

Global Fund Support to LDCs

About the Global Fund:

The Global Fund was established following stakeholders consultations that led to a consensus in 2001.

Secretariat staffed with approximately 120 professional and administrative personnel in 2004 whose functions include, resource mobilization, grant management, provides financial, legal, and administrative support, collects information and monitors performance and reports to Board and public regarding activities of the fund.

Guiding Principles: (from the Global Fund 2004 Annual report)

- * Operates as a financial instrument, not an implementing entity,
- * Makes available and leverages additional financial resources
- * Supports programs that evolve from national plans and priorities
- * Operates in balanced manner with respect to different geographical regions, diseases and health-care interventions
- * Pursues an integrated and balanced approach to prevention, treatment, care and support,
- * Evaluates proposals through an independent review process
- * Operates transparently and accountably and employs a simplified, rapid and innovative grant-making process.

Pledges and Contributions:

Total pledges to the Fund recorded an amount of US \$5.9 billion, and grant commitments to US \$3.1 billion, with a total portfolio investment to 310 programmes in 127 countries, working through public-private partnerships in recipient countries.

Distribution of grant portfolio:

- * HIV/AIDS 56%; Malaria 31%; TB 13%
- * Sub-Saharan Africa 61%; East Asia South East Asia and Oceania 18%; Latin America 9%; Eastern Europe and Central Asia 7%; South Asia, Middle East and North Africa 5%.
- * Government 51%; NGOs 25%; Private Sector 5%; Faith based organizations 5%; Academic and educational organizations 5%; Affected Communities 4%; Other 5%.

Global Fund Resources for LDCs (see attached compendium for each country):

- * Total approved funds for LDCs are US \$ 1,598,340,771,

- * **Funds committed by Grant Agreement US \$ 949,155,002 and**
- * **Funds disburses as at 31 December 2004 US \$ 406,029,105.**

The main Local Fund Agent is Price Waterhouse Coopers which acts as agent for about 25 out of the 50 LDCs, followed by KPMG which covers 10 countries with various others that deal with one or two each as shown in the compendium.

The Progress in the Flow of Global Fund Resources to the Least Developed Countries

As seen above the total funds available for Least Developed Countries (LDCs) from the Global Fund are \$1,598,349,711. The funds committed by the Grant Agreements are 59.4% of this amount which equals to \$949,155,002. The money released for use until 31 December 2004 is \$406,029,105 which is only 25.4% of total funds available and 42.7% of the funds committed by grant agreements. These figures show a slow progress in the flow of the money available in the Global Fund.

There are several reasons for this lack of progress. At first, Global Fund is a new fund which needs sometimes several organizational and structural changes with the progress. Establishing the organizational and structural base for the implementation of the Fund in both central and local levels requires some time and it affects the flow of the funds negatively. In this regard, for instance, in 2002, the Global Fund designed and set in the place the basic systems for negotiation and oversight of grant financed programs. In 2004, The Global Fund's Secretariat underwent a structural reorganization to streamline operational processes and increase organizational efficiency.

Secondly, the Global Fund realized a rapid start-up with high expectations. The operational systems setting up and the signatures of the first grant agreements between Fund Secretariat and the principal recipients took place simultaneously. Also grant agreements are signed before the necessary analysis of the recipients' financial capacities are made. Accordingly, during the implementation, the weakness of the institutions that applied for the grants is recognized and this made the disbursement process slower.

One other reason for slow disbursement process is the recipient's lack of capacity in management of funds and implementation of the projects. The analyses for the disbursement of the Fund show that the limited capacity of the recipient makes the disbursement process slower. But in time the absorption capacity becomes faster. Especially the absorption capacities of the governmental organizations are lower than the ones of the non-governmental organizations.

The disbursement rules of the Fund require gradual payment of the committed funds to the principal recipients. Additional disbursements are strictly bound to the progress made in the implementation. Therefore, the principal recipients submit

periodic disbursement requests according to the progress they made. Given the long implementation periods of the projects, the disbursement process becomes longer.

One other reason for slow progress can be found in the relationships between the grant oversight agents and the principal recipients. The Global Fund mechanism requires local fund agents whose main task is to oversee the activities of the principal recipients. In this regard, they evaluate the capacity of the principal recipients before signature of grant agreements. These agents also provide evaluations on the disbursement requests and make recommendations to the Secretariat for the releasing the funds based on these evaluations. Some of the local fund agents are Price Waterhouse Coopers, Swiss Tropical Institute, and KPMG. The slow progress in the disbursement of the funds for the LDCs shows that there is significant difference between the capacity levels demanded by these mostly multinational local fund agents and the principal recipients' current capacities.

Table 1: Progress in Flow of the Global Fund Resources to the LDCs

(1) Total Funds Approved (in US \$)	(2) Funds Committed by Grant Agreements (in US \$)	(3) Funds Disbursed at 31 Dec 2004 (in US \$)	(2)/(1) Ratio of Funds Committed by Grant Agreements to the Total Funds Approved	(3)/(1) Ratio of Funds Disbursed to the Total Funds Approved	(3)/(2) Ratio of Funds Disbursed to the Funds Committed by Grant Agreements
1,598,349,711	949,155,002	406,029,105	0.594	0.254	0.47

Resource: The Global Fund Annual Report 2004

**Table 2: Distribution of the Global Fund Resources between Regions
(in percentage of the total disbursed funds)**

Sub-Saharan Africa	East Asia and the Pacific	Latin America and the Caribbean	Eastern Europe and Central Asia	North Africa and Middle East	South Asia
52.3	17.3	13.3	9.6	3.5	4

**Table 2: Distribution of the Global Fund Resources between diseases
(in percentage of the total approved funds)**

HIV/AIDS	Malaria	Tuberculosis
56	31	13