

The Third Global Fund Replenishment (2011-2013) Follow up from The Hague Preparatory Meeting

1. On 24-25 March 2010, the Government of the Netherlands hosted the Preparatory meeting of the Third Voluntary Replenishment of the Global Fund to fight AIDS, Tuberculosis and Malaria. The meeting was chaired by Richard Manning, the Vice Chair of the Third Replenishment and included about 150 participants and observers from donor countries, the private sector and civil society. During the meeting, the Global Fund Secretariat presented a series of reports on the Global Fund results for 2009 as well as on a range of policy and operational issues of interest to donors.

2. During the preparatory meeting, a number of issues were raised by the participants and this paper provides a brief update on the work undertaken by the Global Fund Secretariat since that time. The paper supplements other documents outlining the Global Fund's efforts to enhance its performance made available to the participants of the Pledging Conference. Notably the Secretariat document "An agenda for more efficient and effective Global Fund", distributed separately to Board members and as a replenishment document. That document covers ongoing organizational and operational reforms and improvements in systems and processes to obtain maximum value for money.

Value for money

3. The Global Fund Replenishment paper, "Improving value for money in Global Fund supported programs", gave an overview of the Global Fund's value for money framework and its implementation at institutional, grant management and country service delivery levels. This framework aims to ensure value for money at every stage of the financing chain that extends from donors to the people who benefit from program services directly. Participants in The Hague preparatory meeting noted that *"the current challenging international economic environment underscored the need for the Global Fund to continue its focus on value for money in the Secretariat and in program implementation, based on enhanced analysis of unit costs."*

4. The Global Fund Secretariat is preparing a paper on value for money which will be considered by the Portfolio Implementation Committee at the end of October 2010. The report will provide an update on the development of the main value for money interventions that have been designed or carried out during 2010. These include a) assessment of the degree of attainment of value for money during periodic reviews of grants under the new architecture, b) incorporation of collection and analysis of value for money elements in Round 10 proposal documentation, and c) the on-going

promotion, in collaboration with partners, of standardized measures of service unit cost in national disease programs.

5. The Global Fund Secretariat is currently designing the methodology and processes to be used for assessing value for money under the new periodic review mechanism. These assessments will involve an examination of the following: the efficiency and economy of grant activities; procurement prices for health products and pharmaceuticals; service delivery unit costs at the program-level; and the overall value for money of the program. Periodic reviews will also assess additionality of funding. Including value for money assessments under the new architecture will require enhancing *existing* mechanisms (such as budget and procurement plan reviews) as well as developing *new* tools and methodologies for assessment and reporting, such as service unit cost measurement and analysis. The complete package of new and enhanced existing tools is being developed, and will be rolled out in a phased manner in 2011 and 2012

6. In the Round 10 call for proposals launched in May 2010, applicants were requested to describe how their proposal represents good value for money, as well as to estimate program-level service unit costs and outline their plans for the on-going measurement of unit costs of key services supported by the proposal. A list of reference prices was included for health products to assist applicants in planning and budgeting for their key programs. Lessons learnt from Round 10 on optimizing value for money, will be fed into the design of Round 11, which will be the first round implemented within the new grant architecture.

Measuring the unit costs of service delivery

7. In encouraging the Global Fund to continue its focus on value for money, participants in The Hague preparatory meeting also called for an “*enhanced analysis of unit costs.*” The Global Fund Secretariat is continuing to work with the World Health Organization (WHO), UNAIDS, the US President's Emergency Plan for AIDS Relief (PEPFAR), the Clinton Foundation HIV/AIDS Initiative (CHAI) and the Gates Foundation to develop standardized methodologies for measuring the unit costs for service delivery of key interventions. This work includes developing tools for more detailed and reliable in-country data collection and enhanced analysis that will enable more detailed breakdown of components of unit costs for core interventions such as ART, TB DOTS and net distribution. Improved information on unit costs will serve as benchmarks and help Global Fund supported programs demonstrate and improve the value for money they achieve in delivering services. This information will also enhance grant management by ensuring performance evaluation takes into account the balance between costs, outcomes and health impact.

New study on costs and benefits of ART

8. Participants in The Hague took note of a new study on the national level costs and benefits of ART, encouraged further work on this issue and stressed the need for such studies to take into account the significant macro-economic costs of not providing treatment. The secretariat has worked further on the study with the Results for Development Institute and the Harvard School of Public Health, and submitted the study for publication to the international journal “*Science*.” In summary the study shows returns of US\$32.5 billion (in real terms) through increased worked productivity and averted orphan care for an investment of US\$14.2 billion over a 10 year timeframe. The results suggests that, in addition to large health gains, the benefits of investments in ART scale-up substantially offset program costs and thus that the opportunity cost of not providing treatment are substantial. The analysis builds on the March 2010 projections of the cost and expected health impact of maintaining the current Global Fund supported cohort of patients on ART through 2020, using the UNAIDS consensus epidemiological model of HIV survival and ART.

Measuring Outcomes and Impact

9. Participants to The Hague meeting encouraged the Global Fund to move “beyond output indicators toward outcome and impact measures”. Within the new grant architecture, the Secretariat will place greater emphasis on outcome and impact evaluations. In particular, the Global Fund Secretariat has designed an impact/outcome measurement framework which specifies key indicators (e.g. disease incidence, prevalence, mortality, behavior change and coverage) that will inform performance assessments at periodic review. The Secretariat has also enhanced its current performance-based funding methodology to ensure that impact and outcome will have a central role in funding decisions in grant renewals under the new architecture starting in 2011. Both, impact measurement framework and the performance-based funding methodology are being validated with Technical Partners, PRs, CCMs and LFAs.

Resource Scenarios and Maternal and Child Health (MCH)

10. In The Hague participants stressed that the Global Fund could contribute further to maternal and child health within its existing mandate and welcomed a discussion by the Global Fund Board at its 21st meeting on the Global Fund’s role in MDGs 4 and 5 in April 2010. The Board paper “Global Fund’s role as a strategic investor in MDG 4 & 5” (GF/B21/4) outlined the contributions of Global Fund supported-programs to improving the health of children and women in reproductive age. The Global Fund estimates that its contribution to MCH has been worth between US\$ 4.4 and US\$ 5.4 million for the period 2003-2009. Recognizing this fact, and based on further analytical work by the Secretariat, the G8 will count 46% of any additional pledge to the Global Fund as a contribution to the Muskoka Initiative.

11. The future role of the Global Fund in addressing maternal and child health will be considered by the Global Fund Board at its 22nd meeting in December 2010. This follows a decision by the Board at its 21st meeting in April 2010 requesting the Secretariat to *“review and elaborate the potential options and their implications for enhancing the contributions of the Global Fund to MCH, recognizing the urgent need for additional and sufficient financing for MCH as well as AIDS, tuberculosis and malaria”*. Those options and implications are currently being elaborated by the Global Fund Secretariat for consideration by the PSC at its October meeting and subsequently by the Board.

Impact of the financial Scenarios on MCH, the three diseases and Health System Strengthening (HSS)

12. Within the imparted timeframe (March-September 2010), it is impossible for the Global Fund to be in a position to provide an analysis of financial scenarios ‘impact on MCH, HSS and the three diseases. The proposed analysis requires significant refining of the resource scenarios model that has been used to present the three financial scenarios. The impact analysis will require further assumptions on the future demands, including the future populations benefiting from the Global Fund. In addition, the tracking of HSS impact is at an early stage, while the tracking of MCH per se is not undertaken. To that effect, discussions at the 22nd Board meeting in December 2010 will be crucial regarding the Global Fund implication in the MCH interventions and tracking of impact.

Tracking domestic funding and cost sharing

13. Replenishment participants considered the Global Fund “trends in development assistance and domestic financing for health in implementing countries” document in The Hague. Participants emphasized that a reaffirmation of countries’ commitment to domestic funding would be an important element in a successful Replenishment and welcomed the Secretariat’s plan to examine ways of improving tracking of domestic funding flows. The Global Fund Secretariat has worked on developing a Key Performance Indicator (KPI) to monitor additionality, that is, a means of measuring the extent to which Global Fund support is provided as an addition to, and not a replacement for, government commitment. This indicator will monitor whether government health expenditures decline (irrespective of external funding) in countries receiving Global Fund support. A proposed KPI was developed through an analysis of existing definitions and tracking modalities of domestic funding, including domestic health expenditures and health budget definitions and tracking. The suggested KPI will be presented to the Policy and Strategy Committee (PSC) meeting in October 2010 with the PSC’s recommendations to be considered by the Global Fund Board at its 22nd meeting in December 2010.

14. The Global Fund Secretariat has contracted a consultancy firm (Results for Development) to undertake further analysis and propose new cost-sharing options. The existing eligibility criteria indicate that Global Fund contributions should not exceed 35% of the national program for Upper Middle Income and 65% for lower middle income countries. The options for cost sharing have been presented to the Joint Working Group on Eligibility and Cost Sharing in 23-24 September 2010, with key issues to be presented for informal discussion during the November 2010 Board retreat, prior to formal consideration by the Board.

Accountability Framework

15. Participants at The Hague meeting emphasized the importance of continued work on the Global Fund's accountability framework. The Accountability Framework encompasses all of the GFs structures, systems and controls for managing risks at all levels. Following the endorsement of the Risk Management Framework of the Global Fund at the 20th Board meeting (November 2009) -which included an outline of the elements of the Accountability Framework- the FAC, PIC, MDC and PSC were asked to perform an initial review and provide input on the management of the 9 identified risks. Responsibility for continued oversight of risks in the Corporate Risk Register was assigned to specific board committees. In its report to the 22nd Board Meeting, the FAC will summarize committee discussions on the overall Corporate Risk Register and report on risk management developments.

Revision of Comprehensive Funding Policy

16. Participants in The Hague preparatory meeting asked the Secretariat to present a technical paper in time for the April Board meeting on how promissory notes and other instruments of commitment provide commitment authority to the Global Fund. They also encouraged the Board to review the Comprehensive Funding Policy (CFP).

17. The technical paper was circulated on 22 April 2010. The Board, at its 21st meeting in April 2010, subsequently mandated the Finance and Audit Committee (FAC) to conduct a review of the CFP. The review was structured as a two-stage process under the guidance of a FAC Working Group led by the FAC Chair and Vice Chair. The Working Group's objective is to ensure that the CFP continues to meet the needs of the Global Fund as a mature development financing organization, enables donor funding to be used as effectively as possible for the benefit of people in need and provides the Global Fund the predictability and financial assurance needed to enter into grant commitments.

18. The First stage of the CFP review involved an outsourced survey of selected donor governments and institutions with similar replenishment mechanisms to identify constraints to the wider use of existing provisions for promissory notes, gather information on donor practices, and outline possible alternatives for the Global Fund.

The Working Group and FAC concluded that the introduction and use of a multi-year contribution agreement by donors would increase assurance and predictability of donor commitments and recommended the Board agree to their introduction. They also recommended that a specific revision be made to the language of the CFP to provide for the use of promissory notes by private donors. The Board subsequently agreed these two recommendations through an electronic vote on 10 September 2010, GF/B21/20: “Multi-Year Contributions and Promissory Notes from Private Donors”.

19. The second stage of the CFP review is focusing on further possible changes to the current CFP. A key focus will be on reviewing CFP provisions related to the establishment of appropriate level of asset cover needed to provide the commitment authority to enter into grants, in addition to revising the language of the CFP to increase its clarity and functionality. Recommendations of the Working Group on these second stage issues will be considered at the next meeting of FAC scheduled for October 2010, with any recommendation to be taken by the Board at its 22nd meeting in December 2010.

Gender and SOGI

20. In The Hague, participants welcomed the Global Fund’s work to ensure systematic inclusion of gender and SOGI components into funded grants and urged more rapid implementation of the respective strategies. In recent months progress on the implementation of Gender Equality Strategy (endorsed by the Board in 2008) and the Sexual Orientation and Gender Identities Strategy (SOGI endorsed by the Board in 2009) has focused on strengthening application materials and briefings to support the preparation of Round 10. Applicants for Round 10 have been asked to ensure that proposed programs appropriately target and cost gender and SOGI related activities. In addition to a series of regional briefings, the third CCM newsletter distributed in June 2010 focused on gender and equity and encouraged CCMs to strengthen their gender and SOGI focus in Round 10 applications and in their ongoing grant oversight.

21. In April 2010, the Global Fund Board agreed on a one-off reserve for most at-risk populations (MARPs) of US\$ 200 million over five years to ensure that in the event of prioritization, recipient countries would have the opportunity to secure funding for such populations in Round 10.

22. The Global Fund will continue briefing, training and sensitizing Global Fund staff and in country partners to gender, SOGI and sexual and reproductive health to ensure further integration of better targeted activities into the Global Fund portfolio. The Secretariat is also extending its analysis of Global Fund investments and commitments to help track trends, strengths and weaknesses in these areas. It will introduce a new KPI on gender and equity within the new architecture monitoring

framework and a question related to gender and equity at the periodic review stage of the grant cycle.

23. Most of the issues presented above have been, or will be, considered by the Governance structures of the Global Fund. A range of reform issues were also raised by participants in The Hague preparatory meeting and these are outlined in detail in the separate paper entitled “An agenda for more efficient and effective Global Fund”. These include the Country Team Approach and other Global Fund Secretariat internal reforms, the New grant Architecture, joint Health System Strengthening platform, National Strategy Applications, reform of the Country Coordination Mechanisms, promotion of Technical Assistance, enhancement of financial reporting and procurement systems, establishment of Voluntary Pooled Procurement, and revision of the eligibility, cost sharing and prioritization policies. The Executive Management Team is committed to updating the Board and its Committees on the implementation of these reforms on a regular basis.