

Reflections on the Global Fund

An open letter from Michel Kazatchkine

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Today, March 16, I will step down after five years as Executive Director of the Global Fund, having also contributed to the mission of the Global Fund as a member of the Transitional Working Group, Chair of the Technical Review Panel, and member and Vice-Chair of the Board.

As I leave the Global Fund, I wish in this open letter to share a number of reflections based on the unique perspective that is afforded the Executive Director. My hope is that these observations will contribute to ongoing discussions about the Fund's future direction as it marks its tenth anniversary and undergoes a challenging process of transition under new leadership.

The main aim of this letter, however, is to emphasize a number of the themes that I have frequently addressed during my term as Executive Director, including the remarkable progress that has been made in the fight against AIDS, TB and malaria in the last decade, the major contribution to this progress made by the Global Fund and the absolute imperative of continuing the Fund's vital work. In an era where discourses of austerity and risk mitigation are becoming dominant, I wish to entreat the global health community not to abandon the ambitious approach that has brought us to where we are today, in which we set and strive to reach bold targets, jointly identify challenges along the way, and collectively resolve to overcome those challenges. In this regard, I wish to highlight why I believe it is critical that the international community strongly reaffirms its commitment to the Global Fund as the primary vehicle for achieving global health goals in the years ahead and an instrument that is uniquely capable of translating public health and human rights principles into action.

As I reflect on my years as head of the Global Fund, five things clearly stand out:

1. The Global Fund has been highly effective in its primary role as a financing institution

Around \$33 (30.6 pledged end-2011) billion has been mobilized through the Global Fund since 2002, more than \$20 billion of this in the two replenishment processes that I was involved in as Executive Director. Since 2002, more than \$15 billion has been disbursed, 80% of this in just the last five years. Grants have now been made in 150 countries. I am convinced that without the Global Fund, nothing like these sums would have been committed to global health. The fact that they have been is a tremendous vindication of Kofi Annan and G8 leaders who recognized ten years ago that a new mechanism was essential.

The distribution of Global Fund financing to date - achieved with a demand-driven model and independent technical review of proposals closely corresponds with epidemiological trends and country needs. Overall, the funds have been invested in a way that is consistent with the Fund's mandate to accelerate progress on MDG 6, while at the same time contributing strongly to the other health MDGs and health system strengthening, and mobilizing the capacities of both government and non-governmental entities. For example:

- More than half of the \$22 billion approved by the Board so far has gone to countries in sub-Saharan Africa, which have the greatest health needs;
- 90 per cent of approved funding has gone to low or lower-middle income countries, which are least able to finance their own health programs;
- The portfolio is broadly balanced between treatment and prevention interventions, with around 40 per cent of funding spent on drugs and other health commodities;
- Around a third of approved financing has supported health and community systems strengthening, including salaries and training, infrastructure development and monitoring and evaluation;
- Around half of Global Fund financing is estimated to benefit women and children directly or indirectly, and
- Around 40 per cent of reported expenditure is by non-government entities.

These achievements and factors have been verified in a number of international publications, the independent, five-year evaluation of the Global Fund performed in 2007 and subsequent reviews undertaken by donors in 2009 and 2010.

In addition to being well-targeted, Global Fund resources have been managed with minimal overheads. Operating expenses (including Local Fund Agents costs) have ranged from 3 per cent to 7.7 per cent of total expenditure (operating expenditures plus commitments), and until 2010 were covered entirely through interest earned on the Global Fund trust account held at the World Bank.

Despite the media and political furore that surrounded misappropriation of Global Fund resources last year, the reality is that the Fund has a strong track record of appropriately targeting and efficiently managing its resources that should provide a sound basis for continued donor confidence and support. The Global Fund has exhibited an unprecedented level of transparency with regard to these losses, responding vigorously to them both in the affected countries and by increasing vigilance and strengthening controls across the portfolio.

The new risk management approach that is now being introduced should enhance that confidence and will earn the strong support of implementers as well if it focuses on strengthening their own capacities and systems, rather than adding another layer of compliance requirements at the Secretariat level.

2. Global Fund financing has allowed countries to achieve unprecedented results and impact in the fight against the three diseases

When the Transitional Working Group that established the founding framework of the Global Fund met in Brussels in 2001, it did so in the context of a global health emergency and an almost Utopian dream that the three diseases might one day be defeated.

Five years later, in 2006, the feasibility of scaling up on a global scale to confront the three diseases had been demonstrated, even in the most resource-constrained settings. And today we are able to say that the world has reached a point where the early signs of impact reported in the first few years of the Global Fund have now given way to sustained, positive trends in the fight against the three diseases.

In the fight against AIDS: The estimated number of new HIV infections has fallen by 20 per cent, from 3.1 million to 2.6 million¹, in the last ten years. Twenty-two of the 33 countries where HIV incidence has fallen by more than 25 per cent in that period are in sub-Saharan Africa. The global number of AIDS-related deaths has fallen nearly 20 per cent from the peak of 2.1 million in 2004 to an estimated 1.8 million in 2009, due mainly to increased coverage of antiretroviral therapy and improved care and support for people living with HIV in low and middle-income countries. AIDS-related deaths among children younger than 15 years of age have also declined by 20 per cent, from 320,000 to 260,000. With the steady scale-up of PMTCT programs, the world is now striving to realize the vision of an AIDS-free generation in the next few years.

In the fight against TB: The absolute number of incident TB cases per year has been falling since 2006². The annual incidence rate has also been falling steadily since 2002, making it likely that the MDG target of reversing TB incidence by 2015 will be achieved. TB mortality is also declining globally. However, MDR-TB remains a major challenge.

In the fight against malaria: The number of malaria deaths has fallen by nearly 20 per cent globally in the last decade³. Three countries have eliminated malaria since 2007, with 10 more expected to do so in the next five years, including the entire WHO EURO region. Huge progress has been made in sub-Saharan Africa where at least 11 countries have recorded a greater than 50 per cent reduction in malaria cases and related deaths in the last five years. Overall child mortality in sub-Saharan Africa has dropped by approximately 20 per cent in the last decade. According to WHO, between 2008 and 2010 alone, more than 250 million insecticide-treated bed nets were delivered to sub-Saharan Africa with support from a variety of donors (mainly the Global Fund), enough to cover nearly three-quarters of the population at risk of malaria and providing a sound basis for efforts to reach universal access.⁴

¹ *AIDS at 30, Nations at the Crossroads*. UNAIDS 2011.

² *Global Tuberculosis Control Report*. WHO 2011.

³ *Eliminating malaria: Learning from the past, looking ahead*. WHO, RBM, PATH. October 2011.

⁴ *Global Malaria Report*. WHO 2010

With a determined effort, we may now think of eliminating malaria as a public health threat in most endemic countries in the coming years.

As a principal financier of antiretroviral treatment and the majority of HIV prevention globally, and the provider of two-thirds of international financing for TB and malaria, the Global Fund has made a major contribution to this progress. By the end of 2011, the Fund was supporting 3.3 million people on antiretroviral treatment, or about half of those receiving it globally. The cumulative number of people to receive DOTS for TB had reached 8.6 million and the cumulative total of insecticide treated bed nets distributed with Global Fund support had reached a remarkable 230 million by the end of 2011.

I am, of course, not suggesting that all of this can or should be attributed to the Global Fund. Ultimately, it is the countries to which we should attribute results, but it is clear that without the Global Fund, we would not have achieved anything like the progress made globally against the three diseases in the last decade.

Crucially, it is not the Global Fund that has determined overall global strategy for tackling the diseases; rather, the Fund has served as an effective instrument for resourcing national plans and advancing the global plans developed by the Roll Back Malaria and Stop TB partnerships, WHO and UNAIDS.

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3. The Global Fund has shown that it is a highly effective mechanism for translating public health and human rights principles into action

To me one of the most exciting things about the Global Fund and something that strongly distinguishes it from most other financing bodies is its capacity to move concepts and principles into action. Let me touch on six areas.

In the last five years:

3.1. The Global Fund has increased global attention on human rights and expanded access to services for the most vulnerable and at-risk

A major strategic effort has been made by the Global Fund to increase gender-based interventions and programming that addresses sexual orientation and gender identity, including for men who have sex with men. As a result, between Rounds 8 and 10, the number of proposals that contained interventions targeting women increased by around 30 per cent, while the proportion of funded proposals that included care and support for sexual minorities increased from around 30 per cent to nearly 50 per cent.

The Global Fund has been at the forefront of financing interventions for other at-risk populations, for example, through the first multi-country proposal for HIV prevention

among sex workers that was approved for the LAC region in 2011. The fact that the Fund is by far the largest funder of harm reduction among injecting drug users is a unique achievement that must be sustained in contexts where relatively small investments have enabled HIV prevention programs to be introduced in difficult environments and have helped to support remarkably effective community-based networks. In 2010, a specific MARPS (Most-at-Risk Populations) channel was introduced.

As Executive Director, I was pleased to lend my voice to a number of important advocacy issues, including on global illicit drug policy and the persecution of men who have sex with men in Africa, and I was thrilled when, in November 2011, the new Global Fund strategy approved by the Board included a specific strategic objective on human rights for the first time.

3.2. The Global Fund has pioneered democratic planning and decision-making processes through Country Coordinating Mechanisms (CCMs)

At the time of the Global Fund's creation, the Country Coordinating Mechanism was seen as quite a revolutionary concept for national decision-making in health. As Executive Director I have consistently met with CCMs during country visits and I have seen great diversity among them in terms of their ways of working, their inclusiveness and how closely Global Fund proposals reflect national plans and needs.

While nearly all CCMs are a work in progress, I believe that significant advances have been made in the last five years to increase participation and inclusiveness, ensure core funding for CCM operations, leverage additional support from bilaterals and other donors and achieve consensus on new CCM guidelines that were approved by the Board in 2011.

3.3. The Global Fund has created instruments that are helping to leverage lower prices for pharmaceuticals and other health commodities.

These include:

The Price and Quality Reporting (PQR) mechanism: Established in 2004, the PQR now contains reliable data covering more than \$2 billion of procurement transactions and has become an important tool to help the Global Fund ensure value for money and to provide countries with transparent data that assist in making procurement decisions. The PQR shows a continuing downward trend in the average cost of the most common ARV regimens from around \$125 in 2008 to \$100 in 2011.

Voluntary Pooled Procurement (VPP): VPP was introduced in 2008 and by late 2011 had procured health products in 45 countries valued at around \$700 million. The mechanism has expedited the average time from first procurement request to delivery in most countries. In 2011, average prices for ARVs procured through VPP were 8 per cent lower than the levels negotiated by the Clinton Foundation. Likewise prices for Long

Lasting Impregnated Nets (LLINs) procured through VPP were on average 6.5 per cent below the prices reported in the PQR.

Market Shaping Strategy: I was very pleased when the Board approved this strategy in 2011, with the initial objectives of increasing value for money of pediatric antiretroviral formulations, expediting the transition to single dose ACTs and ensuring product optimization for first and second line ARVs.

Despite these successes, not enough has been done to ensure that all countries are using optimal first line AIDS treatment and that second line ARVs are accessible at the scale needed. The WHO/UNAIDS Treatment 2.0 plan promoted an important initiative in this regard. The same is true for second line TB treatment, where continuing high prices threaten the future sustainability of TB programs and account in part for the inadequate progress made against MDR-TB.

3.4. The Global Fund has focused on expanding access to effective and affordable drugs beyond public sector programs

The best example here is for malaria. By hosting the Affordable Medicines Facility for Malaria (AMFm) since it was established in 2007, the Global Fund has contributed to an innovative partnership for improving access to artemisinin-combination therapies (ACTs). Since Phase 1 began in mid-2010, price negotiations with manufacturers and co-payments have together achieved impressive reductions in median retail prices of ACTs, from a range of around \$5-12 before the AMFm to between 50 cents and \$1.30 currently in eight pilot countries. Total co-payments have been approved for around 175 million treatments, with two thirds of orders for sales in the private sector.

The AMFm has achieved remarkable results in its first phase. If the evaluation of the AMFm scheduled for later this year is positive, the question for the international community should not be whether but how the mechanism can be expanded and offered to countries as part of a comprehensive malaria funding package from the Global Fund.

3.5. The Global Fund has been in the vanguard of efforts on innovative financing for health

In the public sector, the Debt2Health initiative, led by Germany, has pioneered the conversion of debt owed to international donors into new funds to fight disease through the Global Fund.

In the private sector, PRODUCT (RED), an outstanding, global, consumer-driven effort, has raised nearly \$200 million for the Global Fund since it was established in 2006 and now includes more than 20 partner companies, among them iconic brands such as Apple, Coca-Cola and Nike. More recently, Deutsche Bank has introduced Exchange Traded Funds that benefit Global Fund programs, while private sector investments in country programs by companies such as Accenture and Standard Bank have increased substantially in the last two years, highlighting the huge potential for these corporations to help countries leverage Global Fund investments more effectively.

I believe that it is vital for the Fund’s innovative financing work to continue and to be appropriately resourced, not only so that new funding streams can be tapped for the Fund itself but also as a way to inform the larger global policy agenda on innovative financing for development.

3.6. The Global Fund has been a leader in advancing and implementing the aid effectiveness agenda

On becoming Executive Director, I became concerned over efforts from some quarters to discredit so-called “vertical funds” and to pit disease interventions against “health systems strengthening”, as though we should choose between one or the other rather than do both. The reality is that the Global Fund was built on aid effectiveness principles and has taken a leading role in their development in the Paris, Accra and Busan meetings. The Global Fund exercised early leadership in measuring aid effectiveness across its full portfolio, and then implement measures to improve its performance, including introducing national strategy applications, reviewing grants for aid effectiveness as part of performance and working to better align reporting cycles.

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4. Partnerships require a lot of attention and work but are the only way to ensure long-term success and sustainability

The Global Fund partnership model is based on the belief that everyone’s capacity must be harnessed if the major diseases are to be tackled effectively and their social and economic implications are to be addressed as well as their clinical and medical impact. It is a model that recognizes that, while governments may often lead, other organizations - such as businesses and community groups – have much to contribute in advocacy, planning, resource mobilization and program implementation.

But we know – and we learn this every day at the Global Fund – that partnerships, both in countries and at the global level, are very demanding and that they require careful work and perseverance in order to function well. They involve power asymmetries that need to be addressed constructively and with mutual respect. They require different parties to surrender some of their power, share information and knowledge, set aside differences, and work towards a common goal.

At the country level, I have seen many good examples of multi-stakeholder collaboration and shared responsibility for implementation of Global Fund financing. In some countries, such partnerships exist on paper but there is little true collective ownership of the funded programs or adequate effort to integrate them closely with the national health system. There also remains a tendency for CCMs to be somewhat inward looking and disconnected from broader health system challenges.

The governance of the Global Fund was explicitly structured in 2001 as a unique and ambitious model of partnership in international development financing, giving voice to implementers, civil society and the private sector, in addition to donor governments. But the results have been mixed. On the one hand, the multi-stakeholder composition of the Board has brought the rich benefits of diverse perspectives to Global Fund decision-making. Many Board members for example were impressively engaged in developing the new Global Fund strategy in 2011. On the other hand, the independent five year evaluation of 2009 found that although the inclusiveness of Global Fund governance was unprecedented, “little of this has yet translated into clearly defined, durable and formalized operational partnerships.” Possibly as a reflection of this, the very senior level political leadership from both implementing and donor countries that was a characteristic of the Global Fund Board in the early years has decreased markedly, notwithstanding the fact that commitments to health and development are as much determined by political factors as they are by economic ones. Also, for a variety of reasons, implementing countries often remain relatively too passive on the Board, despite recent constituency-building efforts.

As Executive Director of a major global partnership I have always been conscious of the need to devote time to interacting with partners and ensuring that they are paid due credit. Partnerships require work, time, attention and regular communication. They involve finding consensus among different points of view. Sometimes they are frustrating. But, especially in the current environment, it has never been more important than it is today for us to make partnerships work in global health. The continued success of the programs that the Global Fund supports depends on this.

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5. The leadership of the Global Fund needs to carefully assess and strike a balance between competing tensions that are inherent to the Fund’s model

A number of tensions are intrinsic to the Global Fund model and to an extent are exacerbated by the current climate of economic austerity. These include:

- The tension between a Fund that decides “from the top down” what is the most pertinent to fund in countries and the Global Fund’s core principle of country ownership. This includes the key question of how best to prioritize the needs of the most vulnerable populations even where there is a lack of political will in the country to do so. If the Fund determines that the costs and risks of full country ownership may in some cases be too high, it should nevertheless be wary of shifting to a funding model that is based explicitly or implicitly on a system of pre-allocation of funding at the expense of the results- and performance-based funding model that has served it so well.
- The tension between a Secretariat that confines itself simply to grant management functions and leaves everything else to partners versus a Secretariat

which - due to the complexity of issues or for strategic reasons - also has the capacity to assess the epidemiological context, measures the Fund's contribution to overall targets and results, evaluates its own performance and harmonizes data with other sources.

- The tension between the need to strengthen national systems, such as for procurement, and the need to ensure that commodities are delivered in a timely and efficient manner, e.g. by setting up parallel systems.
- The tension between being a constantly learning and evolving institution, and the toll that relentless change and reform are beginning to take on staff.
- The extreme tension found at the nexus of five of the foundation principles of the Global Fund: country ownership, the Global Fund as principally a financing mechanism, a very small (lean) Secretariat relative to that of most international development agencies and with no field representation, full transparency and effective risk management. This combination has created a dynamic tension that has defined the operations of the Global Fund from its inception. Audit findings last year of a \$13 million financial misappropriation led to a suspension of contributions by some donors. Fraud at any level is, of course, unacceptable and the Fund has an appropriate zero tolerance of fraud policy. But great care must be exercised to prevent zero tolerance of fraud from becoming zero tolerance for risk and zero tolerance of error. Moreover, as I mentioned in section 1, the reality is that the Fund has a strong track record of appropriately targeting and efficiently managing its resources that should provide a sound basis for continued confidence and support.

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I am proud of the remarkable achievements of the Global Fund and of the efforts and initiatives we have taken over the last five years to improve it. For example, on becoming Executive Director in 2007, I introduced a new organizational structure that I believe succeeded in its primary objective of accommodating the organization's rapid growth, namely, the doubling between 2007 and 2011 of both funds disbursed annually and the number of staff. I also strengthened the Secretariat's capacity to track expenditure, measure results and grant performance, implement the Board's numerous policy and strategy initiatives, undertake evaluations (such as the large Five Year Evaluation in 2007/08), respond to the increasing demands for the Fund to participate in the global health policy arena, interact more effectively with partners and develop a basic level of technical expertise about the three diseases. Under my leadership, the Fund established entirely new administrative systems when it left the WHO umbrella in 2009. And in response to the increasing complexity of managing rapid, linear growth in the number of grants, in 2009 I introduced a new grant architecture based on single streams of funding, among other grant management reforms.

In 2012, the new management of the Global Fund is introducing further significant change based on recommendations made by the High Level Panel last August, the Comprehensive Transformation Plan and the five-year strategy approved by the Board

last November, as well as its own assessment of current needs and political considerations. As it does so, it will be crucial to clearly recognize and manage the tensions in the Global Fund model that I have outlined in such a way that they are a creative rather than a destructive force. The agenda for change at the Global Fund needs to strike a balance between the prevalent notions of austerity, efficiency and risk management and the core principles that have distinguished the Global Fund from other funding bodies and that have been so instrumental in its decade of success.

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Despite the impressive gains made in global health in the last decade, the war against the three diseases is not yet won. If the Global Fund is to continue making a major contribution to achieving global health goals in the coming years, it will be important for the Board to clearly communicate how the current focus on “transformation” at the Fund will lead to better results and increased impact. Failure to do so could jeopardize the confidence of implementing countries in the Fund as an institution that has their interests primarily in mind and would sorely test the commitment of staff. My hope is that the Fund will emerge from this period of change having retained and strengthened its unique qualities of inclusive governance, dynamic partnership, unparalleled transparency, commitment to be truly global and firm commitment to country ownership.

I extend my sincere thanks to everyone who has supported me and the Global Fund for the last five years. There are far too many people to thank them individually in this letter. I have been honored and privileged to have been central to such a magnificent, mission driven organization, and wish it and all associated with it, every possible success in the future.



Michel D. Kazatchkine

Geneva, March 16, 2012