



Investing in our future

**The Global Fund**

To Fight AIDS, Tuberculosis and Malaria

# Development Aid in Fragile States: Is the Global Fund Model Working?

## Overview of a Global Fund Study

**The Global Fund Voluntary Replenishment 2005**

## Background

Delivering development aid to fragile states is particularly challenging. Fragile states, taking the working definition of the UK's Department for International Development (DFID), are those states where the government cannot or will not deliver core functions to the majority of its people, including the poor, due to internal conflict, weak governance, political or macroeconomic instability, and low capacity to manage public resources.<sup>1</sup> Failure by fragile states to deliver public goods and to mitigate the diseases of poverty undermines global efforts to build strong institutions and systems to support efforts to eradicate extreme poverty and hunger and to reach other Millennium Development Goals.

Since the 1990s, the tendency for donor countries has been to reward those countries with relatively effective governments and stable macroeconomic policies, and to sideline poor-performing, fragile states. However, to ignore fragile states is to do further harm to their populations, since so many of the world's poor live in these states. Not only does it make sense to do business in fragile states since they are the neediest (poorest, highest burdens of disease), but also because failure to effectively support the populations of fragile states undermines investments in neighboring states.

The mandate of the Global Fund to Fight AIDS, Tuberculosis and Malaria is to mobilize resources on a massive scale and to disburse these resources to countries in need so they can accelerate and scale up the fight against these three diseases of poverty. Priority for the Global Fund's resources is the low- and middle-income countries with high disease burdens. The focus on low-income status and high disease burdens has meant that over the course of four funding rounds, the Global Fund has approved anywhere from one to six grants for each of the 46 states defined as fragile (see Annex for list<sup>2</sup>).

The Global Fund will conduct a study to examine whether the present Global Fund model suits fragile states, which form a large client base for its resources, and to look into areas for potential improvement so as to better serve these states. The study will also draw lessons that can be used in other areas of health development and in non-health sectors to advance the effectiveness of development aid. In addition, a separate and independent analysis of all Global Fund grants is currently underway by Steven Radelet of the Center for Global Development. The Global Fund's study will draw upon this analysis and make appropriate links.

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<sup>1</sup> Department for International Development, UK. (2005). *Why We Need to Work More Effectively in Fragile States*.

<sup>2</sup> Ibid.

## Study Design

The Global Fund's principle of performance-based financing requires all grantees to demonstrate good performance in managing and implementing their grants in order to assure continued funding. This principle is not waived for fragile states. The only provision is that where there is no national entity that has adequate capacity to manage the resources, a third-party, non-implementing entity (often UNDP) is used as a stop-gap Principal Recipient (PR) to manage the funds and disburse them to sub-recipients.

When proposals for funding are approved by the Global Fund's Board, the approval is, in principle, to fund the proposals for up to five years, since most proposals cover this time span. However, to ensure that financing is invested only in programs that yield results, funds are committed by the Board for the first two years only. As grants approach the two-year mark, they are thoroughly evaluated for performance in order to determine whether or not continued funding for years three to five (Phase 2) can be recommended. The documentation required for this evaluation is comprehensive and externally verified, and therefore provides a strong basis for assessment of program success.

## Methodology

From June through early August, up to 100 grants being implemented in 44 of the 46 fragile states will have gone through Phase 2 assessments, and all associated documentation will be available. Analysis of these grants will be based on this documentation. Other input to the study will include a review of portfolio managers' mission reports, and interviews with relevant portfolio managers, Principal Recipients and sub-recipients, Local Fund Agents, and representatives of the Country Coordinating Mechanisms to gain further insights.

The key questions to be asked include: What are the key factors underlying well-performing grants? Likewise, what factors are associated with poor performing grants? In particular, the study will examine size of grant; CCM characteristics; number and type of sub-recipients per grant; management characteristics of managers at implementation level; reporting and functional relationships between PR and sub-recipients; relative demand for support visits from portfolio managers; and roles played by technical partners or by other donor agencies.

## Final Report

The final report will be issued in September and presented at the Global Fund's third replenishment conference in the UK.

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## Annex

Proxy list of fragile states*									
Country	Population (m) 2002	GNI per capita (\$) 2002	ODA (\$) per capita 2002	Aid as % of GNI 2002	GDP per capita annual growth rate (%) 1990-2002	Births attended by skilled health personnel (%) 1995-2002	One-year-olds fully immunised against measles (%) 2002	Net primary enrolment (%) 2001-2002	Proportion of under-nourished in total population (%) 1999-2001
Afghanistan	28	..	46	..	..	12	44	..	70**
Angola	13	710	32	4.3	-0.1	45	74	30	49
Azerbaijan	8	710	43	6.1	0.2	84	97	80	21
Burma	49	..	2	..	5.7	56	75	82	7
Burundi	7	100	24	24.2	-3.9	25	75	53	70
Cambodia	13	300	39	12.7	4.1	32	52	86	38
Cameroon	16	550	40	7.3	-0.1	60	62	..	27
Central African Rep.	4	250	16	5.8	-0.2	44	35	..	44
Chad	8	210	28	11.8	-0.5	16	55	58	34
Comoros	0.6	390	43.5	13	-1.4	62	71	55	..
Congo, Dem Rep.	52	100	16	14.7	..	61	45	..	75
Congo, Rep of	4	610	115	19.1	-1.6	..	37	35	30
Cote d'Ivoire	17	620	65	9.6	-0.1	63	56	63	15
Djibouti	0.7	850	112	13	-3.8	..	62	34	..
Dominica	0.07	3000	382	13	1.4	100	98	91	..
Eritrea	4	190	54	30.8	1.5	21	84	43	61
Ethiopia	67	100	19	21.7	2.3	6	52	46	42
Gambia, The	1	270	44	17.3	..	55	90	73	27
Georgia	5	650	60	9.2	-3.9	96	73	97	26
Guinea	8	410	32	7.9	1.7	35	54	61	28
Guinea Bissau	1	130	41	30.5	-2.2	35	47	45	..
Guyana	0.8	860	85	10	4.1	86	95	98	14
Haiti	8	440	19	4.5	-3.0	24	53	..	49

Why we need to work more effectively in fragile states

Proxy list of fragile states*									
Country	Population (m) 2002	GNI per capita (\$) 2002	ODA (\$) per capita 2002	Aid as % of GNI 2002	GDP per capita annual growth rate (%) 1990-2002	Births attended by skilled health personnel (%) 1995-2002	One-year-olds fully immunised against measles (%) 2002	Net primary enrolment (%) 2001-2002	Proportion of under-nourished in total population (%) 1999-2001
Indonesia	212	710	6	0.8	2.1	64	76	92	6
Kenya	31	360	13	3.2	-0.6	44	78	70	37
Kiribati	0.1	960	241	23	..	85	..	..	..
Lao PDR	6	310	50	17.3	-3.8	19	55	83	22
Liberia	3	140	16	11	..	51	..	..	42
Mali	11	240	42	15.1	1.7	41	33	38	21
Nepal	24	230	15	6.6	2.3	11	71	70	17
Niger	11	180	26	13.8	-0.8	16	48	34	34
Nigeria	133	300	2	0.8	-0.3	42	40	..	8
Papua New Guinea	5	530	38	7.5	0.5	53	71	77	27
São Tomé & Príncipe	0.2	300	166	56	-0.4	79	85	98	..
Sierra Leone	5	140	68	47	5.9	42	60	..	50
Solomon Islands	0.4	580	56.8	..	-2.4	85	78	..	..
Somalia	9	..	21	..	..	34	45	..	71**
Sudan	33	370	11	2.7	3.1	86	49	46	25
Tajikistan	6	180	27	14.6	-8.1	71	84	105	71
Timor Leste	0.8	520	297	58	..	24	47	..	..
Togo	5	270	11	3.8	-0.7	49	58	95	25
Tonga	0.1	1440	217	16	2.2	92	90	105	..
Uzbekistan	25	310	7	2.4	-0.9	96	97	..	26
Vanuatu	0.2	1070	133	12	-0.1	89	44	93	..
Yemen, Rep of	19	490	31	6.3	2.5	22	65	67	33
Zimbabwe	13	..	15	..	-0.8	73	58	83	..

Sources: UNDP human development indicators 2004. FAO and World Development Indicators 2004

\* List is taken from the World Bank CPIA ratings. All countries appeared at least once in the fourth and fifth quintiles between 1999 and 2003. Please see Branchflower, A. et al. 'How Important Are Difficult Environments to Achieving MDGs?' PRDE Working paper 2 Unpublished manuscript; DFID.

\*\* figures from 1998-2000

Excerpted from Department for International Development, UK. (2005). *Why We Need to Work More Effectively in Fragile States*. © Crown copyright 2005