



Investing in our future

# The Global Fund

To Fight AIDS, Tuberculosis and Malaria

**Tenth Board Meeting  
Geneva, 21-22 April 2005**

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## **REPORT OF THE BOARD CONSULTATION**

**Outline:** This report summarizes the discussions held at the Board consultation on the future scenarios for the Global Fund on 20 November 2004.

## Part 1: Introduction

1. On 20 November 2004, the Chair and Vice-Chair of the Board of the Global Fund convened a one-day consultation with Board Members and Alternates on key issues in the future of the Global Fund.
2. The starting point for the discussions were two papers circulated in advance of the meeting, GF/B9/5, "Updated Discussion Paper on the Core Business Model of a Mature Global Fund," and GF/B9/14, "Lessons Learned from the TRP, Rounds 1 – 4." Several delegations prepared responses to these papers, which are contained in annexes to this report (Annex 1 - UNAIDS; Annex 2 - UK; Annex 3 - Point Seven).
3. The general sentiment of the consultation was that the Global Fund had accomplished an impressive amount in a short period and that the organization's original architecture and approach were basically right. However, this was coupled with a recognition that more needed to be done to fully realize the potential and mission of the organization.
4. First, implementation must be accelerated, as there was a widespread sense that despite the progress made, unacceptably high numbers of people were getting sick and dying from AIDS, tuberculosis and malaria. This scale-up needs to be accompanied by rigorous demonstration of the results achieved with Global Fund financing.
5. There was also a widespread sense that more financing needed to be provided to the Global Fund, to enable both the continuation of existing financing (first and foremost), and the launch of subsequent Calls for Proposals. The provision of this financing was recognized as linked to the demonstration of results.
6. Another important area that participants identified as requiring attention was harmonization (for AIDS, particularly in the context of the Three Ones principles) and collaboration with partners. The Global Fund operates within an increasingly complex network of stakeholders, and the success of the organization depends in part on its ability to work in a complementary and mutually reinforcing manner with its partners. In this context, participants recognized that CCMs should be a key focus of discussion and review, including how the principles of representation could best be operationalized given the variety of country contexts.
7. After opening comments by the Board Chair and Vice-Chair, the Executive Director, and the Executive Director of the Joint United Nations Programme on HIV/AIDS (UNAIDS), the consultation broke into working groups that discussed four themes:
  - a. Financing;
  - b. The core business model;
  - c. Accelerating implementation; and
  - d. Board governance.
8. The report is similarly broken down into these four areas, although each section below captures comments made throughout the course of the day on the topics addressed, not merely the conclusions of the individual working groups.
9. The meeting was conducted under Chatham House Rules, so that there could be an open and frank discussion without attribution of positions. There was a common view that this kind of informal exchange between the Board was productive and something that should occur periodically.
10. There was general agreement that although the Global Fund should constantly review and improve its current structure and business model, there was no need for a major revision of the business model at this point in time.

## Part 2: Financing

1. The discussions on financing focused on four topics:
  - a. The appropriate size of the Global Fund;
  - b. The contributions that different stakeholders could make to resource mobilization;
  - c. The policies that affect resource mobilization; and
  - d. The need to situate financing for the Global Fund within an environment that ensures the effective use of these resources.
2. There was a strong sense that the Global Fund needed to develop both short-term and longer-term targets for resource mobilization. The discussions on the short-term target focused on figures in the range of US\$3-3.5 billion (which was deemed reflective of near-term needs), with a consensus that the first replenishment conference in March should agree upon more specific targets for the 2006-2007 period. There was less discussion of the longer-term target, with a wide range of figures being discussed for the global need itself.
3. Participants considered the current approaches to resource mobilization – both the ad hoc approach used to date and the voluntary replenishment mechanism being launched in 2005 – capable of increasing contributions to reach the short-term targets but insufficient to expand significantly the volume of resources to reach targets beyond 2007. Some participants suggested that new mechanisms for resource mobilization (such as the International Finance Facility or new forms of taxation) would be needed to reach the higher targets, and there was a recommendation that further work be done to more thoroughly examine these. The importance of domestic resources in financing the fight against AIDS, tuberculosis and malaria was highlighted.
4. Participants unanimously agreed that all stakeholders in the Global Fund have roles to play in mobilizing resources. Civil society, for its part, has important contributions to make by supporting proposal development (to ensure the submission of high-quality proposals that accurately capture the volume of resources needed), by advocating with donors for increased financing (an area that would benefit from increased coordination between civil society groups), and by managing media relations.
5. The discussion on contributions from public sector donors examined the concept of pro rata contributions. There was not unanimous support for this idea, but some felt that it would provide an equitable basis for discussions of contributions. Participants touched on the need to attract new donors (including from the global South), with some commenting on the opportunity presented by the first hosting of a Global Fund Board meeting by an Islamic country (Morocco, in December 2005). The importance of clear public relations describing the Global Fund's comparative advantage and performance, and of targeting both governmental structures and country actors was also highlighted.
6. In-kind donations and earmarking were the focus of the discussion on the private sector. On the former, there was a recommendation that a small working group should reexamine the issue of whether the Global Fund should accept in-kind donations (although not of antiretroviral drugs), in light of the importance to the private sector of this modality for support. This working group could then present options to a Board committee. There was also a recommendation that further work be done on the question of earmarking, in light of the fact some potential private sector contributors considered this a prerequisite to providing resources.
7. Turning to the policies that affect resource mobilization, the discussion centered on the Comprehensive Funding Policy. There was a sense among the group that the review agreed to at the Ninth Board Meeting would dovetail well with resource mobilization efforts, although divergent opinions on the appropriateness of revising the policy were evident. Two further policy areas touched on were the question of the financing of antiretroviral therapy and pooled

procurement. On the former, the additional moral obligations assumed by the Global Fund when financing antiretroviral therapy prompted a discussion about whether the Board should establish longer time horizons for the funding of antiretrovirals, particularly in light of the increased predictability of inflows as a result of the voluntary replenishment mechanism. There was a recommendation (linked to a related Ninth Board decision on continuity of services) that the World Health Organization and UNAIDS call together donors and other stakeholders to further develop guidance on the ethical issues associated with starting antiretroviral therapy. Participants also identified antiretroviral therapy as a potential focus for co-investment by the private sector (particularly in low-income countries).

8. Participants discussed the idea of pooled procurement and using the Global Fund's purchasing power to make its resources go further, with a recommendation that a Board committee revisit the topic (as some aspects have already been examined previously). Some participants highlighted the importance of the price reporting mechanism in providing transparency and assisting in identifying appropriate pricing levels.

9. Finally, there was a clear recognition that the Global Fund can only succeed through partnership, but that some partners were inadequately resourced to provide optimal support. It was therefore recommended that a Board committee examine the question of the financing of technical assistance and the coordination of resource mobilization efforts.

### **Part 3: Core business model**

1. The discussion on the core business model focused on two main topics: the structures at country-level and how to identify programs to finance.

#### **A. Structures at country-level**

2. The discussion on country-level structures focused on both underlying principles (or themes) and a series of specific recommendations. Four themes highlighted were:

- a. Harmonization;
- b. Incentives;
- c. Local ownership; and
- d. The importance of appreciating the heterogeneity of experiences (i.e., that a one-size-fits-all approach is not possible).

3. On the first of these, there was a strong sense that more could be done to improve the Global Fund's fit with existing country systems. Participants highlighted the role of the CCM and its relation with other structures – particularly National AIDS Councils – as a potential area in which parallel systems were being established, with concerns about who was in charge and how to balance between a stewardship role for governments and the Global Fund's principles of participation and partnership. Some suggested that CCMs should not become institutions and should, wherever possible, merge into existing structures (while preserving the positive features of CCMs). Others emphasized the added-value of the CCM, particularly for bringing the voices of civil society to decision-making fora. The role of the LFA was also discussed, including whether or not it added any appreciable value to monitoring in situations in which large numbers of donors were already present and had established joint oversight mechanisms. No participant called for eliminating LFAs altogether, but several suggested re-examination of their work and functions.

4. There was a shared recognition that there had been little systematic analysis of the incentives in place to encourage better performance of CCMs, Principal Recipients (PRs), and LFAs. As a result, it is not clear that the right incentives exist, for example, to encourage CCMs to be open, transparent, and inclusive. Similarly, given the frequently-mentioned problems of delays in procurement, the incentives for PRs to accelerate procurement may be inadequate.

Incentives were seen by some as a powerful tool to improve performance throughout the system. One specific suggestion that generated considerable debate was the tying of increased responsibilities (and/or access to financing) for CCMs to a rating system, with CCMs that could demonstrate better performance being rated more highly and therefore receiving additional responsibilities. Some felt that this would be a useful way to pilot some of the potential new features of a revised business model, whereas others were concerned about the transaction costs of doing so and whether a fair and objective system could in fact be established.

5. The remaining two underlying themes, of local ownership and of the need to appreciate the heterogeneity of the situations in which the Global Fund operates, were both recognized as of critical importance in guiding discussions on revising the Global Fund's business model. This recognition was tempered by the fact that some prescription is likely to be necessary, in particular to ensure that certain minimum standards are met.

6. Participants identified a number of specific changes that could be made to the business model. Many participants agreed that utilizing two PRs, one for the public sector, one for the non-public sector, could present a more effective way to channel Global Fund resources than the current approach (in which most CCMs have chosen single PRs – typically from the public sector). Although having two PRs would not be a panacea, it could remove some of the distributive bottlenecks that have been identified as impediments to rapid implementation. There was a unanimous feeling that the Board should further examine this topic, based on further work by a committee.

7. There was also strong support for a reexamination of the skills needed by LFAs and the incentives in place to ensure that they produce quality work. There was broad agreement that the lack of development experience, as well as of particular expertise in monitoring and evaluation and in procurement and supply management, had created problems in some situations and was therefore something that needed to be assessed.

8. A third specific suggestion was around the potential conflict of interest between Chairs of CCMs and PRs, with a consensus that CCMs should not be chaired by PRs, to ensure that adequate oversight of implementation can be provided by CCMs. The logistics of how this recommendation would coexist with the above position on multiple PRs was an area identified as in need of further elaboration. There were also differences of opinion about how to define the government constituency, with most arguing that if any governmental entity was the PR, no governmental body (even if another ministry) should chair the CCM; another position held that it should be acceptable for different governmental entities to chair the CCM and act as PR.

9. Finally, there was endorsement for the ongoing examination of the type of support to be provided to CCMs, including whether they should have resources available to them for administrative functions. Some felt that having resources would ensure that CCMs could act independently and therefore would facilitate broad participation, whereas others were concerned that this would further institutionalize CCMs, moving them away from being mechanisms towards becoming permanent structures, which could work against harmonization principles.

## **B. How to identify programs to finance**

10. The second major topic addressed was how the Global Fund should identify programs to be financed. The current approach of periodic Calls for Proposals (the timing of which is determined by the Global Fund) has some drawbacks in that it forces recipients to adjust their planning and budgeting cycles to the Global Fund's, rather than facilitating the use of existing systems. Further, the duration of financing is fixed (initially for a period of two years, extendable by up to a further three), rather than being flexible (e.g., responsive to performance).

11. Most participants felt that while the current approach has worked well, it was an opportune moment to consider some modifications to it. Two principles that would inform any changes were universally shared: the centrality of performance-based funding and the importance of the Technical Review Panel (TRP).

12. There was general support for the concept of piloting longer-term, more flexible, and better aligned streams of financing (a.k.a., lines of credit). This would likely best be done in countries with significant harmonization efforts underway and/or those that have performed well (with some participants feeling that it should only occur in contexts of proven performance). Participants suggested that this would need to be done in such a way as to preserve the two principles enunciated above, as well as to allow rigorous examination of the outcomes.

13. There was also a consensus on the need to examine some intermediate steps to both improve the Global Fund's fit with existing systems and strengthen performance-based funding. In particular, some participants suggested the idea of making supplemental resources available after the end of five years. This would create a "Phase 3" in which recipients that had demonstrated performance in Phases 1 and 2 would not have to reapply with a new proposal in a new Round, but rather would have access to additional resources. This was identified as a topic that the Board should explore, based on a recommendation from a committee.

14. Further, participants saw the current Secretariat efforts to move away from having separate grant agreements with the same PR for each Round of financing (i.e., consolidating into a single grant agreement all Global Fund financing with a given PR for a given disease) as a valuable step forward.

#### **Part 4: Accelerating implementation**

1. The discussion on accelerating implementation sought to identify key dimensions to the rapid and effective use of Global Fund resources to scale up the response to AIDS, tuberculosis and malaria.

2. One area that attracted considerable discussion was the importance of partner support for Global Fund-financed programs. Key roles for partners discussed include:

- a. Providing technical advice on overcoming obstacles encountered in program design and implementation;
- b. Clarifying and providing support in responding to Global Fund processes; and
- c. Assisting in responding to problems arising from internal issues in a government.

3. To date, there has been an assumption that CCMs and PRs want and will actively seek out technical assistance (whether for more "technical" areas such as monitoring and evaluation and procurement, or for the broader set of issues that affect implementation, including management and governance). However, experience is showing that this does not always occur, even when implementation is not going smoothly. Possible explanations for this include a lack of political will and leadership to ensure rapid responses, the absence of a coherent technical assistance framework upon which CCMs and PRs may draw, and the challenges of ensuring effective partnerships at country level. To help address this, some participants recommended that proposals include plans for technical assistance.

4. The discussion also focused on the accountabilities for success in implementation. A number of potential tensions around accountability were identified, such as between CCMs and PRs, between PRs and sub-recipients, and between CCMs and national governmental authorities. Tensions exist in the accountability of the Global Fund itself, between it being accountable for results as opposed to being accountable simply for financing.

5. Participants also discussed the TRP's accountability for success, particularly in the context of concerns that the current approach to proposal review insufficiently utilizes the knowledge of partners in-country and inadequately considers the performance in existing grants. There was a recommendation that the review process be strengthened through the more systematic inclusion of additional sources of information.

6. Another key obstacle to implementation highlighted was the increasing pressure on human capacity in-country and the need to urgently address human resource shortages and skill deficiencies. Participants emphasized that the Global Fund must fit into longer-term initiatives to strengthen health care delivery (and other social services) and work within broader development frameworks. In this regard implementation of the Three Ones principles was seen as critical for success at country level.

7. In the discussion of the Secretariat's role in accelerating implementation, the importance of an early warning system to identify nascent problems before they threatened implementation was highlighted (as was the need to develop this system in consultation with partners). There was also a request for clarity on the roles of the CCM and the LFA, and for greater thought to be given to the role of the CCM in accelerating implementation.

8. Another major barrier to rapid scale-up identified was procurement. Participants noted that existing systems might not be able to deliver quality products at an affordable price, and even when they do, many systems are too slow to meet the needs of fast and large-scale expansion of services. It was emphasized that this bottleneck is not just in getting products to port, but is perhaps even more critical in the area of supply chain management.

9. One response to this is for partners to prioritize strengthening procurement and supply management capacity in their work with countries. Some participants also recommended that the Board reexamine the role of the Global Fund in procurement, to determine if the organization can more effectively use its size to create a catalytic fund for procurement and/or to improve the predictability of supply (particularly for certain key products where concerns are now emerging about the global ability to meet demand). It was recommended that a committee be asked to follow this up.

## **Part 5: Board**

1. The discussion on the Board touched on its role, structure, and composition.

2. There was a strong sense that the Board needed to concentrate more heavily on resource mobilization. More broadly, participants recognized that greater clarity on the role of the Board was necessary, as well as clearer and more consistent communications about the Global Fund, in order to improve outside perceptions of the organization and to avoid false expectations. This applies both to communications from individual Board members and to communications that emanate from the Secretariat. Better communications of the positive impact that the Global Fund is having on the ground was also identified as an important need.

3. The discussion on the structure of the Board focused on whether the constituency approach is working, and on whether the current structure is too unwieldy to operate effectively. One strong recommendation was on the need to enhance intra-constituency communications, particularly through more active use of regional consultations (possibly linked to the existing regional meetings), to ensure the appropriate representation and accountability of constituencies. The group identified an important role for partners in supporting this process (both financially and logistically). Some participants felt that there was a need to review whether the Board's representation model is working effectively. There were also concerns over continuity within constituencies and on how institutional memory can be maintained in the midst of the high levels of turnover.

4. Participants recognized the need to review the structure and composition of the current donor group, particularly in light of the opportunity for a new contributor to step forward to fill the vacant spot created by the Board decision to grant voting rights to the constituency for NGO Representatives of the Communities living with or affected by the diseases. An additional specific suggestion was to strengthen the involvement of developing countries in the private sector constituency.
5. Concerns about the size of the Board led to a discussion about possible alternative structures. One participant suggested the creation of an executive committee, which could assume some of the decision-making of the full Board as well as some of the work of the existing Board committees.
6. Finally, participants agreed on the importance of monitoring and evaluating the performance of the Board and of individual constituencies on it, although the group recognized that to do this would require further elaboration of the roles of each of the stakeholders in the Board.

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## **THE GLOBAL FUND: Taking Stock, Looking Ahead and Making the Money Work:**

### **A UNAIDS contribution to: “An Updated Discussion Paper on the Core Business Model of a Mature Global Fund”**

#### **Introduction**

1. As a founding member, UNAIDS remains a strong and active supporter of the Global Fund. It is vital that it is successful and that all partners work together to make it succeed.
2. Following CCO (Coordinating Committee of UNAIDS Co-Sponsors) discussions at the end of October, UNAIDS cosponsors agreed that the UNAIDS secretariat formulate a short paper making specific suggestions for further strengthening the global fund operations as well as its relations with its partners, including the UN system. This paper would be shared with board members in order to contribute to discussions at Arusha, in particular the one day board retreat.
3. This short paper specifically responds to that request and takes board document G7/B9/5 (“An Updated Discussion Paper on the Core Business Model of a Mature Global Fund”) as its starting point.

#### **Summary**

4. UNAIDS agrees that now is an appropriate time to consider key challenges as partners begin to scale up our response to the three diseases. It is appropriate to revisit the Global Fund business model and mandate as part of the discussion. The view of the UN is that it is essential that the Fund stick to effectively delivering against its mandate, that of a new financing instrument. The challenges identified in the secretariat paper require collective solutions, and will need to be addressed by all partners with the Fund at country level.
5. The solutions will be found in locating Global Fund operations more clearly in the overall context of development work and development work at country level.
6. We note an increasing dichotomy between some parts of civil society and the public sector. Structural changes in the Global Fund need to provide incentives to bridge that divide.
7. This paper is divided into two parts. The first considers the analysis provided in the report. UNAIDS shares and welcomes much of that analysis. In each section addressed this paper contributes our views and suggestions on those options offered by the secretariat paper.

In the last part of this paper we make concrete suggestions for addressing issues and challenges raised in part one.

#### **Key issues raised in the secretariats analysis**

8. The Global Fund has been remarkably successful in rapidly expanding, mobilising funds and approving proposals in a short period of time. A tribute to the staff and to the work of partners such as UNAIDS at the country level.
9. But as the secretariat’s analysis correctly points out (para 3) there is an urgent need to step up efforts “to achieve smooth harmonisation with existing systems, rather than establishing parallel requirements.” As the report identifies the best way to scale up will be to seamlessly

funnel resources into the scaling up of existing responses to the three diseases. UNAIDS agrees with the paper that this is a key and fundamental constraint at the present time, as is the need for countries to be sure of long term and predictable financing, a need that the Global Fund cannot yet assure.

## PROGRAMME IDENTIFICATION

10. The report also illustrates well (Part 2 Future Projections) how fund administrative transactions and costs are set to rise under current arrangements as the Global Fund moves to an annual disbursement of three billion dollars by 2007. We would also agree with the subsequent analysis that identifies how the Fund has gone down a road of project based financing that leads to the inevitable problems identified above. We would suggest that this was not in fact the intention of the founding partners and need not have been the case. But is an understandable consequence of the speed with which the Global Fund and secretariat were set up, and also to some extent a consequence of the inevitable early political tensions.

11. The solutions offered in this section are certainly worth seriously exploring and would have our support. (we assume that para 15 is suggesting a higher not a lower limit to proposals – as currently stated - to encourage scale up.)

12. Scaling up means finding processes that can absorb significant amounts of additional finance, rather than scaling up the number of individual grants or proposals.

We are in favour of a change in planning procedures that would facilitate a better alignment with existing systems at the country level. As the discussion paper suggests, a move away from a perception of separate processes to one that identifies GFATM rounds in support of national systems therefore would be a good move.

13. Such a move would make it more clear that the Global Fund is a demand driven rather than a supply driven mechanism, something that is in line with our thinking on development cooperation and support. The question is still how to transit from the present system to another.

14. However the essential missing link in this section is a deeper discussion on how CCM's fit within a broader harmonisation framework. The challenge and a large part of the solution is to better link Global Fund finance to national programmes and gap filling, within a "Three Ones" framework, rather than relying wholly on Fund Specific instruments such as CCM's. We agree that the role of CCM's, their representation and how they interact with the broader range of country partners and existing institutions is a key issue. We return to this below.

## IMPLEMENTATION

15. As the Global Fund secretariat paper explores, the key issue of an increasing proliferation of grant agreements is an inevitable consequence of a project as opposed to a programme based approach.

16. The solution proposed is that of increasingly moving down a road where CCM's receive additional finance and in reality become institutions in their own right. This would include implementation oversight and responsibility and would represent a significant change in direction for the Fund and one that should not be entered into lightly. Nor does this necessarily represent a logical solution. In our view this road runs contrary to the intention stated at the outset of the paper, that of "... (achieving) smooth harmonisation with existing systems, rather than establishing parallel requirements."

17. We are learning much from our work with CCM's. Our attention is drawn to the importance of inclusiveness and meaningful representation. This type of thinking and work needs to be used to shape and strengthen the role and functions of national authorities. Such authorities in

all diseases areas already have a status, legal mandate and authority. However in tackling a scaled up response such authorities need to be made more responsive, accountable and inclusive in exactly the same way as has arisen with CCM's.

18. CCMs should play an active role in the oversight of the GFATM processes but not involved in policy making, operational management and implementation of GFATM supported activities at country level. The CCM should remain a financing mechanism that is strengthened by technical and other support from institutions, such as UN agencies, which have the mandate and expertise to provide this support.

19. Taking a Fund specific route raises a number of fundamental questions. We pose these questions to stimulate debate. We offer no fixed solution (there are none), but it is clear that a much wider debate is required before deciding that embarking on a fundamental change of the Fund being merited.

- Should the starting point be a Three Ones type approach around a post-Rome consensus on harmonisation.
- To what extent do we wish to re-invent the wheel with fund specific solutions, or do we wish to take the lessons already learned and actively work to improve participation and accountability in national systems
- To what extent does the Global Fund wish to pursue the need for legal status for the CCM
- If a legal status it must be assumed that the key relationship of accountability is to national authorities and legislators, not to external funding mechanisms.
- To what extent should CCM's build on exiting structures, or be established in parallel.

20. Solutions will vary from country to country. However the key issue is a need for all partners to better define how they harmonise their efforts within national frameworks and against agreed national plans and strategies.

21. The same set of issues and risks are raised by the concept of establishing a twin funding window with one reserved for the civil society and private sectors. Unless this is firmly established within an agreed and comprehensive strategy, and there are meaningful mechanisms to ensure that accountability, an increasingly fragmented response will be the inevitable consequence. The concept of separate windows was in fact rejected by founding members who had an ambition for a more ambitious but most importantly an inclusive and joined up response. In the case of HIV/AIDS, if the "Three Ones" framework is meaningfully implemented, this option could be revisited.

22. It is by no means clear that transaction costs would be reduced for the Fund if this route were to be followed. Experience in other areas, such as reproductive health in Bangladesh, suggest otherwise. New institutional structures were required to manage and NGO window of operations.

23. Lastly we are less convinced that there is merit in dividing funding into short term and long term streams. From a position of fiscal responsibility there will always be long term recurrent budgetary implications even for up-front investments. Such thinking sits uneasily with board discussions on establishing longer term predictable financing.

## OVERSIGHT

24. Again the need to revisit Local Fund Agent roles and the need to work through and with existing monitoring and evaluation systems is well argued and one that, with the usual caveats, we would agree with.

25. In particular UNAIDS has worked closely with several key partners including the US and the Global Fund on Monitoring and Evaluation systems. The UN has a key role to offer support in this area.

#### GAPS IN THE ARCHITECTURE (previously new lines of business)

26. This section seems to be the least well developed with a less clear link to the earlier analysis and sound arguments of the main paper and the UN position in this regard is similar to others. Our starting position is to work closely with the Global Fund in support of its core mandate as a financing instrument. We believe this remains the greatest challenge for the Fund and will determine its success. Most of the secretariat paper addresses this issue. We are not supportive of the Global Fund expanding into other areas without partners first ensuring that existing institutions and partnerships be both tested and supported to deliver against their mandates or responsibilities in those very same area. We believe that this is consistent with the founding principles of the Global Fund.

27. We would like to suggest that a better defined option of working to strengthen the Global Fund as a financing instrument would be useful. To some extent this is covered in the earlier parts of the paper, but it may help to make this a separate but clear objective. The World Bank and donors would be well placed to offer support in this area.

28. The proposal to better define the value of product investment to producers by the Fund is a good one. We suggest that this be explored further. It may be, that as has already been discussed at the board and in committee, that better documenting, the volume, value and prices obtained by the Global Fund in a systematic fashion would do much to both affect the market in the area of prices and long term financial commitment by industry. Exploiting the bulk purchasing power and building on this area makes sense. UNAIDS, UNICEF and WHO are well placed to work with the Fund in exploring this area. The experience of other partnerships such as GAVI, MMV etc should be drawn upon.

29. Disseminating lessons learned and best practice is one that the normative agencies, technical and financial, should perform and be supported to do so. We do not support an expansion of the Global Fund's mandate in this area.

30. TA and Capacity Building would be best dealt with building on the conclusions of the Ad Hoc committee on TA and capacity building. The UN has a key role here.

#### **RESPONSE BY THE UN**

In this section we offer a series of specific and concrete suggestions on how the UN can work on these issues with the Global Fund and its partners.

#### **Making the post-Rome agenda on harmonisation a reality**

31. The UN is willing to facilitate a series of rapid country visits to consider national coordination mechanisms. Such studies would cover the relationships between CCM's and other authorities. The studies would build on lessons learned on participation and inclusiveness through the establishment of CCM's. It would involve key actors, such as GFATM, the UN, PEPFAR, civil society and bilaterals and could be guided by one of the four emerging board committees.

Such an approach would fit well with work underway through the Three Ones Approach being facilitated by UNAIDS. TOR would have to be developed and approved by the board.

The country studies would be able to explore the implications and options for setting up a twin funding window.

## Technical Assistance

32. The UN is willing and able to work with countries to better map out on a systematic basis the technical assistance requirements to scale up the response to the three diseases.

32. The UN is well placed to provide support to countries in some of these areas. Our work in proposal development and our longer term work on programmes make this clear. But it is also clear that the UN is under-funded to continue to provide such support at the same level or to scale up those efforts.

33. UNAIDS has accelerated plans to put in place technical support facilities at the regional level.

34. UNAIDS is well placed to broker solutions at the country level. For example UNAIDS will provide support to resolve conflicts in instances where there is a conflict of interest vis-à-vis, the chair of the CCM being also the PR.

**Received from: United Kingdom (on behalf of Canada – Germany Switzerland, UK)****Comments on the 'Discussion Paper on the Core Business Model of a Mature Global Fund' (GF/B8/13 tabled at the Eighth Board Meeting June 2004)**

*For ease of cross-referencing the numbering in italics is as in the original paper, and page references given where relevant. The revised paper presented to at the Board meeting has been taken into account.*

**Summary**

1. It is clear that the Global Fund to fight AIDS, TB and Malaria (GFATM) has had some solid achievements. It was created to be ambitious, to raise additional finance for the three diseases and to rapidly disburse. It is commendable that this was done from a 'zero base'. It is now time to consolidate and streamline. The Executive Director said recently that it is 'a funding mechanism, pure and simple'. This is a thoughtful paper, and there is much in it that could significantly improve GF operations and increase value for money, while keeping the Secretariat relatively lean, and without straying into inappropriate areas.
2. The paper responds to criticisms from countries, and from some donors about the unwieldy, 'projectised' and vertical nature of the GFATM (in some contexts). There is untapped potential to significantly reduce health product prices globally, and this 'new line of business' should be actively pursued. We agree that a move to a risk based approach is right.
3. There are elements of the paper though, which need more scrutiny. The paper contains very little context or reference to the broader international architecture. The sections on the role of the Country Coordinating Mechanisms (CCMs), and new lines of business could run counter to harmonisation principles. In a worst-case scenario, the GFATM could duplicate what the UN and bilaterals already do, and also run counter to the international community's vision for the GFATM. In some areas it is not clear why the Secretariat felt constrained to put in place some obvious operational improvements that did not seem to require Board approval.

**4. What outcome do we want?**

We should: provide comments on the specific suggestions; concentrate on areas where changes in Board policy will facilitate the Secretariat's work, with the main objective of improving the service to countries, and offer additional suggestions that might not be currently considered in the paper.

- a) A significantly increased number of people (particularly the poor) with access to prevention care and services for HIV and AIDS, TB and Malaria.
- b) Operations: a GF that consolidates and streamlines its core business and serves countries better.
- c) Harmonisation: GF using harmonised funding approaches (where mechanisms exist), reinforcing Three Ones principles, country driven and responsive
- d) Value for money: a GF that uses its comparative advantage as a major purchaser of medicines to drive down prices, and examines the use and role of local Fund Agents
- e) Technical: a strengthened international system (particularly WHO and UNAIDS) able to ensure significantly increased funds for AIDS, TB and Malaria are used efficiently, and that performance is monitored and measured adequately
- f) Health Systems/Services Approach, agreement on ways of doing business that can combine exceptional fast responses with the need for long term sustainable solutions
- g) International funding architecture: full recognition of the GF as a complementary financing instrument, amongst others, embodying more analysis on the role of WB, Development Banks, EC etc. agreement on the ideal size and scope of the GF. Definition after two years of what the real comparative advantage of the GF is?

## Background

4. The paper was generated to reflect on experience after two years intense activity, and pressure to get funds disbursed quickly. The GF has (by end 2003) committed US\$2.1 billion to 121 countries. The paper examines three key areas:

- The efficiency of the current business model – and makes suggestions for change
- Changing core aspects of the business model – particularly examining partnerships (e.g. CCM functioning)
- New lines of business – most of which seem unviable, inappropriate and suggest the genesis of the GFATM extending its mandate, or ‘mission creep’

5. The paper is very detailed and the analysis is generally sound, particularly on ways of improving the business model. But, it starts with some major assumptions and statements that are not correct (‘a vision for the GF channelling US\$7-10 billion per year’). It also generally deals with the GF as if it is somehow isolated from the wider international architecture. When it discusses gaps in the architecture, the analysis is weaker, and the conclusions debateable.

### Improving the current business model - 'gaps in the architecture' (Part 2: pps 3 to 5)

6. There is agreement that this is critical. Without changes the Secretariat will be justified in asking for additional (and large) staffing increases. The Board has to be more proactive and unified in its approach. There are key tensions with some constituencies that would still like to maintain the existing cumbersome ‘project’ style reporting<sup>1</sup>.

7. Five key improvements are suggested. We will not comment on *defining operational policies*, except perhaps to note that this is basic core work and should not require Board involvement, or *structure and staffing*, as this has been examined in great detail by the MEFA<sup>2</sup> (on which we are represented). On *management systems, the relationship with Local Fund Agents* and *tailored portfolio management* there are sensible suggestions that we should support, and where necessary instigate changes in Board policy (note: more information is needed from the Secretariat where specific Board decisions are needed).

8. Performance monitoring (*management systems*). Improvements are being made; it should soon be possible to examine key performance indicators more easily, but currently it is still difficult to extrapolate key aggregate indicators. The Board should encourage the Secretariat to utilise UN agencies and others more effectively (there seems to be potential for duplication) and to present information at an aggregate level more effectively.

9. Local Fund Agents (LFA). The paper concentrates on process and procedures. These need significant improvement, and we can endorse. However, it says little about the fundamental concept of LFAs. The Board could initiate a discussion on whether these are providing value for money, or if there is not another model that might fulfil the purpose (oversight of financing) more effectively? Or, to aim for a mix of oversight mechanisms, depending on the national situation.

10. Tailored portfolio management. This has most potential to significantly improve both the image of the GF, and to ensure that countries benefit quickly from the additional funding. It has long seemed inappropriate that very disparate countries are treated exactly the same. This has made harmonisation extremely challenging and countries (rightly) feel they are straitjacketed into GF specific requirements. We support filling gaps, using county processes and plans and aligning closely with national funding cycles.

- Risk management. Sensible stuff, but why does the Secretariat have to develop the frameworks on financial risk, corruption etc? This is core work for institutions like WB, bilaterals, development banks, and much of the analysis is in the public domain. The PEFA work on fiduciary risk should

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<sup>1</sup> There will be a recommendation at the Ninth Board for the GF Board to formally agree all renewals (after the first two years of funding), effectively re-approving 5-year programmes that were agreed by the Board. This is to accommodate US concerns.

<sup>2</sup> Monitoring, Evaluation, Finance and Audit Committee

be examined. Millennium Challenge Account is mentioned but little else. Also the argument for augmenting crosscutting expertise on the Technical Review Panel<sup>3</sup> was to provide contextual comment. Risk assessment and cross-cutting expertise are also core skills that competent portfolio managers should be expected to have.

- Timing of disbursements. Agree that it should be tailored to country need (and size of the grant) – therefore move away from quarterly disbursements. Performance is still the underlying principle, and provided there is evidence that the PR is disbursing to ‘clients’ (whether government, CSOs etc), then we can support. The current method increases the burden for countries, for the Secretariat and increases LFA costs.

### **Changing core aspects of the current business model (Part 3)**

11. This is potentially the most controversial part of the paper, as it seems (from previous Board discussion) that ‘gaps in the architecture’ will receive short shrift. There are several bold suggestions. We should form a view to what extent we can support proposals. The ‘reengineering’ as it is called is in three areas. Most suggest a much more prominent role for the Country Coordinating Mechanism, and ultimately some of the suggestions could run counter to harmonised approaches. The paper does not challenge the underlying concept of the CCM, or recognise that, in some cases, it is a new, and sometimes parallel structure created specifically for GFATM purposes.

12. There are also several reasonable suggestions. These build on what our constituency has advocated, moving away from a vertical ‘projectised’ approach (advocated by several Board members). It would allow the GF to build on pre-existing plans (and take account of MTEF frameworks etc), not require separate standard proposal forms and planning cycles. The vision of the GF as a true ‘gap filler’ and additional stream of finance could be fulfilled. We recognise this is not feasible everywhere, but it is appropriate in many settings.

#### **Identification of programmes to finance (Part 3A p 6 of 15).**

13. The following specific proposals should be supported:

a) Moving away from Rounds of proposals, ‘identifying technically-sound proposals on a continuous basis’. This is sensible, and Suma Chakrabarti already offered DFID experience with transitions in organisations that have moved away from Rounds. It would help significantly with management of grants. The only potential pitfall would be to have very clear transparency about the amount of money available to finance proposals, in line with the comprehensive funding policy.

b) Country defined proposal formats (i.e. submitting national plans). We have supported this from the outset. The current proposal form is rigid and encourages ‘projectisation’. Provided a country can demonstrate the gaps in financing which it hopes to fill with GFATM funds, then this is a rational approach, consistent with harmonisation principles. We could expect resistance to this from US, and maybe Japan and others.

c) Lower limit to the size of proposals. We should support. This was tried at an earlier Board. Secretariat (and Technical Review Panel) workload is significantly higher than it needs to be because of the small size of some proposals. What is not addressed in the paper is the load caused by providing grants to Upper Middle Income and some (high) Lower Middle Income countries, which means that funds, and Secretariat time available for the poorest countries is reduced.

d) Absence of predictable finance. There is clear logic to separating life long interventions from shorter-term measures and they should not be handled in the same manner.

14. We should query the following:

- a) Incentive structures for CCMs. This requires significantly more discussion.

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<sup>3</sup> The Technical Review Panel is a group of independent experts (not GFATM Secretariat staff) who provide (generally pro-bono) a review function for all proposals, and make recommendations for funding to the GFATM Board.



- Even though the CCMs have some innovative features, and work extremely well in some places in many they have been public sector dominated and have duplicated (often) existing structures, thereby running counter to Three Ones principles, and for malaria and TB also duplicating mechanisms which already existed. The rating system proposed seems unnecessarily complicated and could create perverse incentives.
- Most of the suggestions outline a labour intensive role for CCMs (which are meant to be relatively light touch) in GFATM oversight. CCMs were not set up for this purpose ('CCMs should demonstrate a track record and then be subject to regular performance reviews of the CCM itself and the implementation arrangements it has established', p8), and the more they move into drawing on grants to 'develop' themselves, the more there is a danger that they start replacing the legitimate stewardship role of governments.
- If there are problems in the public/private sector dynamic this has to be addressed at a more macro level, it will be common to all funders (e.g WB would have similar concerns about participation). There would be legitimate criticism, if the CCM development suggestions were followed, that the GFATM is dominating the country coordination landscape and drawing scarce resources away from their core functions. Finally, monitoring the performance of the CCMs, which is implied, becomes an additional management overhead for the Secretariat. In some countries the logical outcome, if these suggestions are followed is that the CCM becomes a quasi-NAC or NAS (with malaria and TB add-ons)

### **Implementation arrangements (Part 3B, p9)**

15. Several proposals are sound (e.g. adding new financing to existing agreements, *para 30, p10*). The Local Fund Agents have been given, in some instances, a duplicative (and high cost) oversight function because of the 'one size fits all' approach. It is nonsense that separate grant agreements are signed with each PR for every component, even where there are ongoing grants. This seems like excellent business for the LFAs. The transaction costs have to be reduced, and the grant-by-grant reporting, is, as we have frequently maintained, counter to harmonisation principles. The TRP should obviously (*para 32, p10*) take account of existing grant performance (based on information provided by the Secretariat) before the Board receives recommendations for new funding.

16. Other proposals need more thought.

a) Giving funds to CCMs to pay for TA (carrot and stick approach proposed on *p10*) does not seem right. It is potentially labour intensive and could become politically very sensitive. Surely the challenge is to ensure that donors (and UN) quickly and responsively provide adequate TA in response to CCM requests. We should propose that the Technical Assistance Working Group define some workable solutions which UN and donors could communicate rapidly to country offices.

b) Dual funding streams. The proposal to have public and private PR streams may have some merit in difficult environments. But, again, rather than prescription we should ask for countries to propose the most workable solutions, as Zambia did in proposing four or five Principal Recipients to facilitate disbursement. There is also a danger that 'two windows' could undermine attempts at harmonisation. Also, as CCMs can already propose different PRs it is not clear what problem is being addressed. The potential tension outlined in *para 39* (between private sector, CSOs and others) will not be resolved through this proposal and could better be addressed by strengthening CCMs and the government stewardship role.

### **Oversight mechanisms**

17. This deals mainly with the role of the Local Fund Agent. Many of the problems outlined could have been avoided with a proper tendering process from the outset, and more critical examination of what the appropriate (and very limited) role of the LFAs should be. But, rather than give more of a role to the CCMs (as suggested), more should be made of the point, 'the LFA structure is parallel to other structures. Donors have frequently pointed out the duplicative and onerous LFA role in performance monitoring. Unbundling the LFA role makes some sense *Para 46, p12*), but so too does a thorough re-examination of the LFA function. The Board should recommend that, before any significant changes to ToRs or contracting take place, the LFA role be assessed for 'fitness to purpose', value for money, viability over the medium term, and different structures and models can be suggested. MEFA could develop ToRs for a study.

## **New Lines of Business (Part 4 p13).**

18. This generated most discussion at the Board, and has generated reaction much more broadly. It makes assumptions about the GFATM being 'ideally situated' without giving much contextual information. If there has been 'market failure' by the UN or whoever e.g in TA provision), we should be seeking to address this.

19. Of the four areas outlined, most interest will be in improving **the predictability of the supply of critical health products** (and therefore driving down prices). GFATM can provide guaranteed markets, and prices should reduce significantly. Again, there is little evidence that they have drawn on GAVI, WB or other experience but there is clearly scope to do much more work in proving value for money to donors, and best price and high quality to recipients. We could ask for some modelling to illustrate the volume and cost projections, and to define what policy or procedural changes might be needed to maximise potential.

**20. Dissemination of lessons learned and best practice (para 7, p14).** This is not an area in which GFATM should invest significant resources. There are other agencies heavily, and more appropriately (e.g. the UN, and UNAIDS in particular for best practice in HIV and AIDS), involved in doing this. Likewise, in commissioning operational research the Secretariat should have a role in flagging where there might be significant gaps, but not much more. Countries, donors and researchers can then cooperate to fill the gap. What is the role of the Global Forum for Health Research?

**21. Technical Assistance.** A working group (Germany represents our constituency on this group) has been set up to look more strategically at the problems in this area. We should wait for its recommendations. However, it is surely more appropriate for agencies with an active in-country presence (particularly WHO and UNAIDS) to act as the 'information hub' for applicants and implementers. The Secretariat should be able to manage a fairly 'light touch' system to mobilise the appropriate agencies when significant implementation issues arise.

22. The Board has already rejected **in-kind donations**, and this discussion should not be reopened for now. However, the Board needs to have a serious discussion with the Private Sector to see where they can go in supporting the GFATM, the co-investment route might be most viable, if it can be 'valued' as a contribution.

## **Conclusions**

23. Next steps outlined in the paper should not be defined until after the Retreat (20 November in Tanzania at the Ninth Board). Board consensus is needed to pursue different proposals. Our constituency should re-emphasise the line on focus, consolidation and that the GFATM should see itself as part of the international architecture. There is too much packaging of the GFATM as if it is the only answer to the funding problems.

24. We should:

a) Strongly support improvements to the existing business model

b) Consider some of the changes to the core business model, particularly pragmatic suggestions on moving away from project approaches to a more programmatic approach, where appropriate, but be more critical about some of the suggestions on CCMs

c) Reject new lines of business, apart from the predictability of health products and lower medicines (and other products) prices

d) We could propose work on the role of the Local Fund Agents, support a constructive outcome to the Technical Assistance Working Group and emphasise our current support to WB, WHO and UNAIDS which all seek to more effectively scale up health spending at country level, through timely TA or complementary funding.

e) We will support principles of harmonisation and alignment (particularly Three Ones), but recognise that GFATM funds many countries that do not yet have the policy environment that promote these approaches. We need to express our support for the original ambition and vision of the GFATM while emphasising that it is one of many streams of support and we seek consolidation and proof of performance (the 'prove it' of the 'raise it, spend it, prove it' mantra.)

GHP Team

**Discussion Paper on the Core Business Model of a Mature Global Fund.  
Point Seven Constituency Comments**

***Some remarks made in the meeting itself***

In the meeting, the constituency stressed that the focus to be "How to improve the overall response to hiv/aids and in this regard view the GFATM." and not "how to improve the GFATM" seen in isolation. The opportunity for an increased action is now.....for several reasons:

- The needs are "out there"
- There are a number of crucial events next year; G 8, EU/UK, MDG, replenishment mechanism meetings ....
- The risk of lost interest, the focus on hiv/aids is now.

There is a need for an increased collaboration and coordination at different venues and levels.

- At the national level; governments and civil society, how to reduce the tension
- Within the international "system"; roles, mandates, functions.....
- Among donors/member states; coordination, HQ/field etc, etc

It is crucial to avoid parallel structures; and to secure ownership. To combine and secure a fair balance between speed and sustainability is the challenge. The harmonisation process, Rome, Paris etc is crucial. For hiv/aids, however, there is a need for a faster way of doing things. The "Three ones" is a good example on such a faster way. At the national level it is necessary to secure that the CCM system works within the framework of the Three Ones principle. UNAIDS has an important role to play at the national level, i e for the establishment of the Three ones principle.

***Written Comments from the Constituency***

**Introduction**

1. The Constituency believes that the discussion paper has come at the right time and that the analysis seems to tackle most of the relevant issues. We appreciate the preparedness to discuss and improve the GFATM business model, and note that the paper include some very good ideas as well as some that are more controversial. It is quite possible that the Global Fund will be in a very vulnerable stage for the nest two-three years. It is crucial that the Fund shows that it is a learning organisation.
2. A weakness in the paper is that it does not well enough place the GFATM in the overall context of development work and development actors. Even though the paper says that the Fund must step up efforts to achieve smooth harmonisation with existing systems rather than establishing parallel requirements, very little is being said about other actors in the playing ground. There is still a feeling that the Global Fund shall address all challenges ahead. An analysis is lacking on comparative advantages of the Global Fund vis a vis other development partners.
3. The paper also lacks a discussion on how the Global Fund will fit into existing and new models and principles for coordination, such as "the three ones" and the "Rome principles" for harmonized donor support. Taking a country level perspective, with adherence to national plans and programmes, should be better emphasized. Country level performance is the key to efficiency and results.
4. Many of the issues that are brought up in the paper have been discussed before. We miss a discussion of the political context and the way it may have changed; what is possible to do, and what is not. Where are the limits for discussion and change and which are the key issues in terms of "readiness" for change?
5. We see today a more and more polarised environment. An increasing bilateralism, where donors are trying to safe guard their own instruments, can be seen side by side with a civil society that is getting stronger and stronger - but also more radical. This is also expressed as "a polarisation", between Governments and civil society. This conflict is quite often about influence, which does not always mean that it is about money. While governments often feel

threatened by this process, the constituency notes that some tension between civil society and the Government can also be seen as a “healthy conflict”.

### **Future projections**

6. The Board, and all the “owners” of the Fund, will have to make up their mind on what should be the guiding principle for the future of the Fund, in terms of level of activities, rounds and the size of the Secretariat. To work well with others and utilize different experiences “out there” will of course help to make the pressure on the Secretariat less hard, even in a situation with more demanding volumes.
7. It must be made clear that the vision for the Fund never was that the Fund itself should channel USD 7-10 billion a year. The Fund must be seen in the broader context. The Fund is one player among many. To go for one round per year (if rounds at all) seems most realistic at this stage. But even that would mean a real challenge to finance. And it would definitely also mean further pressure on Secretariat capacity. The Fund needs a more predictable and stable funding mechanism. A discussion on future levels of resources must therefore be seen together with the ongoing work on a replenishment system for the Global Fund.

### **Changing core aspects of the current business model.**

8. The Point Seven constituency is in favour of planning procedures that are clearly demand driven and that would facilitate a better alignment with existing systems at the country level. It seems quite clear that the operations of the Fund so far have been difficult to combine with existing planning cycles and financial frameworks. Where appropriate, a move away from identified GFATM rounds to modalities that lend themselves better to a fit with the broader processes for financing national systems would be a move in a good direction. It must, however, be very clear that any move away from the present round system would not at all mean a weakening of the basic quality assurance system, including the TRP. The constituency supports a step by step move towards a more differentiated system based on country performance.
9. The Board should also be prepared to re-examine the balance between Fund specific measures and procedures established for controlling risk and, on the other side, the need to speed up implementation.
10. A substantial element in the delay between approval and disbursement can be associated with Fund specific bottlenecks in communication and procedures that cause duplication, overlaps and possibly conflicts with other country level processes.
11. A more demand driven system based on national systems (and we support such a move), may in reality mean a stronger support for the public sector and thereby a risk to marginalise the role and the possibility of the civil society as real partners and beneficiaries in GFATM processes. Therefore such a move away from Rounds would need an even stronger focus support for civil society to be included in the process, at all levels and over time.
12. The constituency is not convinced about the approach suggested in the paper (para 19) for making a difference between long term commitments (treatment etc) and other commitments. More or less everything must be seen in a long term perspective.

### **Identifying programmes to finance – the CCM concept**

13. It is no doubt that the role of the CCM is critical for Fund functioning. It is, however, also within the CCM structure that the tension between civil society and the public sector is being expressed. Lack of political commitment, mistrust between Government and civil society and lack of participation seem to be important factors for the actual shortcomings.
14. It is the view of the Constituency that mutual trust can be further strengthened through respect from all stakeholders for two basic policy imperatives:
  - governments accountable for national norms and overall direction of national strategies and priorities, with transparency and with necessary democratic correctives and oversight
  - inclusive involvement of non governmental stakeholders and civil society in policy processes, decision making and implementation of policies and services

15. The CCM is crucial for the work of the Fund and in many ways mirror the multi-stakeholder nature of the Board. As arenas where different type of actors and people affected by the three diseases are able to share in a common cause, hear and understand each other better and find ways of solving problems together is a major contribution of the GFATM, additional to the value of financial resources.
16. The original GFATM framework document stated clearly that the CCM's should build on existing coordinating mechanisms where such were in existence. Even with a lot of talk about harmonisation and the need to align to existing systems, there is at the same time a lot of pushing for powerful GFATM specific systems without due attention to the fit within the national strategies for AIDS, TB and Malaria and the tools for coordinated action when implementing these strategies. At the same time it is important to hold on to the inclusive multi-stakeholder approach and seek to influence other coordinating mechanisms to become similarly inclusive.
17. The Constituency believes that to the extent there is a country a Global Fund specific CCM, links must be clearly defined and established to the coordination mechanisms more broadly related to national strategies. In the case of HIV/AIDS it is particularly important to define how the CCM relates to the "three ones principles with one common action framework, one coordinating authority with a multisector mandate to convene all partners and one M&E framework ". There may be many ways to fit the two together, but whatever model is chosen, accountability, reporting lines and relationships must be clear.
18. The implications of the very detailed rating system of CCMs presented in the background paper seem to be very unclear at this stage. The Point Seven constituency is not convinced that the lack of incentives is the real problem about the CCM's. It is important to view the CCM's in a flexible way where the solutions, including options for financing activities of the CCM, can be different in different countries. We should be open to arrangement made up at country level as long as they are within established and agreed frameworks, such as "the three ones". The debate on CCM.s should not be driven by either money or international lobbying. The challenge is to secure transparency without being too prescriptive.

#### **Implementation arrangements.**

19. The Point Seven Constituency is comfortable with the idea of consolidating grant agreements, but much less convinced about the different and new roles implied for the CCM's. We are happy about the decisions taken at this 9<sup>th</sup> Board on guidelines for the CCM, but note that the basic tensions over role and mandate of the CCM, referred to in para 5 and 13 above, still exists - as also revealed in the Board discussion. This is very necessary to sort out, not at least when discussing the CCM role in implementation. The Board retreat may have served to bring this issue a step forward.
20. On the proposal for several principal recipients, the Constituency holds a flexible position. The ideal situation would be a well functioning Government PR, but we have also seen how the system in Zambia with several PR:s seem to work quite well. We have also noted the several examples showing that where the PR is a NGO, the implementation and the disbursements have been faster.

#### **Oversight mechanisms**

21. The Point Seven Constituency notes that the discussion paper is very honest about the LFA system. Even though there are many shortcomings related to the LFA's the Constituency noted that this arrangement for verification and audit has been able to catch some poor performers. The Constituency welcomed very much that the Secretariat now is prepared to discuss alternative modalities for oversight at national level. We believe that in many cases it should be possible to find better, and cheaper, solutions. The over all goal should be to rely, as much as possible, on existing mechanisms and institutions, agencies and partnerships established at country level for the oversight work.

#### **Gaps in the architecture.**

22. This part of the document does not seem to build on a thorough analysis and was not seen very relevant by the Constituency. Most of the additional functions brought forward in this

section are already taken care of by other development partners. To mandate the GFATM to do the different things proposed in the paper would not only result in a considerable mission creep but also mean that the Fund moves away from being a real funding mechanism. While it is appropriate for the Board to note possible gaps in the architecture, such gaps should be further addressed in other, more relevant fora where the different partners are stakeholders.

23. The Point Seven Constituency notes the move away from the “one-size-fits-all” portfolio management seems realistic. We support the intention to spend more management resources for countries with a higher risk, even though this may mean some disengagement in countries where the big money flows. One should, however, ensure that such a direction does not weaken important systems for “checks and balances” in well performing countries.