report of the E.D. to the board should be available shortly at www.theglobalfund.org/en/board/meetings/twentythird (see Document GF/B23/3).

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