



Independent observer  
of the Global Fund

## Is the Global Fund Living Up to Its Principles?

Ten months ago, the Global Fund put on hold about \$95million in potential disbursements under four grants to the Zambia Ministry of Health, because of fraud within the ministry that was first reported by a whistleblower. Seven current or former ministry employees were charged by theZambian government in relation to the fraudulent appropriation of about\$350,000 from one of the grants. The funding is still on hold except for payments for life-saving drugs, which are now bypassing the ministry and being sent direct to procurement agents or suppliers.

The Fund later decided that the role of principal recipient(PR) for these grants would be taken away from the Ministry of Health and handed over to UNDP, and the ministry was asked to return \$8 million in unspent funds. Grants with non-governmental PRs were not affected.

The Global Fund Board was informed of these developments. But the public was told nothing; no press release was issued, and no information was placed on the Zambia pages of the Fund's website.

Recently, an Aidspan colleague of mine came across a single sentence buried deep in a report by the Fund's Inspector General that revealed the freezing of disbursements to the ministry. We reported the news in GFO on June 14. (See Issue 126, at [www.aidspan.org/gfo](http://www.aidspan.org/gfo).) We didn't specify when the action took place, because we didn't then have that information (though we could see that it was some time during 2009, which we should have mentioned).

The GFO story was picked up (and some incorrect information added) by Reuters. Within three days of the GFO story, there were 14,000 news stories and related articles about this on the Internet, from New Zealand to Saudi Arabia, and the Global Fund had to issue a press release providing additional information.

Why was the Global Fund silent on this matter for nearly a year?

When I put this to the Fund, the response was, “There was no suspension of the grants to the Ministry of Health in Zambia. There was only a delay in the disbursements.” Thus, according to the Fund, there was no cause for a press release. But the “delay” in disbursements has thus far lasted nearly a year, and the Ministry of Health has been removed as a PR. The world’s news media seem to have found that pretty newsworthy.

I’ve been a close observer of the Global Fund since it started in 2002. And the Fund’s handling of the Zambia case provides further confirmation of a suspicion that has long been forming in my mind, which is that the Fund is very reluctant to report, via press release or its website, any news that might worry a donor or that might embarrass the government of a country that receives Global Fund grants.

But the issue is bigger than that. The Fund is not only reluctant to report on its few “tough actions”; it has been reluctant, particularly during the past three years, to take those tough actions in the first place.

In my view, the Global Fund can only claim that it is truly transparent if it gives easy access to both the good news and the bad. And the Fund can only claim it is truly using performance-based funding if it is willing to terminate a grant or to switch to a new PR in cases where the PR persistently and significantly fails to deliver on its promises, or where the PR reveals clear corruption.

### Transparency

In many ways, the Global Fund is remarkable in its transparency. Impressive amounts of information are publicly available regarding Board decisions, grant contracts, disbursement data, etc. It would be wonderful if other funding agencies were this open. But the Fund’s transparency has some lamentable and persistent gaps.

The obvious place where the Fund should reveal cases where it has suspended a grant or issued a “No Go” or some similar decision is on the Fund’s web pages that deal with the grant and country in question. But this almost never happens. In Table 1 below, I list all cases where the Fund has taken such actions. Compiling this table took a substantial amount of research, and it would not have been possible without access to non-public communications from the Global Fund Secretariat to Board members and their delegations. With the exception of the three Myanmar grants, none of the information under “Action taken” in the table is revealed at the relevant grant and country web pages. A reader of those web pages would conclude that everything is fine, and always has been, with each of these grants.

When I asked the Global Fund why its web pages for individual countries and grants don’t reveal these bits of bad news, a spokesman agreed that it would be a “good idea” to show suspensions. But he added that No Go grants “will be shown solely as closed grants,” and that this could take some time to show up because a grant is not formally closed until all grant activities have ended. But that’s missing the point. The great majority of closed grants are ones that simply came to the end of their natural lives.

### Performance-based funding

The Fund’s website explains that performance-based funding lies at the heart of the Global Fund’s operating model; that in order to raise additional funding from donors, the Fund must prove that the original funding led to proven results against performance targets that had originally been proposed by the country receiving the grant; and that when there are non-performing grants, the money from those grants is re-assigned to other grants where results can be achieved. (See

It’s an admirable “tough love” model. But in my view, it has not been adequately implemented during the

past three years.

Between mid-2004 and mid-2007, the Global Fund considered, by my calculation, 264 applications from Country Coordinating Mechanisms (CCMs) for “Phase 2 renewal” (that is, applications to have funding extended from the first two years of the grant into years 3 through 5). The Fund approved 254 of these applications. But for the other 10 (3.6%), it denied the application by issuing what it calls a “No Go” decision, which meant that the grant was being brought to an end three years earlier than originally anticipated.

I’m not sure that the Fund was being sufficiently tough by taking such action in only 3.6% of cases. But it was a good start. (The Minister of Health for one country whose grant received a “No Go” decision told me long afterwards that although he had been upset at the time, he had come to realise that it was the best thing that could have happened. The decision led to the CCM being reformed and to new PRs being chosen, and things are now going much better.)

But when we examine what has happened between mid-2007 and now, we see a very different picture. During this period, my calculations show that the Fund has received 215 Phase 2 renewal applications – and it has approved every one of them. Not a single No Go decision has been issued. (When I asked whether this reflects a change of policy, the Fund said that it does not.)

Under performance-based funding, the grants that are the most obvious candidates for a “No Go” decision are the ones that have previously received an “unacceptable” rating from the Global Fund. (The Fund issues a rating for each grant once per disbursement – which means, on average, once every six to nine months. The ratings range from A1 – “exceeded expectations” – to C – “unacceptable.”)

Of the CCM applications for Phase 2 renewal that were received between mid-2004 and mid-2007, four were for grants that had at some previous point received an “unacceptable” rating. The Fund did not approve any of them.

Of the CCM applications for Phase 2 renewal that were received between mid-2007 and now, seven were for grants that had at some previous point received an “unacceptable” rating. All seven were approved.

It may well be that some of these “formerly C-rated grants” were doing better by the time they were reviewed for Phase 2, and deserved to be approved. But still, these numbers don’t give the impression that performance-based funding is a concept that is being actively pursued by the Global Fund.

New procedures needed

The Global Fund should establish a committee whose role is to review what action to take regarding each severely underperforming grant. If no action is taken, the committee should specify why.

Whenever a grant is issued a “C” rating, or the grant has had only “B2” or “C” ratings for twelve months, the grant should automatically be referred to the committee. (The grants that currently meet those conditions are shown in Table 2.)

The committee’s decision and report on each such grant should be sent to each CCM member. A summary of the actions taken, and a link to the report, should be prominently and permanently placed on the web pages for that grant and country. And once a year, the committee should issue a report, and an accompanying press release, documenting all such actions over the past year.

The purpose of such actions would not be to be vindictive; it would be to encourage all grant implementers to do their best to ensure that their grants continue to be funded, and to show the donors that this is being done. I believe that if these actions are taken rapidly, they will increase, rather than decrease, the

funding that donors commit to the Fund for the next three years at the replenishment meeting this October. Furthermore, if these actions lead to an increase in the number of grants that are closed down, money which is currently not producing results will be freed up for grants that otherwise may not be funded in Rounds 10 and 11.

When the Global Fund was established in 2002, it rapidly obtained substantial and broad-based support. This was partly because the need for its grants was obviously so great. But it was also because people looked forward to straight talk and tough logic-based decisions, in contrast – forgive me – to the UN approach of attempting not to upset anyone. Some of us are still waiting.

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Table 1: GFO compilation of grants where the Global Fund has taken firm action (in date order)

Month	Country	Disease	Round	Principal recipient	PR sector	Action taken
Feb. 2005	Senegal	Malaria	1	Ministry of Health	Gov't	"No Go" – GF refused to finance years 3-5 of grant
		TB	2			
Aug. 2005	Myanmar	HIV	3	UNDP	UN	Grants terminated due to political problems
		Malaria	3			
		HIV	1			
		Malaria	2			
Aug. 2005	Uganda	TB	2	Ministry of Finance	Gov't	Grants suspended; un-suspended after 4 months
		HIV	3			
		Malaria	4			
Dec. 2005	South Africa	HIV/TB	1	Ministry of Health	Gov't	"No Go" – GF refused to finance years 3-5 of grant
April 2006	Nigeria	HIV	1	National Action Committee on AIDS	Gov't	"No Go" – GF refused to finance years 3-5 of grants

Month	Country	Disease	Round	Principal recipient	PR sector	Action taken
HIV	1					
April 2006	Pakistan	Malaria	2	NACP (MoH)	Gov't	"No Go" – GF refused to finance years 3-5 of grant
Nov. 2006	Chad	TB	2	FOSAP	Gov't	Grants suspended for unknown period
		HIV	3			
Jan. 2007	Bolivia	Malaria	3	UNDP	UN	"No Go" – GF refused to finance years 3-5 of grant
Jan. 2007	Uganda	Malaria	2	Ministry of Finance	Gov't	"No Go" – GF refused to finance years 3-5 of grants
		TB	2			
March 2007	Timor Leste	TB	3	Ministry of Health	Gov't	"No Go" – GF refused to finance years 3-5 of grant
June 2007	Sierra Leone	Malaria	4	SL Red Cross Society	NGO	"No Go" – GF refused to finance years 3-5 of grant
		HIV	4			
Aug. 2009	Zambia	Malaria	4	Ministry of Health	Gov't	Disbursements put on hold, then grants handed over to new PR
		Malaria	7			
		TB	7			
Sept. 2009	Mauritania	HIV	5	SENLIS	Gov't	Grant suspended for unknown period
Sept. 2009	Philippines	Malaria	2	Tropical Disease Foundation	Private sector	Grants suspended, then handed over to new PR
		HIV	3			

Month	Country	Disease	Round	Principal recipient	PR sector	Action taken
HIV	5					
TB	5					
Malaria	6					
May 2010	Zambia	HIV	4	Ministry of Finance	Gov't	Funding cancelled for final two years

Table 2: GFO compilation of currently-active grants apparently in trouble, based on GlobalFund ratings as of 17 June 2010

Country	Disease	Round	Principal recipient	PR sector	Latest rating = C	R B lea
Angola	HIV	4	UNDP	UN		
Cameroon	Malaria	5	Ministry of Health	Gov't		
Cote d'Ivoire	Malaria	6	CARE	NGO		
Equatorial Guinea	HIV	4	UNDP	UN		
Gabon	Malaria	5	Ministry of Health	Gov't	X	
Guinea	Malaria	6	Ministry of Health	Gov't	X	
Haiti	HIV	7	Fondation SOGEBANK	Private sector	X	
Kenya	Malaria	4	Ministry of Finance	Gov't		

Country	Disease	Round	Principal recipient	PR sector	Latest rating = C	R. B. lea
Madagascar	Malaria	4	Population Services International	NGO	X	
Malawi	Malaria	7	Ministry of Health	Gov't	X	
Mozambique	HIV	2	Ministry of Health	Gov't		
Mozambique	TB	2	Ministry of Health	Gov't		
Sri Lanka	TB	6	Lanka Jatika Sarvodaya Shramadana Sangamaya	NGO		
Sudan	Malaria	7	UNDP	UN	X	
Tanzania	Malaria	7	Ministry of Finance	Gov't	X	
Thailand	Malaria	7	Ministry of Health	Gov't		
Uganda	Malaria	4	Ministry of Finance	Gov't	X	

Note: As of 17 June 2010, there were (according to data at [www.theglobalfund.org/en/commitmentsdisbursements](http://www.theglobalfund.org/en/commitmentsdisbursements)) 218 currently-active grants that have been rated by the Global Fund. Of these, 17 (6%) have a latest rating of "C" or have had a rating of "B2" or "C" since at least one year ago, and thus qualify to feature in the above table.

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