



Making Performance-based Funding Work:
MID-YEAR PROGRESS 2005



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

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List of Terms and Abbreviations Used

ACT	Artemisinin combination therapy
ARV	Antiretroviral therapy
CCM	Country Coordinating Mechanism
DOTS	Directly observed treatment, short course (referring to the internationally approved tuberculosis treatment strategy)
HBC	High-burden country (used in reference to tuberculosis disease burdens)
IEC	Information, education, communication
IRS	Indoor residual spraying
ITN	Insecticide-treated (bed) nets
LFA	Local Fund Agent; independent consultants contracted by The Global Fund to assess and verify program results as they are reported by the Principal Recipients of grants
LLIN	Long-lasting insecticidal nets
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MDR-TB	Multidrug-resistant tuberculosis
MEFA	Monitoring and Evaluation, Finance and Audit Committee
PEPFAR	President's Emergency Plan for AIDS Relief (USA)
PR	Principal Recipient
RDT	Rapid diagnostic testing
SWAp	Sector-wide Approaches
TB	Tuberculosis
TERG	Technical Evaluation Reference Group
TRP	Technical Review Panel
UNGASS	UN General Assembly Special Session
UNDP	United Nations Development Programme

Executive Summary

- 1. The Global Fund has continued to implement the transparent, rigorous and consistent performance measurement systems developed through 2004.** Progress is on target for 2005 in implementing comprehensive performance measurement for the four key areas: operations, grant-funded programs, system effects and impact on the three diseases.
- 2. By May 15, 2005, the Global Fund had signed grant agreements worth US\$ 2.4 billion for 279 grants in 125 countries.** The average age of active grants at that time was 14 months.
- 3. Overall disbursements are in line with the progress of the portfolio.** As of May 15, 2005 overall disbursements had reached US\$ 1.2 billion, equal to 53 percent of the grant value¹ disbursed, in line with 56 percent of grant time elapsed².
- 4. The Global Fund has expanded its key prevention and treatment measures for the three diseases to a “top ten” list of service indicators.** This expansion provides a list of robust, high-level indicators (see Figure 6) to measure the numbers of people reached by key services and simultaneously simplifies key performance measures for grantees. Systems have been established with grantees to report on these indicators by the end of 2005.
- 5. Grant-funded programs made strong initial progress in early 2005 against the goal of scaling up antiretroviral (ARV) treatment threefold by the end of the year.** There was a 50 percent increase in the numbers of people on ARV treatment in the first quarter of 2005 over the numbers reached through the end of 2004.
- 6. As of May, 15, 2005, 51 grants had been evaluated for Phase 2 funding as they approached the two-year mark³, and US\$ 368 million had been approved for Phase 2 grants.** Sub-Saharan Africa received 52 percent of total Phase 2 funds, followed by Latin America with 28 percent.

¹ The dollar value of signed grant agreements, as opposed to the value of Board-approved grant proposals. This calculation excludes grants with no disbursements.

² The average percentage elapsed of the first two years of signed grants' lifespans.

³ Grants are approved in principle for five years, contingent on satisfactory performance over the first two years measured against targets set out in the first grant agreement. If approved, Phase 2 funding covers the remaining years of the grant's lifespan.

- 7. There was considerable variation in the performance of these 51 grants: 80 percent either met or exceeded expectations (A-graded grants) or performed adequately (B1-graded grants), while 16 percent showed inadequate results but demonstrated potential (B2-graded grants), and 4 percent showed unacceptable performance (C-graded grants).** The most difficult decisions on whether or not to continue funding concerned the 16 percent of grants with inadequate results but demonstrated potential.
- 8. Taken as a whole, the 51 Phase 2 grants achieved overall programmatic targets.** While some of these grants fell below targets, the overachievement of high-performing grants ensured that the collective performance targets of these grants were reached. In terms of the top ten key service indicators, results included 132 percent of targets reached for people receiving ARV treatment, 95 percent for people on treatment under DOTS, 84 percent for distribution of insecticide-treated nets (ITNs) and 156 percent for people receiving artemisinin combination therapy (ACT) for drug-resistant malaria. Programs funded by the 51 grants reached 48,000 people with ARVs, 284,000 with TB treatment under DOTS and 215,000 with ACT, and they distributed or re-treated 2.7 million ITNs. In addition, 32 million people were reached with mass media prevention messages and 1.8 million through community outreach, and 239,000 people were trained in a wide variety of interventions.
- 9. Analysis of the 51 grants has provided valuable lessons to improve future grant performance.** Grant performance was particularly strong for grants implemented by civil society, indicating the importance of non-governmental partners in the response to the three diseases. Differentiated by disease, TB grants have performed best, followed by HIV/AIDS and then malaria grants. Procurement problems played a more significant role in HIV/AIDS and malaria grants, as did governance and management issues. These results point to the strength of pre-existing TB drug procurement systems and the ongoing work of the Stop TB Partnership. As a region, sub-Saharan Africa had fewer A-graded grants (24 percent) but no greater probability of under-performing B2- or C-graded grants (12 percent) than other regions. This indicates that the greatest potential to accelerate performance in this region may be in focusing support on grants with merely adequate performance as much as focusing on failing grants.
- 10. Discontinued funding has to date resulted in US\$ 23 million being freed for other, more effective programs and interventions.** Following its review of 51 grants eligible for Phase 2 renewal, the Global Fund's Secretariat recommended reductions totaling 21 percent of the original Phase 2 amounts of these proposals. Of this, 4 percent related to budget reductions and 17 percent to the discontinuation of four grants due to poor performance. By May 15, 2005 the Board had rejected two of the discontinuation recommendations while confirming one discontinuation and the budget reductions, representing reductions of 5 percent of the total. The Board has requested additional information regarding the fourth recommended discontinuation, representing 12 percent of the total.

- 11. The Phase 2 stage of funding strengthens the Global Fund's investments by following performance.** Ninety-four percent of approved Phase 2 funds went to A- and B1-graded grants. This supports the foremost principle of performance-based funding: matching funds to program performance to ensure that funds continue to flow to effective services reaching people in urgent need.
- 12. In addition to measuring its own operations and the progress of funded grants, the Global Fund will measure the system effects of its financing, both good and bad, in recipient countries and its impact on the three diseases.** Indicators for operational and grant performance have now been implemented. The system effects and impact levels of the Global Fund measurement framework continue to develop with the input of partners. The measures of system effects were published in a background document in May 2005, and core indicators will be reported by December 2005.
- 13. In conclusion, an assessment of Global Fund performance at the mid-year mark in 2005 shows good progress in the implementation of performance-based funding and the development of supporting systems. However, important challenges remain.** Performance-based funding brings many of the issues and obstacles of development systems and grant-funding immediately to the surface. These include the need for strengthened monitoring and evaluation systems and procurement processes in recipient countries, and ongoing improvement of coordination with technical partners.
- 14. During the remainder of 2005, considerable effort will be required from the Secretariat and Board, donor and recipient countries, and technical partners to increase funded program success and further implement systems to support performance-based funding.** Joint efforts will be critical to success in rolling out important work such as simplified performance measures and ensuring that well-documented assessments support performance-based funding decision-making processes by both the Secretariat and Board.

Introduction

Performance-based funding began to prove itself as a catalyst for accelerated implementation in early 2005: Global Fund performance measurement systems were implemented, grants matured and ongoing funding decisions began to guide scarce resources to programs with proven results. Phase 2 funding, which provides two-year-old grants with continued financing for years three to five based on early performance, is increasing the strength of the Global Fund's investments and showing that grant funding committed in principle is neither owned by recipient countries nor by the Global Fund. Rather, it belongs to successful programs that reach people with urgently needed services.

Performance-based funding also quickly brings many of the challenges in development systems and grants to the surface – including the need for strengthened monitoring and evaluation systems and procurement processes in recipient countries, ongoing improvement of coordination with technical partners and increasing ownership of programs by affected constituencies. In the spirit of previous reports, the Global Fund aims to provide data on the development of its performance-based funding system as transparently as possible and to present the successes and challenges.

This mid-year progress report, based on data to May 15, 2005, provides an update on:

1. The implementation and further development of the Global Fund's measurement framework against implementation targets set for 2005;
2. Analysis and lessons from the 51 grants evaluated for Phase 2 funding.

Making Performance-based Funding Work

Performance-based funding is the cornerstone of the Global Fund's mandate to finance a significant impact in the fight against AIDS, tuberculosis and malaria. By ensuring that funds go to proven interventions delivered through successful programs that reach people in need, after three years the Global Fund is already beginning to make an important contribution to global efforts to halt and reverse the spread of the three diseases.

In 2004, the Global Fund designed and began to implement measurement systems for its own operations and for grant performance – the first two levels of a four-tiered performance measurement framework (see Figure 1) to be fully implemented by the end of 2005. In building these systems, the Global Fund is incorporating accountability for results into all of its operations and funded programs. The final two tiers, developed with input from technical, donor and recipient partners, measure the system effects of Global Fund financing and the impact of grant-funded programs on the three diseases.

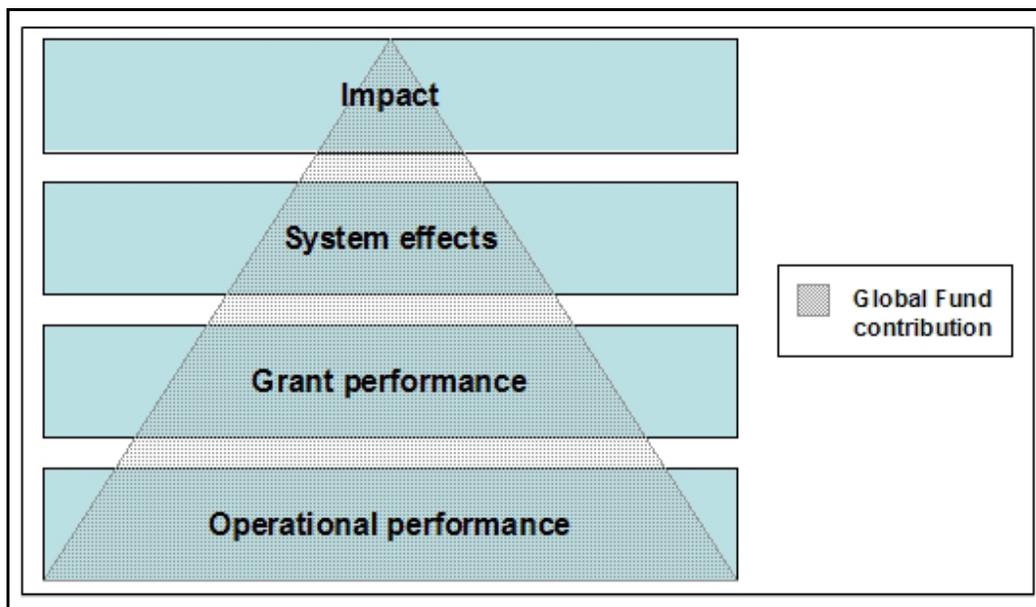


Figure 1: The Global Fund's four-level measurement framework

Each level of the measurement framework has advanced since January 2005 and largely according to targets (see Figure 2), with the ten most important developments listed below:

1. In addition to grant-specific and global targets, the Global Fund Secretariat is finalizing regional targets based on commitments in signed grant agreements.
2. Reporting on key service indicators is becoming part of all grants in order to aggregate portfolio results for the top 10 indicators by the end of 2005 (Figure 6).
3. Having agreed on standard global indicators in the *Monitoring and Evaluation Toolkit* in 2004, joint training of country level M&E staff has been carried out regionally with partners (UNAIDS, CDC, USAID, WHO). This will embed harmonized reporting approaches in recipient countries.
4. Grant performance reports have been developed for all grants and will be published on the Global Fund's website by July 2005 as a basis for partner dialogue and response.
5. A Global Joint Monitoring and Evaluation Facility to broker monitoring and evaluation support to countries was launched in April 2005. The Joint Facility receives recipient country requests for support and coordinates relevant partner responses (UNAIDS, WHO, CDC, USAID, Stop TB, Roll Back Malaria and a pool of registered consultants). The Joint Facility is currently supporting several Global Fund grants as it is rolled out.
6. The Executive Dashboard, a standardized management and reporting tool, will be launched on the Global Fund website in June 2005 to provide quarterly updates on the five core processes of the Global Fund's operations.
7. Partner coordination to share global data sets and provide consistent global figures between UNAIDS, WHO, World Bank, the US government's PEPFAR initiative and the Global Fund increased in 2005. Partners jointly released their results at the annual meeting of the World Economic Forum in Davos in January 2005, and a timetable has been set for subsequent joint releases of data in July and December of 2005.
8. The Global Fund's independent Technical Evaluation Reference Group (TERG) is now fully functioning with twice yearly meetings, providing oversight on Global Fund evaluation activities and reporting to the Board.
9. The Global Fund's performance-based funding policies are being extended to deal with performance in a shared funding framework. This will facilitate reporting in pooled financing and SWAp contexts, while reinforcing accountability and regular reporting on the three diseases.

10. A background document on systems effects and an appendix of indicators was published in May 2005 and has been posted on the Global Fund's website. The core indicators are being implemented with partners, with baseline results to be reported later in 2005.

Challenges remain in implementing performance-based funding, and 2005 is a critical year for the joint efforts of all partners to ensure that it succeeds. The Global Fund has developed a strong platform in its four-tiered measurement framework, measuring activities from proposal approval to grant agreement, regular disbursement based on progress updates, Phase 2 evaluation just before the two-year anniversary of each grant, through to decisions on continued funding. Perhaps the biggest challenge is to meaningfully implement these measurement systems as the basis for all financing decisions and to ensure that funds flow efficiently and accountably in support of country-owned objectives.

In Figure 2, a summary table gives more information on the Global Fund's progress towards the implementation and further development of the measurement framework compared to 2005 targets.

	Level of measurement framework	Implementation targets, 2005	Implementation status, January 2005	Progress Update, May 15, 2005
4	<i>Impact</i>	<ul style="list-style-type: none"> - All Phase 2 grants have impact targets as of January 2005 - Contribution to MDGs quantified by Sept. 2005 	<ul style="list-style-type: none"> - Impact indicators defined in <i>Monitoring and Evaluation Toolkit</i> - Suite of measurement tools implemented to capture targets for grants (see Figure 5) 	<ul style="list-style-type: none"> - Some early grants showing impact, to be reported September 2005 - 100 percent of Phase 2 grants include impact indicators - Global Fund coverage data being projected with UNAIDS' data to assess contribution to MDGs and UNGASS
3	<i>System</i>	<ul style="list-style-type: none"> - CCM baseline survey results in all countries by June 2005 - Baseline report on core system effects indicators by December 2005 - 100% of GF funding needs contributed for 2005 	<ul style="list-style-type: none"> - Measurement framework and indicators agreed - Baseline implementation initiated 	<ul style="list-style-type: none"> - CCM assessment with two components (performance checklist and satisfaction survey) launched in 69 countries, completed in 21 countries. Results for 100 countries will be completed in July, to be reported in September. - Background document on system effects and technical indicator appendix published, May 2005. Measurement initiated, joint partner effort needed to tackle gaps in data. - Gap in GF funding needs for 2005 remains a major issue
2	<i>Grant</i>	<ul style="list-style-type: none"> - 95 % of disbursements based on evidence of performance and expenditure in 2005 - 100 % of all new and Phase 2 grants have coverage indicators in 2005 - Report on portfolio "Top 10" coverage indicators by Dec. 2005 	<ul style="list-style-type: none"> - Standard indicators agreed with partners in <i>Monitoring and Evaluation Toolkit</i> - Key coverage indicators implemented into all Phase 2 and new grants - Portfolio results in for ARVs, DOTS, ITNs – three of ten 	<ul style="list-style-type: none"> - 95 % of disbursements are based on progress updates and LFA assessment of performance and expenditure. Gaps remain in systems to adequately document Secretariat decisions, template designed to be implemented by Sept. 2005. - All Phase 2 grants and new grants have key coverage indicators. 342 high-level coverage indicators evaluated for 51 grants at Phase 2, average 6.7 per grant. - Reporting system embedded in grants to aggregate portfolio results for key indicators. Targets being finalized, which include tripling of ARV coverage.
1	<i>Operational</i>	<ul style="list-style-type: none"> - Internet access to Executive Dashboard that is updated continuously by March 2005 	<ul style="list-style-type: none"> - Core indicators implemented - Executive Dashboard finalized - LFA study completed 	<ul style="list-style-type: none"> - Internet access to Executive Dashboard to be launched in June 2005.

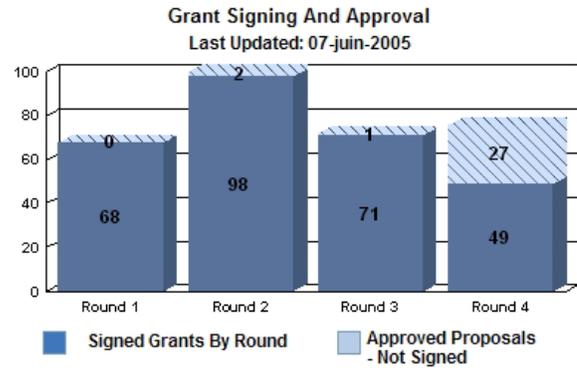
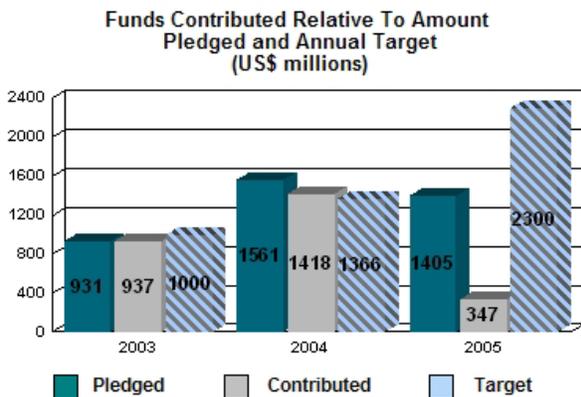
Figure 2: Update on development and implementation of the Global Fund's four-tier measurement framework

Operational and Grant Levels of the Measurement Framework

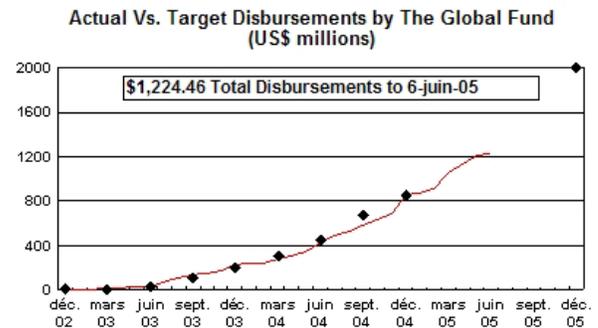
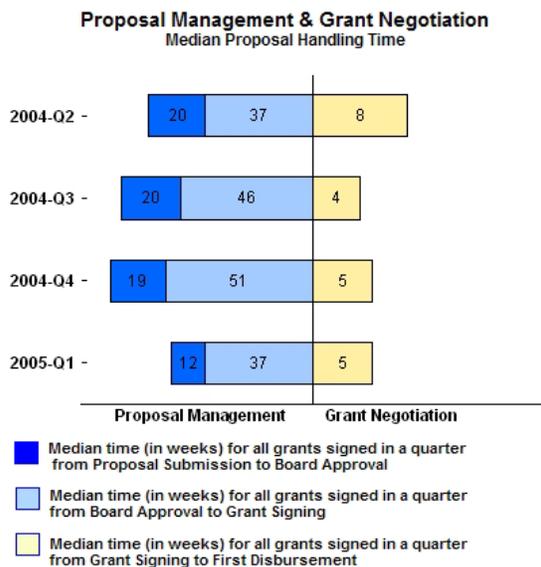
Executive Dashboard

The Executive Dashboard (see Figure 3), to be launched in June on the Global Fund’s website at www.theglobalfund.org, is a standardized management and reporting tool on the core operations of the Global Fund, updated quarterly. Each of the five core areas (resource mobilization, proposal management, grant negotiation, disbursement and grant management, and business services) includes one top-level indicator and a number of supporting indicators for more detailed information. Investments in strengthening the Global Fund’s internal data systems are ongoing in order to support the capture and analysis of real-time data concerning operations.

Core Indicators



Note: A proposal can turn out to become multiple grants. Thus the number of signed grants can be larger than the number of approved proposals



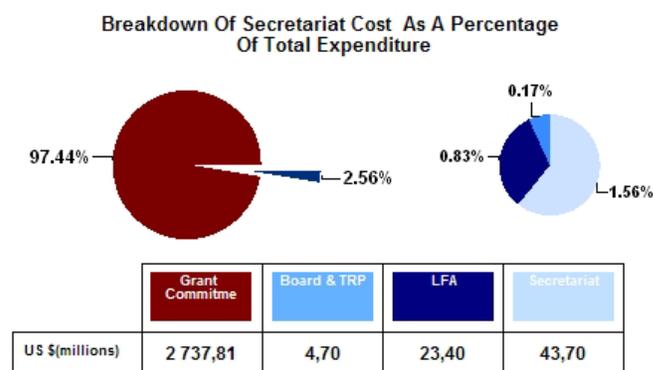


Figure 3: The Executive Dashboard updated as of May 2005

The Executive Dashboard's top level indicators highlighted the following results as of May 15, 2005:

- Funds contributed to the Global Fund in 2005 (US\$ 347 million) compared to 2005 pledges (US\$ 1.4 billion) and the target for 2005 (US\$ 2.3 billion);
- Grants signed as a share of the total number of grants approved per funding round (Round 1 – 68 of 68 grants signed; Round 2 – 98 of 100 grants signed; Round 3 – 71 of 72 grants signed; Round 4 – 47 of 76 grants signed);
- Median proposal handling time from call for proposals to grant signing;
- Actual disbursements for 2005 (US\$ 308 million) compared to disbursement targets for the year (US\$ 1.1 billion);
- Operating and Secretariat costs as a percentage of total expenditure (<3 percent).

Resource Mobilization

Current Financial Status of the Global Fund						
<i>US\$ figures in millions, as of 15 May 2005</i>						
Current grants (including approved renewals)						
Round	Date	Approved	Signed	Disbursed	Mean percent Disbursed	Mean Time Elapsed
Round 1	Apr-02	\$842	\$576	\$445	76%	88%
Round 2	Jan-03	\$951	\$829	\$445	56%	66%
Round 3	Oct-03	\$634	\$619	\$194	38%	32%
Round 4	Jun-04	\$1,020	\$442	\$85	33%	13%
Total		\$3,448	\$2,466	\$1,169	53%	56%

Figure 4: Financial status of the Global Fund: approvals, commitments and disbursement by funding round and total.

Disbursement and Grant Management

To evaluate whether disbursements are on track, the Global Fund compares disbursed funds as a percentage of grant value⁴ with the proportion of grant time elapsed⁵ since the grant agreement was signed. Rounds 3 and 4 grants, which are younger, have disbursed in excess of grant time elapsed because initial disbursements tend to be larger. With time, expenditure more closely matches average time elapsed. By May 2005, grants were 53 percent disbursed compared to 56 percent of grant time elapsed for Phase 1 and 2 grants.

While performance-based funding of grants reaches a critical milestone at the Phase 2 funding stage, the measurement and evaluation system starts with Phase 1 when indicators and targets are agreed by recipients and the Global Fund and made part of the first grant agreement. Targets are tracked at every point in the process: from grant agreements through regular disbursement requests and performance updates through to requests for continued funding and extended grant agreements into Phase 2 (see Figure 5).

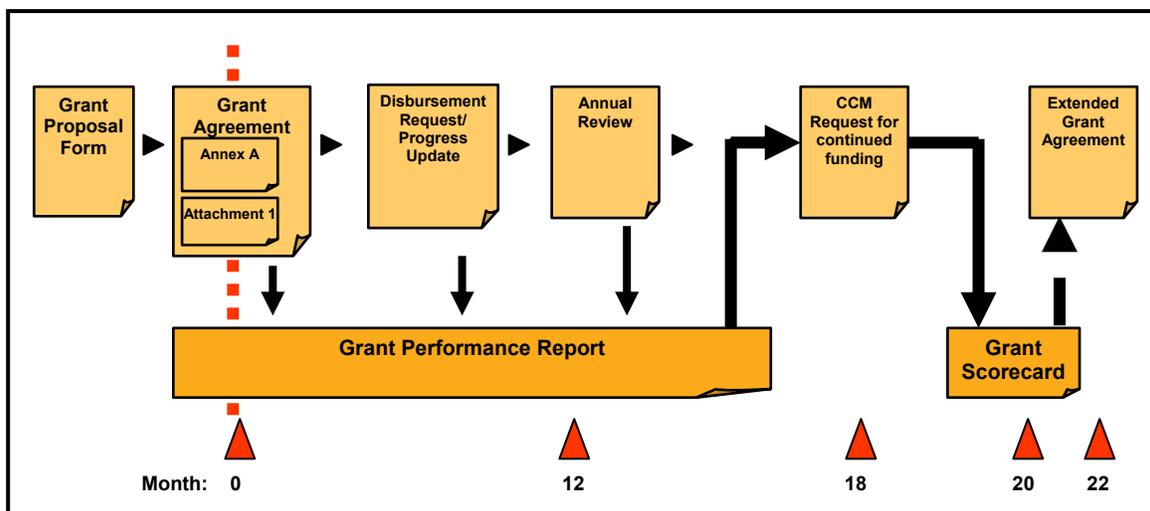


Figure 5: The Global Fund's grant performance measurement system

In 2005, the Global Fund established a dedicated monitoring and evaluation support team for Fund Portfolio Managers within the Secretariat. This team works to embed simplified M&E measures and targets into grants, and harmonizes the Global Fund's M&E framework with partners.

By the time a grant arrives at the stage for Phase 2 evaluation, information on the grantees' implementation capacity and performance is available from the following sources:

⁴ The dollar value of signed grant agreements, as opposed to the value of Board-approved grant proposals

⁵ The average percentage elapsed of signed grants' lifespans

- Initial assessments of the Principal Recipient’s financial management and systems; institutional and programmatic capacity; monitoring and evaluation systems; procurement and supply management; and background analysis.
- Three to six progress updates of results measured against targets as a basis for disbursement decisions, with independent review and recommendations by the LFA.
- Multiple country visits and coordination with the CCM to provide oversight.
- Review of M&E, targets and results, and all Phase 1 data submitted by the CCM.

In addition, Principal Recipients are required to provide an annual report placing grant progress in a broader national or regional context. While they are encouraged to provide existing reports produced for other audiences rather than creating something new, compliance with this requirement has been poor to date. The Secretariat’s Fund Portfolio Managers will work with Principal Recipients to increase receipt of this information.

An ongoing challenge is to simplify reporting for grant recipients. End-of-year reporting by the Global Fund has now been harmonized around ten indicators of people reached by key services, shown in Figure 6 below.

	Top Ten Indicators of People Reached by Services	Disease
1	Number of people currently receiving antiretroviral therapy (ARVs)	<i>HIV</i>
2	Number of smear-positive TB cases receiving treatment under DOTs (specify a. new cases detected, b. number receiving treatment, c. number successfully treated, d. number on MDR-TB treatment)	<i>TB</i>
3	Number of insecticide-treated bed nets (ITNs) distributed (or households receiving indoor residual spraying, depending on region)	<i>Malaria</i>
4	Number of people counseled and tested for HIV	<i>HIV</i>
5	Number of HIV-positive pregnant women receiving a full course of ARVs to reduce mother to child transmission (PMTCT)	<i>HIV</i>
6	Number of people receiving anti-malarial treatment (specify ACT/non-ACT)	<i>Malaria</i>
7	Number of condoms distributed	<i>HIV</i>
8	Number of people benefiting from outreach community programs (specify a. Prevention b. Orphan support c. Home-based care and external support)	<i>HIV/TB/Malaria</i>
9	Number of people receiving treatment for infections associated with HIV (specify a. Opportunistic infections b. HIV/TB c. STIs with counseling)	<i>HIV/TB/Malaria</i>
10	Number of people trained (specify a. health and related services b. peer and community prevention)	<i>HIV/TB/Malaria</i>

Figure 6: The Global Fund’s top ten indicators of people reached by key services

A second major area of development in 2005 was the continued work with partners to coordinate M&E support to countries. The Global Joint Monitoring and Evaluation Facility was launched in April 2005 to broker timely responses to requests from recipient countries or partners for M&E technical assistance and training, and to track and follow up these requests. The Joint Facility can also be used by the Global Fund Secretariat’s Fund Portfolio Managers to mobilize partner support when early warning signs of M&E weakness are apparent in funded countries. The Joint Facility has catalyzed partner coordination around M&E technical support, as shown in Figure 7 below. The Global Fund has provided financing for this effort (together with the US government and UNAIDS), and UNAIDS is coordinating responses to requests for support. UNAIDS is also working closely with WHO to extend this facility across the three diseases. Early warning and technical assistance requests for M&E can be made by telephone, or for registered users at helpME@unaid.org.

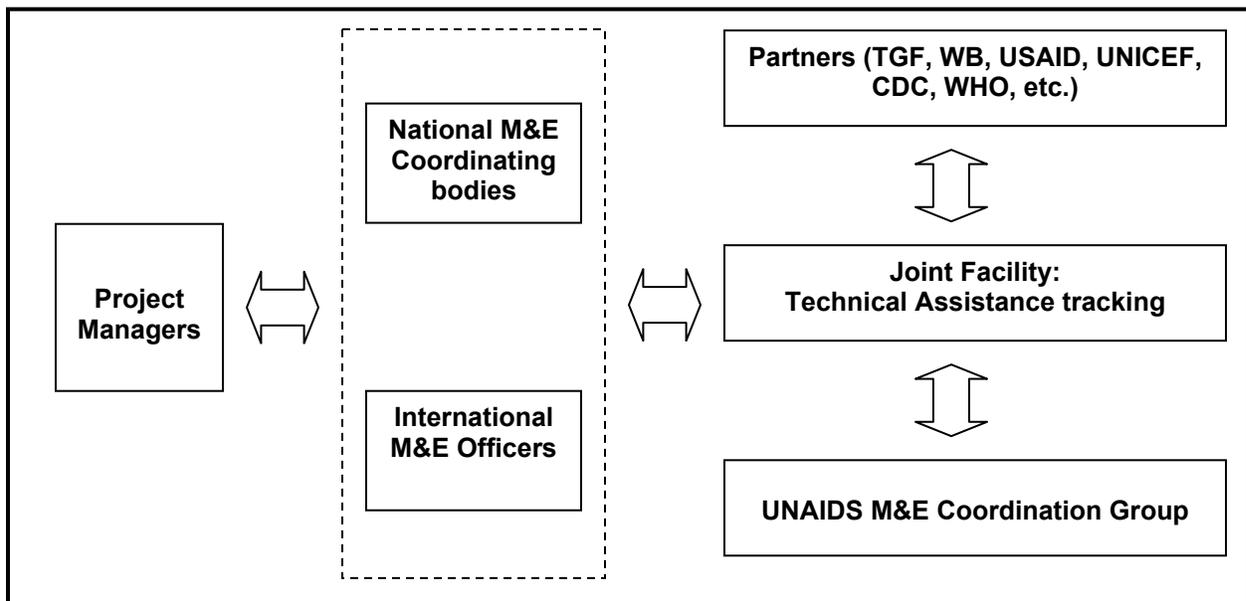


Figure 7: Joint Facility for coordinating and tracking M&E support: partner coordination and input (above) and goal and objectives (below)

Goal of the Global Joint Monitoring and Evaluation Facility

To provide timely, effective and inexpensive response to M&E technical assistance (TA) and training requests from countries.

Objectives

1. To establish a system to help broker, coordinate and follow-up M&E TA and training requests from countries and projects with different sources of technical support.
2. To set up and maintain a simple tracking tool to ensure that all TA requests are responded to effectively and a timely manner.
3. To set up and maintain a web-based library of key M&E information (including a directory of local experts, agencies, M&E standards and indicators, current projects and national and international reports).
4. To ensure that all electronic information is available to requestors from developing countries in various formats (e-files, CDs, diskettes and printed materials) and through different channels (web, email, telephone, fax, mail and SMS), without adding to the workload of TA providers (namely National M&E Coordinating bodies, M&E Officers and partners).

This is a very promising mechanism for mobilizing M&E support, which will be assessed in 2005 for further refinement. There are likely to be many additional issues, for example those relating to management and data systems, which go beyond technical and partner support, but it provides an important example of donor harmonization.

Finally, partner coordination to share global data sets, jointly analyze results and release consistent global figures between UNAIDS, WHO, World Bank, the US government's PEPFAR initiative and the Global Fund continued in 2005. Initial joint release of results occurred at the World Economic Forum's annual meeting in Davos in January 2005, and a timetable was set for joint release of data in 2005. In July, partners will release joint results for the first half of 2005, and a major joint data effort to support WHO's "3 by 5" initiative is planned for December 2005. These will form the basis for updates on the Global Fund's results.

System Effects and Impact Levels of the Measurement Framework

System Effects

The measurement of system effects means measuring both the positive and the negative impacts that the Global Fund has on the existing systems through which it works, in particular at the recipient country level. The development of commonly agreed and time-bound measures of the Global Fund's progress towards achieving its purpose and core principles will help to focus the Fund's work strategically within the broader context of national and international efforts to combat mortality and morbidity from HIV/AIDS, tuberculosis, and malaria.

In 2004, under the oversight of the independent Technical Evaluation and Reference Group (TERG) and the Board's Monitoring, Evaluation, Finance and Audit Committee (MEFA), a set of core indicators was developed with a wide set of partners and stakeholders. A particular focus was placed on additionality of resources, long-term sustainability of efforts and harmonization between technical and donor agencies. An additional area of focus was national partnerships under the guidance of the CCM.

In 2005, these measures were operationalized through the establishment of technical indicators (with numerators and denominators) and measurement was initiated. Working with partners, a background document and technical resource was published in May 2005: *Measuring the Systems Effects of the Global Fund with a Focus on Additionality, Partnerships and Sustainability: Resource Document & Measurement Guidelines* (see Figure 8).

Initial activities have included a broad assessment of CCMs and their functioning within national systems. Measurement of the other system effects components, including case studies to examine the additionality of Global Fund financing, are underway but require further collaboration with partners. It is clear that there are major measurement challenges and data gaps, for example in country health accounts⁶. Working with partners to improve these basic data sources will be an essential element for measuring many of the systems effects of the Global Fund.

⁶ A country's complete budget for health, including domestic and international funding

PRIORITIES	EXAMPLE INDICATORS	DIMENSIONS & SOURCES
<p>Leverage additional financing globally; closing the gap</p> <p>Externalities — reducing poverty; increasing health human resources (Purpose and Principles 2 and 3)</p>	<ul style="list-style-type: none"> ◆ Levels and trends in donor assistance, public and private allocations to spending on development, health and the three diseases; progress in reducing ‘unmet need’ for AIDS, TB, malaria spending ◆ % of Households allocating >0.25 Household income to health services (catastrophic health expenditure) ◆ Numbers and change in trained health professionals 	<p>Additionality, partnerships & sustainability improved</p> <p>National Health Accounts, WHO, OECD/DAC, UNAIDS and GF Secretariat data</p>
<p>Improve purchasing economy and efficiency for key commodities (Principle 2)</p>	<ul style="list-style-type: none"> ◆ Prices for key commodities procured with GF funds (drugs, diagnostics, preventive supplies etc.) —trends over time, comparison across countries, establish benchmarks for operational comparison 	<p>Additionality and sustainability improved</p> <p>GF data plus benchmarks from UNICEF, WHO, ILO, PAHO, others</p>
<p>Improve sustainability and manage risk via growing commitment of own-government resources (Purpose and Principle 3)</p>	<ul style="list-style-type: none"> ◆ Total health expenditure/GDP; ◆ Government Health/Govt Total Spending (Abuja); ◆ Malaria, TB, HIV spending/Total Health (if available) ◆ Inter-Year change in Malaria, TB, HIV spending (all sources) > Global Fund grant spending ◆ Ratio of donor to local spending allocated to the 3 diseases ◆ Pledges and projections of GF funding against estimated requirements ten years forward planning 	<p>Additionality and sustainability improved</p> <p>Governments and WHO National Health Accounts; UNAIDS National AIDS Accounts and related data</p> <p>GF Secretariat</p>
<p>Improve partnerships via:</p> <ul style="list-style-type: none"> ◆ Global partnership and harmonization ◆ Country partnership and harmonization ◆ Effective CCM Composition and representation <p>(Purpose and Principle 3)</p>	<ul style="list-style-type: none"> ◆ Joint activities with other agencies that produce outputs to support alignment and harmonization in support of GF activities (with documentation) —Including GF participation in OECD/MDG/ UN harmonization initiatives including bilateral agencies ◆ Countries with relevant national strategies (PRSPs, health sector etc.) that specifically refer to GF funding ◆ Number of CCMs which show evidence of functional membership of people living with and/or affected by the diseases ◆ Numbers of CCMs where all NGO members are selected by their own constituencies based on a documented, transparent process ◆ Number of CCMs in which all constituencies are represented in the CCM ◆ Number of CCMs which have a documented, transparent process to solicit and review submissions, nominate PRs, and oversee program implementation ◆ Number of CCMs which have a documented, transparent process to ensure a broad range of stakeholders in proposal development and oversight ◆ Number of CCMs that have the Chair and Vice Chair from different constituencies ◆ Number of CCMs that have a written plan to mitigate against conflicts of interest 	<p>More effective partnerships, donor harmonization, and representation achieved.</p> <p>Secretariat documentation</p> <p>National strategies</p> <p>UN assessment of strategies and progress</p> <p>CCM records and independent reviews as appropriate: Partnership Forum/ Regional Meetings/ Sample surveys by independent assessor</p>

Figure 8: Measurement priorities and indicators for systems effects

The CCM assessment currently underway is being carried out by the Futures Group. The assessment is intended to provide guidance on areas requiring greater effort and to establish a baseline against which future progress can be gauged. The instruments and methods used in the CCM assessment were reviewed and finalized with guidance from the TERG and with inputs from the MEFA and the Governance and Partnership committees in 2005. The assessment is comprised of two parts:

- 1) A document-verified survey called the Performance Checklist that covers issues such as composition and representation, participation and communication, and governance and management.
- 2) A satisfaction survey that allows each CCM member and their respective constituency group to express their degree of satisfaction with specific aspects of CCM operations, including participation in decision-making and their ability to voice their opinions and perspectives within CCM fora.

The CCM assessment aims to solicit responses from all CCMs worldwide.

By the end of May 2005, the assessment had been launched in 104 countries, with the assessment completed and submitted for 32 countries. Final input from CCMs is expected by June 2005 and a final report for both parts of the assessment will be available in September. Once the final report has been issued, it will be made available to CCMs and to all partners.

To measure additionality of external financing, three case studies in recipient countries have been funded by the World Health Organization (Evidence and Information for Policy). The preliminary results have reinforced the challenges of measuring the systems effects of development aid in general and the Global Fund in particular. An operational plan is currently being developed with an effort to refine measurement techniques with partners, and work on filling gaps in core global databases. A baseline study will be available by December 2005. An initial case study assessing additionality of Global Fund financing in Thailand and showing some of the challenges is shown in the box below.

Case study: Measuring additionality of Global Fund HIV/AIDS financing in Thailand

Thailand has implemented HIV/AIDS, tuberculosis and malaria grants with Global Fund financing since 2003. HIV/AIDS grants were awarded for Rounds 1, 2 and 3; tuberculosis and malaria grants were awarded for Rounds 1 and 2 respectively. Two-year approved funding for the three diseases exceeds US\$ 61 million, with a total of over US\$ 36 million disbursed by the end of 2004. In Thailand in 2004, the Global Fund contributed a significant 14 percent of all HIV/AIDS funding from international donor sources.

Information from National AIDS Accounts (2000-2003), National Health Accounts (1994-2001), key informant interviews and data from the Bureau of Budget was mobilized and analyzed by researchers at the Ministry of Public Health and the National Economic and Social Development Board in Thailand, in collaboration with WHO.

Three indicators confirmed that monies channeled through Global Fund programs have not replaced government spending on HIV/AIDS programs, including treatment of opportunistic infections (OI) and provision of antiretroviral therapy (ART) when comparing the baseline period (2000-2002) with the year Global Fund programs began implementation (2003). Thailand saw an **80 percent increase in AIDS program expenditure from international sources in 2003** when compared with the baseline period, confirming additionality of Global Fund HIV/AIDS financing. The government also increased HIV/AIDS spending by 10 percent in 2003 compared to the baseline period, indicating that Global Fund finances are not displacing domestic resources. The Thai government increased spending on OI treatment by 10 percent and by 70 percent on ART the year Global Fund disbursements began in Thailand.

Reference: Tangcharoensathien V., Toekul W., Vasavid C. et al. *Measuring Additionality: Thailand Country Case Studies*. 3 March 2005.

Impact

The fourth tier of the Global Fund's measurement framework is to measure the impact of its financing on the three diseases. Working towards showing this longer term impact began in 2005. One key element of impact measurement is assessing the Global Fund's contributions to international goals, particularly the Millennium Development Goals (MDGs) and UNGASS targets. This involves working with partners to project disease and intervention coverage together with Global Fund service delivery. These measurement exercises will contribute to assessing the wider impact of the Global Fund on the three diseases, and to the international goals embedded in UNGASS and the MDGs.

Core MDG Goals and Targets for the Global Fund

Goal 1: Eradicate extreme poverty and hunger

Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day

Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 4: Reduce child mortality

Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

Goal 5: Improve maternal health

Target 6: Reduce by three quarters, between 1990 and 2015, maternal mortality ratio

Goal 6: Combat HIV/AIDS, malaria and other diseases

Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS

Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases

Goal 8: Develop a global partnership for development

Target 12: Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system (Includes a commitment to good governance, development, and poverty reduction – both nationally and internationally)

Target 17: In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries

Figure 9: MDG goals and targets directly and indirectly related to the Global Fund's activities

The second key element in measuring the Global Fund's impact is ensuring that impact indicators are routinely built into all grants as recipients measure progress over the five-year term of funded activities. The Global Fund's national, regional and global impact is in the combined work of grant-funded programs owned and delivered by recipient countries in collaboration and harmonization with a wide variety of partners. All grants reaching Phase 2 will have impact indicators included in their new grant agreements. Although the Global Fund's portfolio is still young, some early grants are now showing initial evidence of impact on the three diseases. These will be reported in September 2005.

Grant Performance: Analysis of 51 Phase 2-eligible Grants

As of May 15, 2005, fifty-one grants had passed through formal evaluation of their eligibility for Phase 2 funding (years three to five of the grant's lifespan). Analysis of these 51 grants has provided an important snapshot of the performance of the Global Fund and its grants to date. They represent programmatic results financed by total disbursements of US\$ 284 million in 40 countries (see Figure 10). The performance reporting included 792 results against targets, an average of 16 per grant. Forty-three percent of these targets were the highest level coverage indicators of people reached by services. This reflects progress made in building robust high-level targets and indicators into grants. The data provides a significant body of evidence on performance-based funding and highlights progress and challenges.

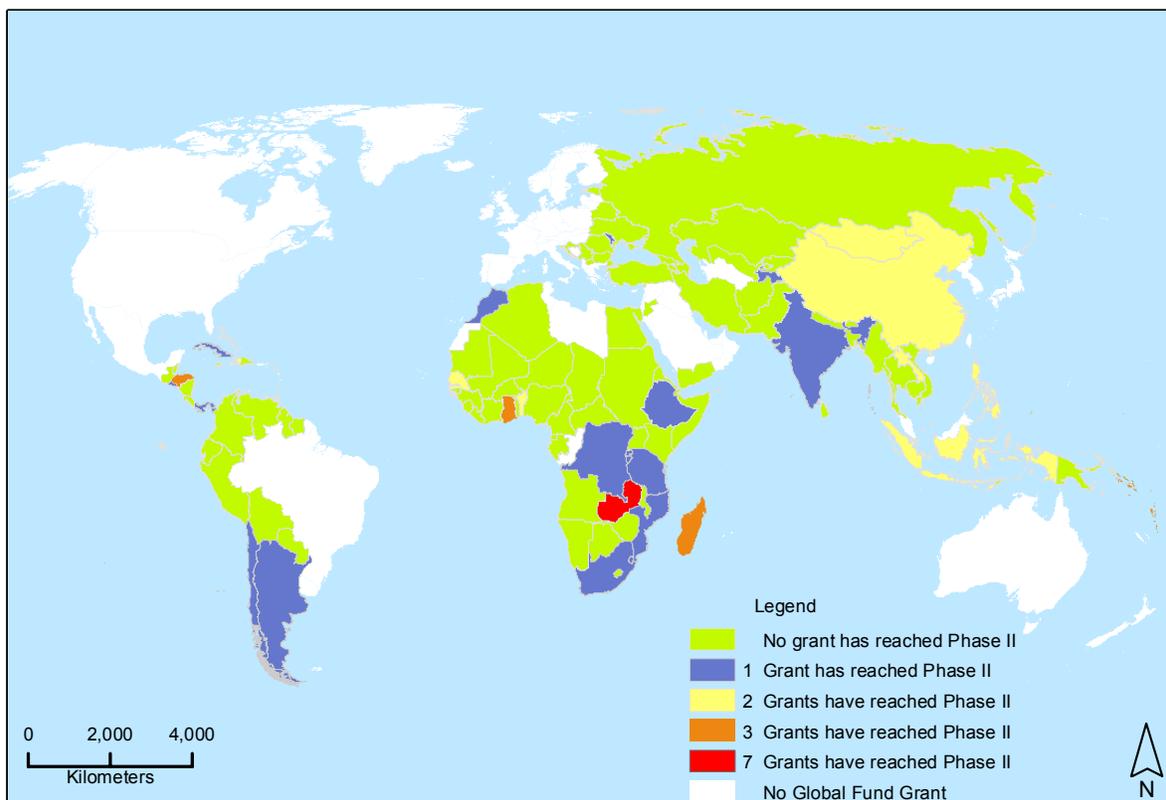


Figure 10: Distribution of countries with grants reviewed for Phase 2 funding to May 2005

The total Phase 2 amount proposed for these 51 grants by CCMs requesting continued funding was US\$ 472 million. US\$ 368 million had been approved by the Board for Phase 2 grants by May 15, 2005 (78 percent of the total), and the remainder is pending the re-submission of proposals or the provision of further information requested by the Board. Of this, 52 percent was approved for sub-Saharan Africa, 28 percent for Latin America and the Caribbean, 16 percent for East Asia and the Pacific, and 4 percent for other regions. Fifty-four percent was approved for HIV/AIDS grants, 3.4

percent for HIV/TB, 25 percent for TB and 17 percent for malaria. Forty percent of Phase 2 funding has been approved for a governmental Principal Recipient, 46 percent for civil society and 14 percent for UNDP. Discontinued funding has to date resulted in US\$ 23 million being freed for other, more effective programs and interventions, with a further US\$ 76 million pending resubmission of proposals or further information for the Board.

The data used to evaluate Phase 2-eligible grants is drawn from verified information gathered throughout the grant’s first two years (see pages 14-15 for a full list), including the formal request for continuation of funding sent by the CCM. Within the Secretariat there is rigorous analysis of the data, which is then passed to the Secretariat’s Phase 2 Decision Panel, which develops a recommendation to the Board.

Overall programmatic targets achieved

Analysis of the 51 grants shows that overall results for key services in grant agreements have been reached, varying from 84 percent to 171 percent of targets (see Figure 11). ARV results have improved dramatically since the analysis of the first 27 grants in January, reaching 132 percent of targets compared to 61 percent. This reflects improvements in more recent grants and the increasing influence of WHO’s “3 by 5” initiative. Treatment under DOTS reached 95 percent of targets, while insecticide-treated nets reached a lower 84 percent of targets. ACT treatment for drug-resistant malaria reached 156 percent of targets, but there is still considerable work to be done to reprogram grants to include ACT targets in their grant agreements.

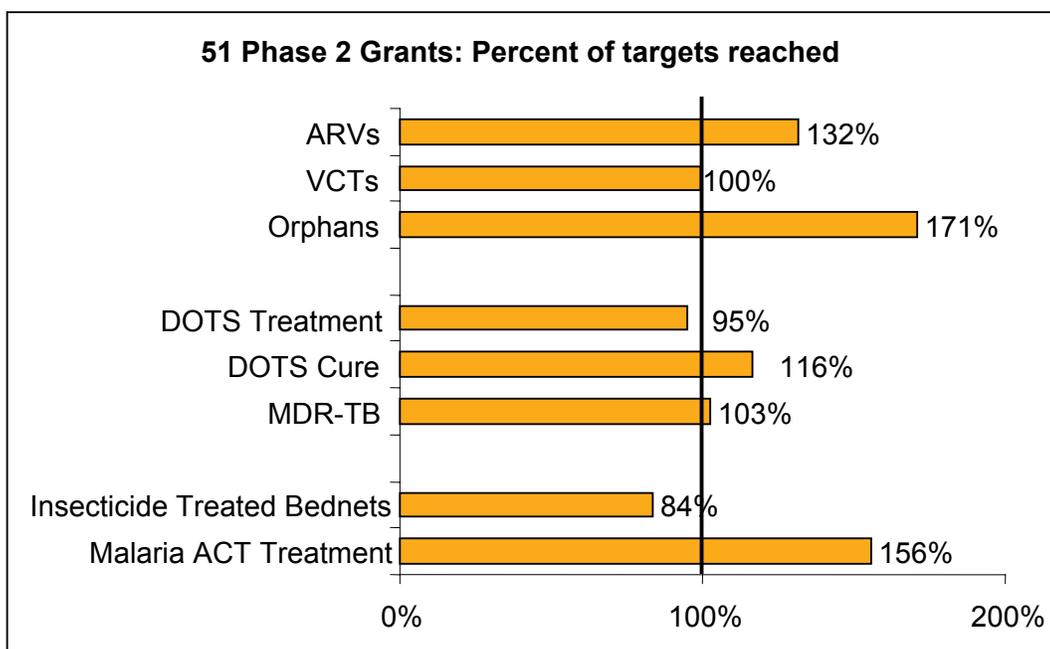


Figure 11: 51 Phase 2 grants: percent of targets reached

Indicators had been strengthened in many of the 51 Phase 2- eligible grants over the past year, so that 43 percent reported on the highest level of coverage – people reached by services (see box below). These grants therefore reported on substantial numbers of people reached.

People reached with key services by 51 Phase 2-eligible grants:

- 47,956 people with ARV treatment
- 1.4 million with HIV counseling and testing
- 284,000 with DOTS treatment for TB
- 215,000 with ACT treatment for malaria
- 2.7 million insecticide treated nets distributed or re-treated to protect families from malaria

In addition, 32 million people were reached with prevention through mass media and 1.8 million through community outreach, 73 million condoms were distributed and 239,000 people trained. This is only a selection of results from over 30 different service delivery areas supported among these 51 grants in the fight against HIV/AIDS, TB and malaria.

Variation in performance across grants

Eighty percent of the 51 Phase 2-eligible grants achieved an A (met or exceeded targets) or B1 (adequate performance) rating (see Figure 12). However, 16 percent received a B2 rating (inadequate performance but demonstrated potential), and 4 percent of grants received a C rating (unacceptable performance).

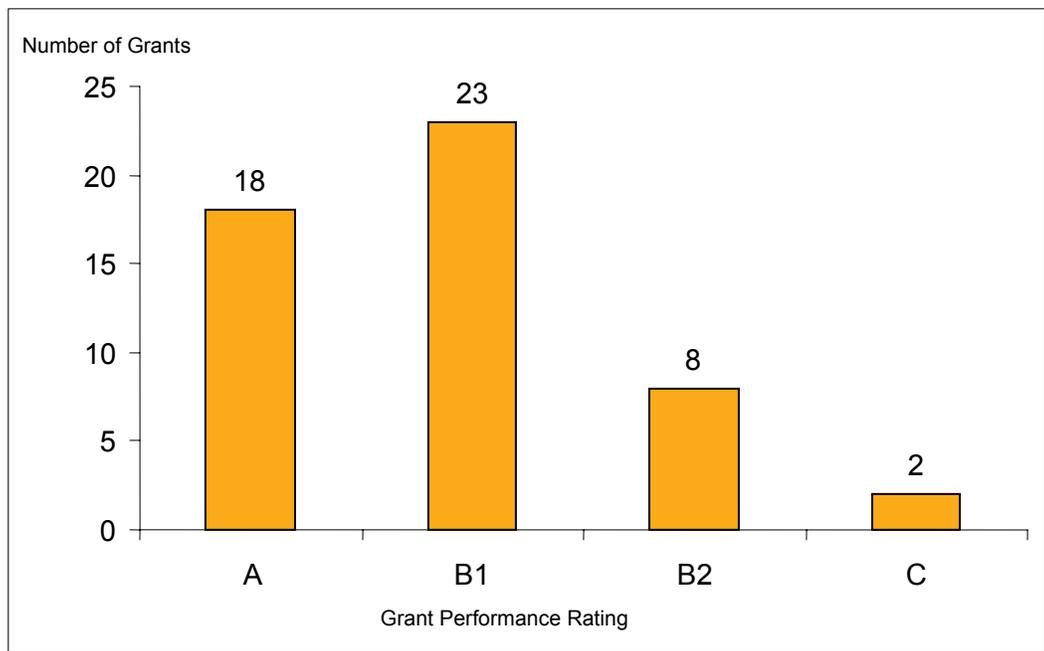


Figure 12: Performance rating of grants

The most difficult continued funding decisions concerned the B2-rated grants. Decisions for these grants had to balance performance to date with evidence of significant potential for the future. As shown in Figure 13 below, no B2-rated grant received a straightforward “Go” decision. Rather, those that have been given Board approval received a Conditional Go for Phase 2 funding, meaning that funding would be contingent on significant change and improvement in implementation and capacity. Most A grants (89 percent) achieved a Go rating, while all C grants were given either a No Go decision (funding discontinued) or a Revised Go decision (grants containing significant departures from the original approved proposal are referred to a special process for approval). While performance provides the clear basis for most continued funding decisions, the final decision takes into account contextual and individual grant conditions. Overall, 63 percent of grants received a Go decision, while 37 percent received a Conditional Go, Revised Go or No Go decision. To May 15, 2005, the Secretariat had recommended that four grants be given a No Go decision. Two of these No Go recommendations were reversed by the Board, one was confirmed, and the Board has requested further information regarding the fourth.

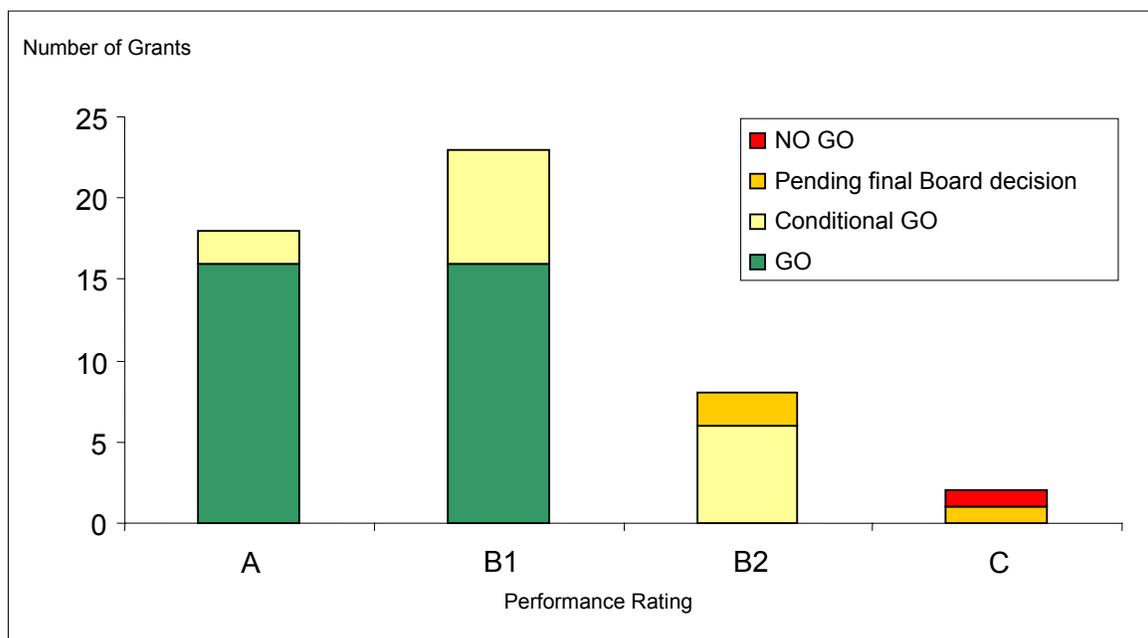


Figure 13: Phase 2 funding decisions by grant performance rating

Phase 2 funding: an investment in performance

Performance-based funding aims to take into account variability in performance to ensure that funds flow to programs where people in need are reached with prevention and treatment services. Ultimately, Phase 2 strengthens the Global Fund's investment of scarce resources: 94 percent of approved Phase 2 funding went to A- and B1-graded grants (see Figure 14). Conversely, 24 percent of requested Phase 2 funding was for B2- or C-graded grants, but only six percent was approved. The data suggest that Phase 2 investments follow performance.

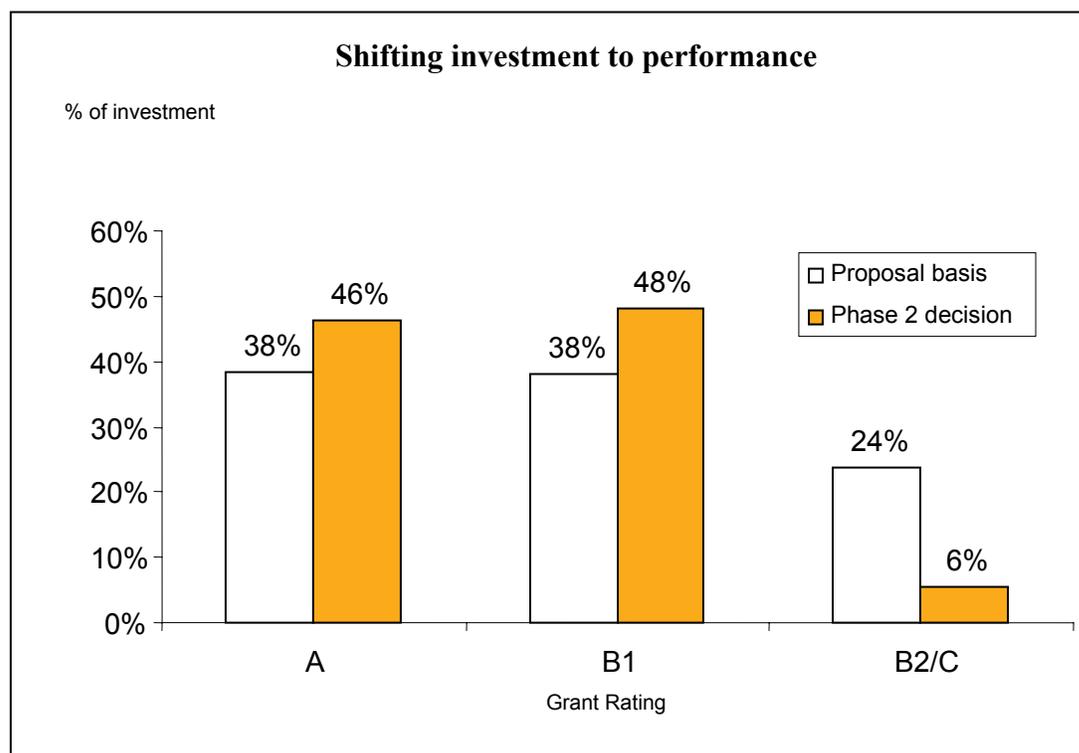


Figure 14: Phase 2 investments follow performance

Release of committed funds

Another function of the Phase 2 decision-making process is to release funds that are either committed to non-performing grants or to grants that are performing but with reduced budgets. These funds can then be funneled to more effective programs in other grants through new proposal rounds. This release of funds to be used elsewhere is an important consequence of performance-based funding.

Discontinued funding or reduced budgets have to date resulted in US\$ 23 million being freed for other programs. Following its review of 51 grants eligible for Phase 2 renewal, the Global Fund's Secretariat recommended reductions totaling 21 percent of the original Phase 2 amounts of these

proposals. Of this, 4 percent related to budget reductions and 17 percent to the discontinuation of four grants due to poor performance. By May 15, 2005 the Board had rejected two of the discontinuation recommendations while confirming one discontinuation and the budget reductions, representing reductions of 5 percent of the total. The Board has requested additional information regarding the fourth recommended discontinuation, representing 12 percent of the total. (see Figure 15).

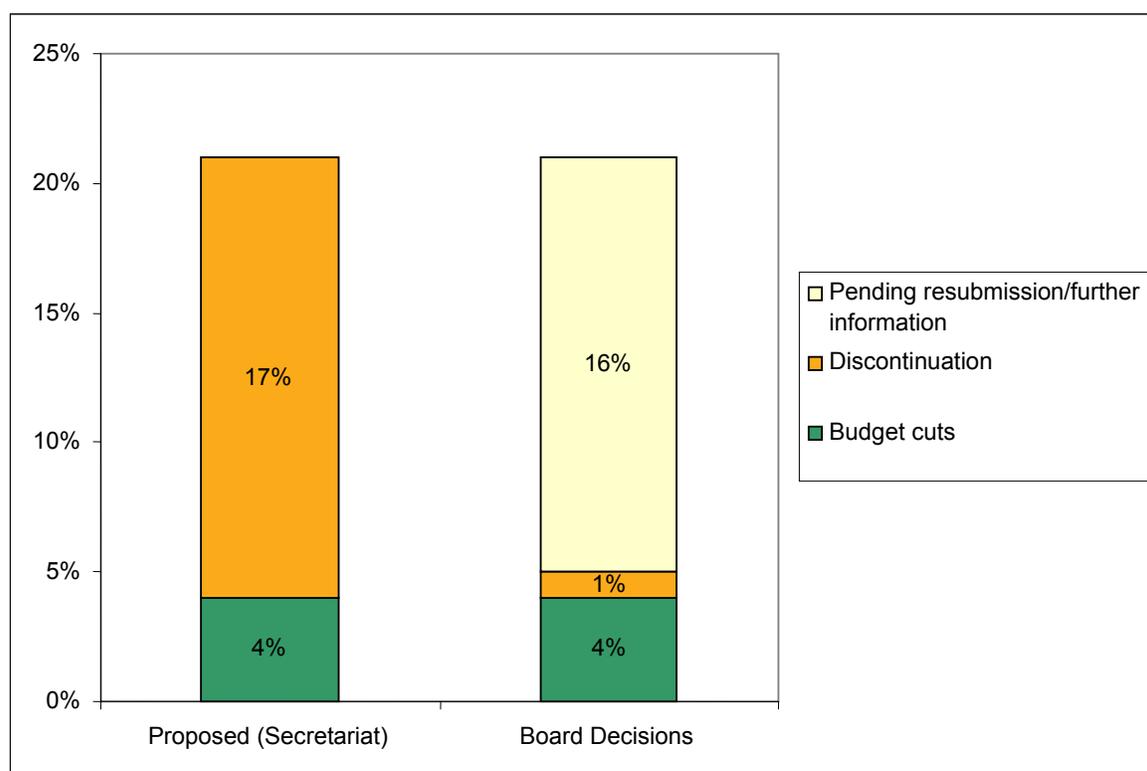


Figure 15: Percentage reductions on original Phase 2 amounts

Lessons from grant evaluation

The evaluation of data from the 51 Phase 2-eligible grants has provided some lessons on implementation and on the Global Fund's performance-based system, which will be incorporated as the system evolves. Similar patterns of grant performance to those in the January 2005 analysis of 27 grants are apparent, which confirm the earlier findings (for those results, see *Investing in the Future: The Global Fund at Three Years*, available at www.theglobalfund.org).

Grant performance was particularly strong for those implemented by civil society. This is reflected in Phase 2 funding approved to date, with civil society receiving over 96 percent of grantee-proposed amounts, governments receiving 66 percent and UNDP 69 percent. This highlights the important implementing role of civil society in the fight against the three diseases. The Global Fund encourages CCMs to broaden the participation of civil society

and other sectors in the selection of Principal Recipients and use multiple Principal Recipients where appropriate.

Grant performance was strongest for TB grants. Of the 51 grants evaluated for Phase 2, 50 percent of the TB grants were graded A, followed by 38 percent of HIV/AIDS grants and only 15 percent of malaria grants, indicating that lessons from strong models of implementation must be shared across the three diseases. Twenty-three percent of grants graded B2 or C were for HIV/AIDS, compared to 23 percent for malaria, and eight percent for TB. Procurement problems also had a greater impact on HIV/AIDS and malaria grants than on TB grants. Identifying good examples of existing partner networks and encouraging information-sharing across diseases will provide strong strategy and implementation models for Principal Recipients and Sub-recipients. In addition, special emphasis on establishing procurement capacity is required for HIV and malaria with lessons to be learned from TB drug procurement systems in some countries.

Analysis by region shows that sub-Saharan Africa had a slightly lower percentage of underperforming grants than other regions. They also had fewer overperforming, or A-graded, grants. This indicates that the region appears to have no greater obstacles to implementation than other regions but has much room for improvement in accelerating grants that are performing adequately. The Global Fund must work with its partners to ensure that assistance is going to B-graded grants as much as to C-graded grants, so that the focus is on accelerating the performance of merely adequate grants in addition to supporting underperformers. This also has implications for the continuing development of the Global Fund’s Early Warning System, as the greatest potential to accelerate performance in sub-Saharan Africa may be in adequately rather than non-performing grants.

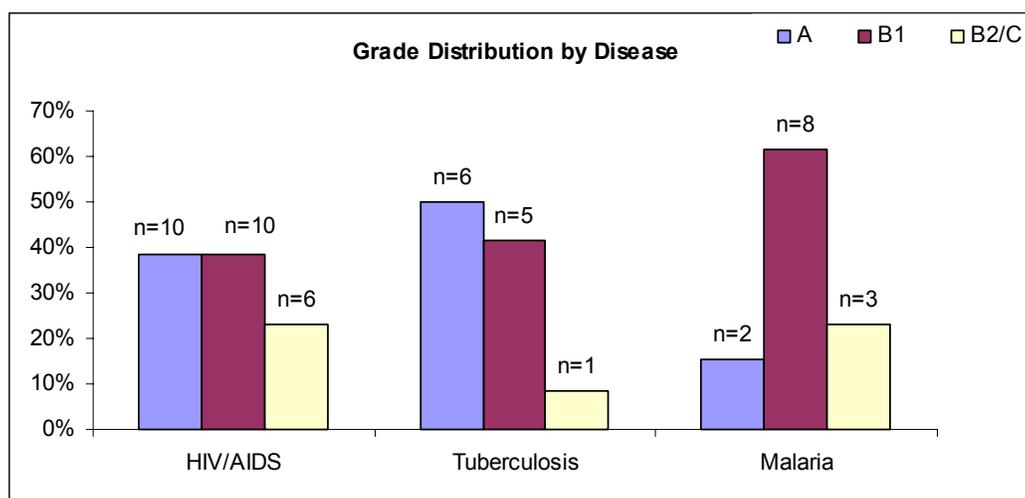


Figure 16 A: Grant performance by Disease

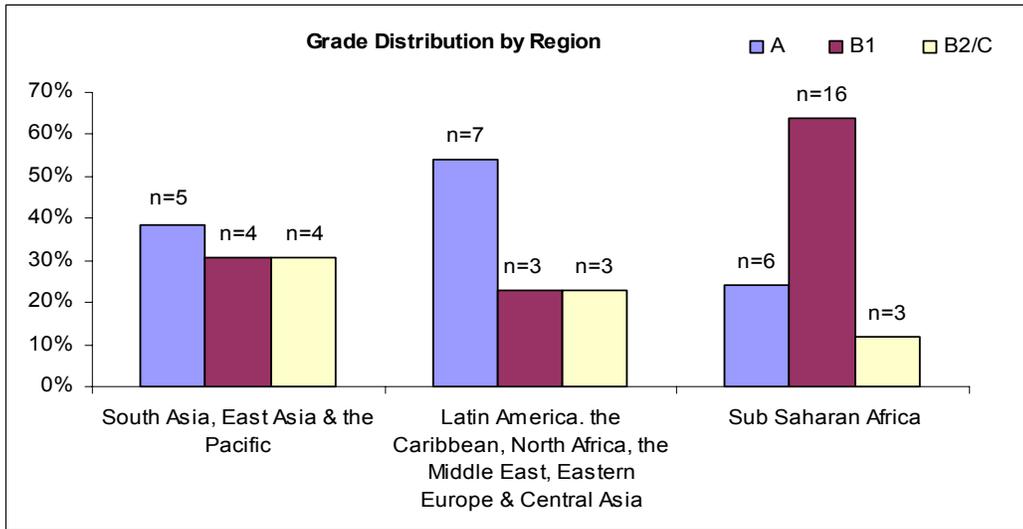


Figure 16 B: Grant performance by Region

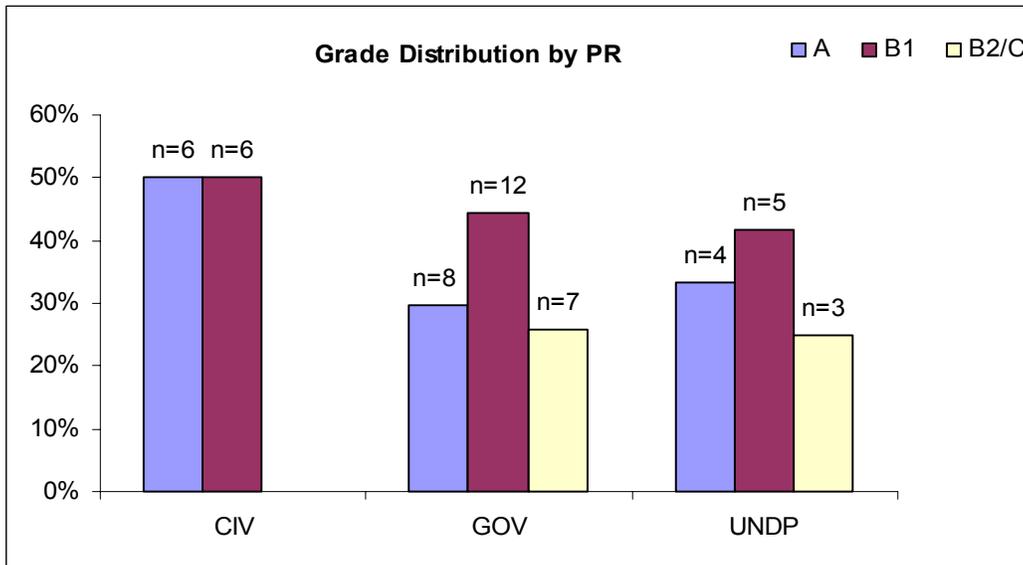


Figure 16 C: Grant performance by Principal Recipient type

Poorer performing grants had multiple problems: management and governance issues, problems of financial accountability, and performance against proposal goals as well as indicators. Grants performed well when they filled gaps in existing national strategies or scaled up services which built on existing infrastructure. In a number of countries, Global Fund grants were able to mobilize a national response, with wider system effects in combating the three diseases. This generally required the technical support of partners to fill important capacity gaps.

In terms of implementation, procurement remains a major issue, particularly for HIV and malaria grants, and effecting government principal recipients disproportionately. Support is required to build capacity, particularly in national procurement and more importantly subsequent supply chains. There are also continuing problems with broad participation and ownership at the CCM and implementation levels. This was particularly the case with HIV grants, which require the coordination of a particularly wide range of stakeholders.

Finally, self-assessment and response by grant recipients must be improved. In several B2- and C-graded grants, poor performance was apparent throughout the grant lifecycle, in reports from Local Fund Agents and in frequent Secretariat interactions with CCMs and Principal Recipients. However, even where poor performance was clear and questions had been raised over previous disbursements, few of these grantees produced plans to revise or improve their grants. Improved and earlier self-assessment by recipients and evidence of careful budgeting in CCM applications for Phase 2 funding has been clearly linked to program success to date.

Challenges for performance-based funding

The Global Fund's performance-based system continues to evolve, strengthening all four levels of the measurement framework. In addition, there are encouraging results from the analysis of the first 51 grants evaluated for Phase 2 funding in 2005. Taken together, these grants are reaching overall programmatic targets, with 80 percent receiving an A or B1 rating. Over US\$ 368 million has been approved for Phase 2 grants to date, strengthening the Global Fund's investments to date by investing in strong performance: ninety-four percent of approved Phase 2 funding to date is going to A- or B1-rated grants.

However, activities planned for the remainder of the year will require considerable effort on all sides, from the Secretariat and Board to donor and recipient countries, and technical partners. The performance-based funding system has brought many of the issues of development systems and grants quickly to the surface, including gaps in coordination with technical partners, procurement bottlenecks, slow implementation, poor governance and financial management, inadequate participation by private as well as public sectors and the creation of sustainable financing. Results to date provide important lessons for the fight against HIV, TB and malaria, to which the Global Fund and its partners must respond. Despite the barriers to grant implementation shown transparently by performance-based funding processes, grants are reaching overall programmatic targets. Investments in the fight against HIV/AIDS, TB and malaria are performing well.

While performance-based funding has developed enormously in 2005, a number of challenges remain:

1. Simplifying targets for people reached by key services, while supporting the development of wider M&E systems and capacity-building.
2. Documenting the performance basis of disbursements so that 95 percent of decisions are made on the basis of performance leading up to Phase 2.
3. Fully incorporating system effects and impact levels into the measurement framework, including working with partners to fill basic data gaps (for example, in national disease accounts).
4. Embedding performance-based funding into Board decisions on Phase 2 so that investment follows performance.
5. Realizing the opportunity to accelerate implementation by funding on the basis of performance.

Ultimately, resources raised by the Global Fund's donors and committed in principle through two-year grants belong to no one but those in need of services for the prevention and treatment of HIV/AIDS, TB and malaria.