

GFATM Development Effectiveness Summary*

Context

Mandate: The Global Fund to fight AIDS, TB and Malaria (GFATM) was established in response to a call from the Secretary General of the UN and the widespread perception that a rapid scale-up in financing was critical in the fight against the three diseases. The Fund's mandate is to attract, manage and disburse additional resources to fight the three diseases and to direct these resources to areas of need. It does not implement programmes directly but acts as a financing mechanism for local experts. Bilateral and multilateral partners are responsible for providing support at country level.¹

Size: Since its creation in 2002 the Global Fund has grown rapidly. The Board has approved 6 rounds of funding amounting to US\$ 7 billion (as of January 2007) for 136 countries. Of this US\$ 3.3 billion has been disbursed and the Fund has become the world's largest donor for TB and Malaria.¹⁰ A total of US\$ 9.8 billion has been pledged and/or contributed through 2008 (or for an unconfirmed period). The Fund is a small institution with some 200 staff and no country offices. Its headquarters are based in Geneva, Switzerland. The new executive director is Michel Kazatchkine; a physician and global health expert who has treated people with AIDS for more than 20 years and has led a large AIDS research agency.¹

Key Issues: The Fund was created around the concept of performance-based funding. Grants are awarded through an annual application and approval process in response to proposals from partners in country. This has meant strong country ownership of programmes including by governments and civil society groups. Ongoing funding is disbursed on the basis of demonstrated progress which has prompted continuous improvements in performance by grant recipients and GFATM's Secretariat. The Fund is operating highly transparently and has produced impressive results in a short time period, but there are some concerns over the performance of the results based system in countries with a lower capacity to prepare and implement proposals. In these contexts, delays in disbursements, burdensome reporting requirements and poor alignment with national planning, reporting, and financial management systems remain as challenges. Staff management and communication both within the organisation and between GFATM and its partners could be improved. There is also a need to raise more resources from private sources to reduce the extent to which aid resources are diverted from elsewhere in the international system. The Fund has recognised these issues and is taking steps to address them, with some signs of progress during 2006.

***Disclaimer:** This Effectiveness Summary is a tool designed to simply present the latest available information on GFATM's effectiveness. It is one of many prepared by DFID covering a range of multilaterals. The summaries will inform policy but are only one of a range of criteria and sources of evidence considered in recommending future DFID funding allocations. The balanced scorecard format organises what we believe to be the objective sources of information available on four aspects of each organisation's internal effectiveness. It does not measure actual development results on the ground or the merits of the organisation's development objectives. The text within each summary box provides a short analysis of what we believe this information tells us. It should be noted that the amount of information available and the quality and reliability of information varies considerably across organisations, so there is a limit to which the summaries will be used for comparative purposes.

Is GFATM BUILDING FOR THE FUTURE?

Summary There is evidence of operational improvements since the Fund's inception and there is strong willingness on part of the secretariat to address criticisms and weaknesses. The Fund is operating highly transparently and spreading lesson-learning with a wealth of information, including various monitoring and evaluations reports, easily accessible on its external website. The Fund was created around the concept of "performance-based funding" and tracks results frequently with money being relocated from grants that cannot produce demonstrable results. The approach is flexible and seems to be working well, even in fragile states. The Fund is not doing so well on staff development. Morale seems to be low with highly burdened staff, poor performance management systems and inadequate procedures, but action is being taken to address this.

Commitment to Continual Improvement

- ✓ The Board requires the Secretariat, which is in charge of management, to act on performance results.
- ✓ There is a strong willingness on part of the secretariat to address weaknesses and performance has been reported to improve round-on-round after dialogue with recipients.⁴

Building Knowledge and Lesson Learning

- ✓ The Fund recognises that it is a "network organisation relying on a system of partners, rather than implementing directly itself. To mobilize the power of this network, it is essential that it shares its lessons learned on grant financing and performance".⁵
- ✓ The Fund is operating highly transparently and there is a desire to be self-critical and for open and honest debate. This has helped improve performance.⁴
- ✓ Grant Performance Reports for each grant are available on the Fund's website showing overall goals, time-bound targets, financial information and assessments of progress. Major findings are reported in the mid-year and annual reports and a number of independent evaluations. There will be a major independent 5-year evaluation of overall performance in 2007.

Results Based Management

- ✓ The Fund was created around the concept of "performance-based funding" so only grants that demonstrate measurable results receive funding.¹
- ✓ Targets and indicators are agreed between the Fund and the recipient at the time of grant signing. Results are then tracked through the lifetime of the grant and at the two-year point of the grant for Phase 2.¹
- ✓ Money has followed performance. 81% of funds approved for Phase 2 funding went to A or B1 rated grants that showed excellent or satisfactory performance. The remaining 19% went to grants that performed poorly but documented potential. If a grant cannot show reliable results, funding is stopped.⁵
- ✓ Performance based funding creates incentives for recipients to deal with problems quickly. E.g. in Ghana performance-based disbursement has ensured that the various implementation partners deliver.⁵
- ✓ The Fund requires robust monitoring and evaluation systems. It recommends that recipients spend 5-10% of grant amounts on strengthening these systems.⁵
- ✓ Performance-based funding is not penalising fragile states. About a third of total commitments to date have been to fragile states. Performance has been similar to the overall portfolio.

- ✗ Excessive reporting is beyond the capacity of countries with weak systems which also have the greatest need of additional funds.⁴

Staff Development

Training & Development

- ✗ GFATM staff feel that the introduction, orientation and handover systems are inadequate.⁶

Staff Satisfaction

- ✓ Staff are highly motivated and have a strong identification with and commitment to the mission of the Fund.¹⁵
- ✗ Work/life balance is unsatisfactory with the high pressure environment and highly burdened staff.⁸
- ✗ Staff have significant concerns about collaboration and trust both horizontally across units and vertically with management.¹⁵
- ✗ There seems to be general dissatisfaction with management and senior management in particular. E.g. many staff felt managers do not do anything about problems that are taken to them.⁶
- ✗ Staff are dissatisfied with development and career advancement opportunities.¹⁵
- ✗ The recruitment process is slow and staff turnover is relatively high.¹⁵

How well is GFATM MANAGING its RESOURCES?

Summary The Global Fund has swiftly established governance and other supporting structures and managed to disburse a significant amount of money compared to funds of a similar nature. However, the overall efficiency of the Fund needs to be improved and more could be done to ensure funds are disbursed from the Principal Recipient to Sub-Recipients on time. Linked to this, there is a concern about the large volume of funds (\$3.1 billion) held in cash and reserves. The funds aid allocation is well aligned with its corporate strategy with most funds going to HIV/AIDS, Africa and Low Income Countries. Staff and operational management could also be improved, particularly the poor communication both within the organisation and between GFATM and its partners.

Corporate Governance and Strategy

Mandate and Comparative Advantage

✓ GFATM's corporate strategy is based on a very clear definition of mandate and comparative advantage. There are also a set of eight principles which guide GFATM activities from governance to grant making.²

Resource Management Disbursements

✗ Disbursements are made periodically, conditional on performance results, and so always lag behind commitments. As of January 2007 GFATM had disbursed \$3.3 billion of the \$7 billion committed since its inception.¹⁰ \$3.1 billion is held in cash and reserves.

✓ The average disbursement per staff member in 2005 was \$7.5m (\$1,509m / 200 staff).¹¹

✓ For every \$1 of admin costs in 2005, the fund disbursed \$ 20,440 in grants (\$1,509m Grants / \$73,840 Operating Expenses, Year Ended 31st December).¹¹

Speed of disbursements

✗ In country advisers reported delays in disbursements. 65% said delays occurred between the Fund and the Principal Recipient (PR), while all reported delays from the PR to sub-recipients.⁴ Although the latter is not directly within GFATM's control, it could factor the issue into its operations.

Aid Allocation

✓ GFATM's resources are targeted narrowly towards the three diseases. The largest proportion goes to HIV/AIDS 58%, then Malaria 24%, TB 17% and Health Systems Strengthening 1%.⁷

✓ Regionally the largest proportion of funds go to Africa 56%, then East Asia & Pacific 14%, South Asia, Middle East & North Africa 11%, other 18%.⁷

✓ According to income the largest proportion goes to Low Income 64%, then Lower Middle Income 27% and Middle Income 9%.⁷

Staff Management

⇔ GFATM staff feel the policy on the process of hiring, firing, promoting and converting short-term contracts into long-term ones could be more clear.⁶

✗ Staff management is not performance based. There are no rewards or penalties from managers for good or poor performance.⁶

Operational Management

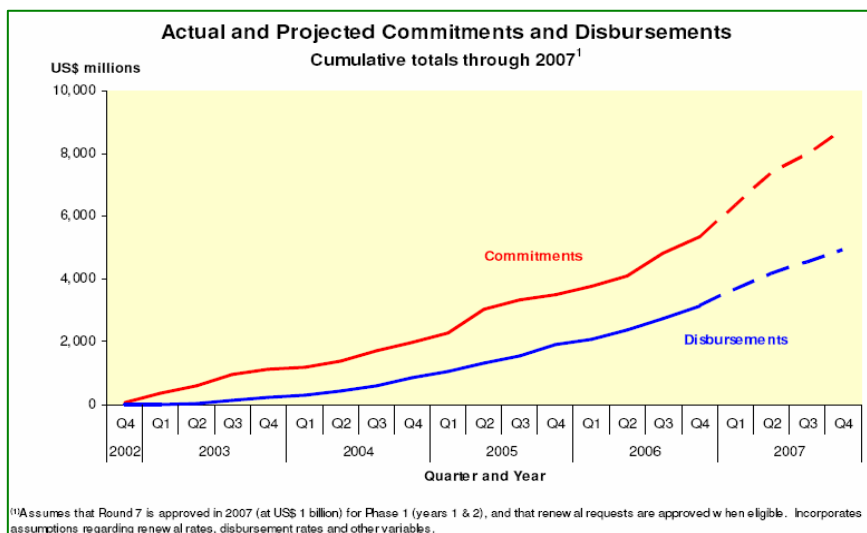
✗ The non-confrontational culture of the Fund results in problems worsening, and eventually being addressed much later than they should have been.⁶

✗ There is general confusion throughout the organisation about who is accountable for what. Roles need to be more clearly defined.⁶

✗ There seems to be weak communication both within the organisation and between sets of players involved.⁸

Decentralisation

✓ GFATM has no country offices but works through local Country Coordinating Mechanisms (CCMs) that sign off on proposals and oversee implementation of country programs. CCMs include country governments and often a wide range of partners.



How well is GFATM managing its PARTNERSHIPS?

Summary The Global Fund's record in managing partnerships has been mixed but is improving. Board membership is inclusive with developing country and civil society representatives having equal voting power. There is strong country ownership of proposals and funds are disbursed through partners already in country. In many cases this is the country Government. However, the Fund is perceived to be poorly aligned with Government financial management and monitoring and evaluation systems and the proposal process and parallel reporting structures can be burdensome. The Fund is making some efforts to correct this moving towards pooled funding and setting a fixed time schedule for calls for proposals.

Voice

Mechanisms to influence GFATM Strategy

- ✓ Board membership is inclusive and members have equal votes regardless of whether they are donors or recipients. This gives recipients a powerful voice on the board.¹

Civil Society

- ✓ NGOs and civil society representatives are members of the board with equal voting power.

- ✓ Country Coordinating Mechanisms (CCMs) are country-level partnerships including representatives from the public and private sectors, including governments, multilateral and bilateral agencies, NGOs, academic institutions, and people living with the diseases. The CCMs are responsible for deciding the strategies, priorities and programs it wishes to implement and for requesting grants by submitting proposals in ongoing funding rounds.¹

- ✓ GFATM through the CCMs is helping to establish new and improved partnerships between the government, civil society and private sector. Members of civil society can also chair the CCM such as currently in Nigeria and Mozambique.²

Alignment

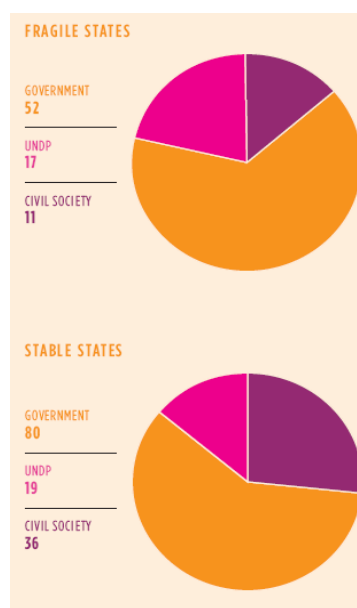
Country Ownership

- ✓ GFATM goes beyond other donors in incorporating country ownership and broad participation. Much responsibility for program design and implementation is left to country representatives.¹³

Use of Country Systems

Project Implementation Units (Paris Declaration Indicator 6)

- ✓ GFATM has no parallel Project Implementation Units but instead disburses funds to Principal Recipients (PRs) in country.¹
- ✓ A large number of grants (of the 214 evaluated for Phase 2 funding) had Government as the PR in both fragile and stable states.¹⁴



- ✗ GFATM is perceived to be poorly aligned with government planning and financial management systems or national monitoring and evaluation processes.⁴

⇔ The proposal process and parallel reporting structures for the Fund are considered time-consuming and resource intensive. But this is not always the case, e.g. the Bangladesh MoH finds funds easier to access/spend than funds coming through other sectors.⁴

Alignment with National Strategies

- ✗ GFATM is a signatory of the Paris declaration. However, some of its approaches run counter to key indicators of the declaration and alignment could be improved further.⁴

- ✗ Advisers from the Africa region in particular are concerned that the Fund skews resources towards vertical disease projects at the expense of overall improvements in the health system more generally.⁴ GFATM has tried to address this by funding broader institutional building when directly linked to programs fighting the diseases.¹³

⇔ GFATM's previously unpredictable round-based funding approach made alignment with national planning and budget cycles burdensome. However, in response to criticism, the secretariat is now making firm progress, including by joining pooled mechanisms (for example in Malawi, Mozambique and Uganda⁴) and by setting fixed dates for future funding rounds.¹⁰

Harmonisation

Local Donor Coordination

⇔ GFATM relies on other donors such as WHO and UNAIDS to implement programmes. This has created unforeseen pressure on agencies to devote resources and adjust their own systems.⁴

- ✓ There is evidence of some joint working with DFID, GAVI, PEPFAR and the World Bank.⁵

Information Sharing

- ✓ Information is shared transparently and widely with other donors.

RESULTS?

Summary There is a plethora of evaluation information publicly available on the Fund's website, much of which is verified by independent auditors. It is generally felt that the Fund is playing a valuable role within the international architecture mainly due to its ability to rapidly raise significant additional resources for the three diseases and produce impressive concrete results. For 214 grants evaluated, performance against the Fund's top 10 performance targets averaged 94%. However, individual country performance is varied, as proposals are dependent on the capacity within country to prepare them. There is also a concern about the Global's Fund impact on health systems (which are generally under-resourced) and the sustainability of its operations, more generally.

Country/Global Results Evaluation Information

- ✓ A wealth of detailed information on performance is publicly available for all programmes in all countries GFATM works in. However, this is focused largely on GFATM's own operations and not broader development impacts.
- ✓ Annual and mid-year reports provide aggregated performance information along with select "Country Profiles" twice a year.

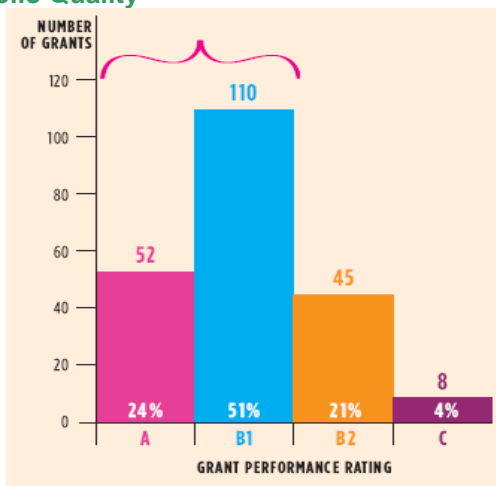
Independence, credibility and utility of evaluations

- ✓ All results submitted to the fund are verified by independent Local Fund Agents (LFAs).
- ⇔ The LFAs have identified inaccuracies in reporting following random desk audits and site visits but reporting systems are being strengthened.⁵

Impact at the country/global level

- ✓ It is generally felt that the Fund is playing a valuable role – primarily because it has channeled significant resources to the three diseases. But more efforts are needed to raise funds from private sector donors to ensure these resources are truly additional.⁴
- ⇔ There are mixed views on performance at country level and particularly the impact on health systems. Proposals are heavily dependent on the country level process that submit and implement them.

Portfolio Quality



- ✓ GFATM's own performance monitoring points to good grant performance and improving results. Of the 214 grants evaluated, 24% exceeded (A) and 51% met (B1) their targets. 21% showed inadequate performance but potential (B2), and 4% achieved unacceptable results (C).¹⁴
- ✓ GFATM tracks high-level results as shown below (as of December 2006):¹⁴

HIV:	770,000 people on ARV treatment
TB:	2 million cases treated under DOTS
Malaria:	18 million Insecticide-treated nets distributed

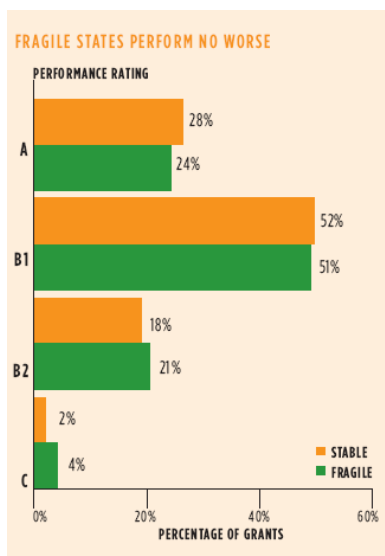
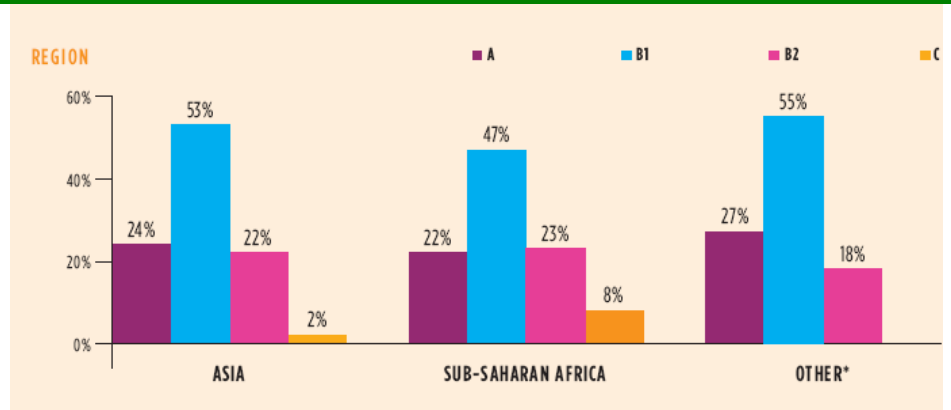
Programmatic Results against Target for the 215 grants Evaluated

PROGRAMMATIC RESULTS AGAINST TARGETS

PROGRAMMATIC AREA	RESULTS	TARGETS	PERCENTAGE ACHIEVED
ARVs	294,800	330,800	89%
COUNSELING AND TESTING	4,303,600	4,222,000	102%
PMTCT	35,200	44,500	79%
ORPHANS	369,700	309,200	120%
CARE AND SUPPORT	461,800	433,700	106%
DOTS TREATMENT	859,200	849,300	101%
MDR-TB	2,600	3,200	81%
ITNs DISTRIBUTED OR LLINs	7,168,600	9,760,700	73%
ANTI-MALARIAL TREATMENT	7,691,200	10,046,700	77%
PEOPLE TRAINED	1,022,100	907,200	113%
MEAN ACROSS TARGETS			94%

- ✓ Analysis of the 215 grants against their targets showed that the mean performance across the top programmatic areas was 94%.¹⁴
- ✓ Performance for major indicators for prevention, treatment and care results are strong.
- ✗ Performance was lower for ITN (insecticide treated bednet) distribution and malaria treatment, largely due to initial global supply issues and procurement delays.¹⁴
- ✗ Prevention of mother to child transmission (PMTCT) programmes are underperforming, with gender issues at the core of the problem.¹⁴

- ✗ Grants to Sub-Saharan Africa performed marginally worse compared to other regions, having the lowest percentage of 'A' and highest percentage of 'C' graded projects. This was largely explained by five grants whose programs have specific problems and require restructuring and targeted technical assistance.⁵



⇔ About one-third of Fund commitments have gone to fragile states but fragile states have a lower success rate of obtaining funding than stable states partly due to lower national capacity for preparing proposals.⁵

⇔ Performance is poorer for fragile states than for other countries with 75% of grants rated A or B1 compared to 80% in stable states. However, it is unclear how far this is attributable to the Fund or the difficult environment more generally.⁵

- ✗ Certain health system weaknesses cannot be addressed by Global Fund grants. However, GFATM needs to be aware of the impact of its operations on health systems, where overall investments are declining. The long-term development of fundamental health systems needs a systematic effort from governments, GFATM and other donors.

- ✗ The performance based management of the Fund is thought to be inflexible and less appropriate in fragile states, e.g. expecting demonstrated impact in a short timeframe to trigger fund disbursement. An inability to meet targets has meant delays in disbursements. It should also be noted, that GFATM has a high rejection rate of proposals. In Round 6, only 85 of the 196 proposals submitted (i.e. 43%) were recommended for approval.^{12, 13}

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