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GLOBAL FUND ON TRACK TO ACHIEVE ROUND 8 COST-CUTTING TARGETS

The Global Fund reports that it is well on its way towards achieving its target of 10% “efficiency gains” for Round 8. When the Global Fund Board approved Round 8 proposals, it instituted some cost-cutting measures because the Board feared there were not enough funds on hand or in the pipeline to pay for the entire first two year costs of recommended proposals. Round 8 is the largest round of funding to date. In the parlance of the Global Fund, these cuts are known as “efficiency gains.”

At the time that they were announced, the Global Fund called for the following efficiency gains:

- The total costs for first two years of approved Round 8 proposals were to be cut by 10%. (There was no requirement that the budget of each proposal be cut by precisely 10%, but the aggregate budgets of all proposals had to be cut by that amount.)
- When Phase 2 grant agreements are negotiated for Round 1-7 grants and for rolling continuation channel (RCC) grants, attempts will be made to cut budgets by at least 10% from what was specified in original proposals. (This is over and above the “expected” 15% reduction in Phase 2 budgets that normally result from performance issues such as under-spending in Phase 1, planned budget reductions in Phase 2 or non-renewal of grants.)
- For grants renewed through the RCC, the size of budgets for the first three years of RCC funding will be limited to 140% of the Phase 2 budget amount of the grant being renewed.

In a report prepared for the recent Board meeting in November 2009, the Global Fund Secretariat says that Round 8 grants that are already signed have achieved efficiency gains of 14.0%. The savings are spread fairly evenly among regions and between small and large grants. The Secretariat says that it conservatively forecasts an efficiency gain of 11.4% once all Round 8 grants are signed.

The Secretariat says that efficiency gains of 7.0% have been achieved in Phase 2 Renewals of rounds-based channel grants that have occurred since the Board announced its cuts. The target is to show an overall efficiency gain of 10% by the end of 2010. Efficiency gains of 11%, one percent ahead of target, have been achieved for Phase 2 renewals of RCC grants.

Finally, for RCC proposals that have been recommended for funding since the Board announced the cuts, the average request was 127% of the Phase 2 budgets of the grants being renewed, well under the 140% ceiling. For applicants that exceeded the 140% limit in their proposal, the amount applied for was adjusted downwards during clarifications.

The Secretariat has also been looking for efficiency gains in its own operations. The Secretariat says that total savings on travel, a major expense item, was 15% for the first eight months of 2009. This efficiency gain is comprised of a 37% reduction of the average price for short haul tickets, thanks to a more systematic use of restricted air fares and use of low cost airlines, and an 11% reduction in the average ticket price for long haul trips.

The information in this article comes from the "Report of the Finance and Audit Committee," which should shortly be available at www.theglobalfund.org/en/board/meetings/twentieth/documents.

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