

THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA
THIRD REPLENISHMENT (2011-2013)

IMPROVING VALUE FOR MONEY IN GLOBAL FUND-SUPPORTED PROGRAMS



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

LIST OF ABBREVIATIONS

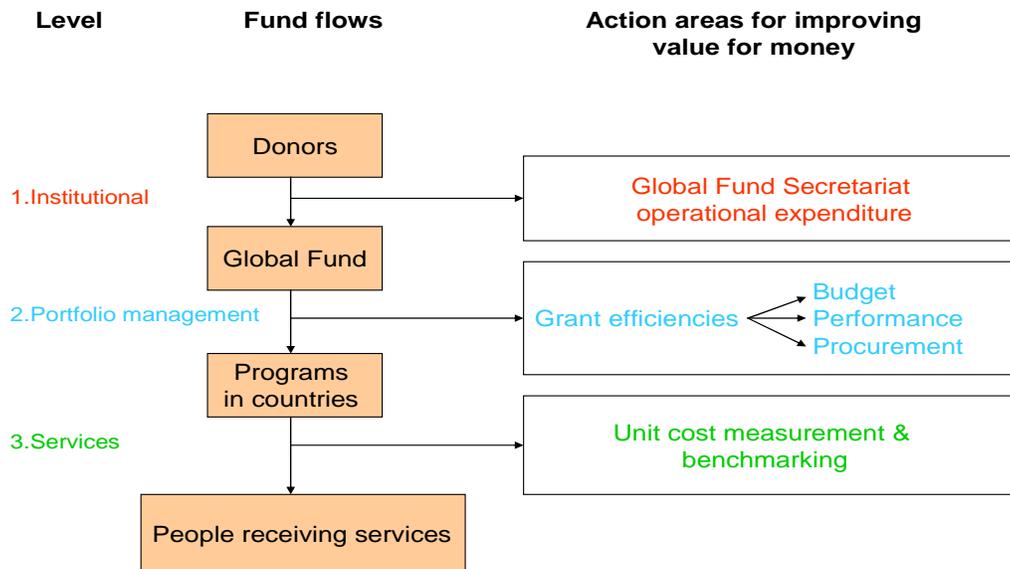
ACT	artemisinin-based combination therapy
ARV	antiretroviral
DALY	disability-adjusted life-years
DOTS	the basic package that underpins the Stop TB strategy
PEPFAR	President's Emergency Plan for AIDS Relief (U.S.)
PMTCT	prevention of mother-to-child transmission
TB	tuberculosis
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNGASS	United Nations General Assembly Special Session
WHO	World Health Organization

INTRODUCTION

1. The Global Fund to Fight AIDS, Tuberculosis and Malaria was designed to provide effective and efficient funding to combat the three diseases. It is committed to the principles in the Paris Declaration on Aid Effectiveness and to continuing to strengthen measures to improve the value for money of services delivered. Through its demand-driven approach, the Global Fund supports country-owned solutions, enabling local stakeholders to identify the most appropriate and efficient ways to manage their programs. The focus on efficiency in program management throughout the entire life cycle of a grant has intensified in the context of the financial crisis.

2. Ensuring value for money at every stage of the financing chain is a critical priority for the Global Fund, extending from donors to the people who benefit from program services directly. This is achieved by keeping Secretariat operational expenditures as low as possible, budgeting at different stages of the grant life cycle and ensuring value for money at program implementation level (see Figure 1).

Figure 1. Improving value for money at the Global Fund



INCREASING VALUE FOR MONEY AT THE INSTITUTIONAL LEVEL

3. Every dollar donated to the Global Fund goes to fund programs in country. The Global Fund has no country offices, and cumulative interest earned on the Trustee account at the World Bank has almost entirely covered the operating expenses for the Global Fund Secretariat operations and Local Fund Agent fees¹. In 2009, administrative costs amounted to no more than 5.3 percent of the Global Fund's total expenditures and the Global Fund is committed to keeping these costs as low as possible.

4. For the grants themselves, planning, administration and overheads typically accounted for 12 percent of reported expenditures in 2008. The Secretariat is committed to seeking efficiencies in grant administration and overhead costs, together with Principal Recipients. These costs are reviewed at the grant negotiation stage to ensure that they are reasonable. The Secretariat also undertakes negotiations with large program management partners such as the United Nations Development Programme (UNDP) to ensure efficiencies.

INCREASING VALUE FOR MONEY THROUGHOUT THE GRANT LIFE CYCLE: IMPROVING THE EFFICIENCY OF GRANT IMPLEMENTATION

5. The Global Fund grant management model is designed to achieve value for money in country programs through budget reviews (which are done at the time of proposal review, at the time of evaluation of Rolling Continuation Channel grants, and at the end of the grant life cycle in order to return unused funds) and through performance-based funding and efficient procurement. The value for money achieved is assessed throughout the grant life cycle: when the Technical Review Panel first assesses whether interventions chosen are evidence-based and represent good value for money; at the grant negotiation stage when grant budgets and legal agreements are negotiated between the Global Fund and Principal Recipients; and at subsequent performance reviews of the grant when expenditures against results are evaluated.

6. The comprehensive Phase 2 performance review (including outcomes and impact) which occurs by year two of each grant allows for the reallocation of funds from poorly performing grants to better-performing grants as well as for the identification of efficiency gains. In 2009 alone, nearly US\$ 1 billion was freed up for funding new grants through this process.

7. Table 1 provides an overview of measures to improve efficiencies during the grant life cycle and of their results in 2009.

¹ In 2009, due to higher recruitment costs and a challenging situation in the financial markets, the interest did not entirely cover the operating expenses.

Table 1. Examples of Global Fund measures to increase efficiencies

MEASURES	INDICATOR	2009 TARGET	2009 RESULTS
Institutional Efficient management of Secretariat	Secretariat operational expenditures (includes Local Fund Agent fees)	<10 percent of total expenditure, and <3 percent of grants under management	5.3 percent of total expenditure, and 2.2 percent of grants under management
Portfolio management: budget reviews at proposal evaluation, grant negotiation, Phase 2 review, Rolling Continuation Channel evaluation and grant closure. Budget review and adjustment by Technical Review Panel and Secretariat when new grants are signed Budget reviews and adjustments during Rolling Continuation Channel evaluations Budget reviews and adjustments during Phase 2 reviews Return of unused funds at end of grant	Grant budget efficiency savings	Round 8 grant signing: 10 percent of Board-approved amount; Rolling Continuation Channel: 10 percent of proposed amount Budget reduction relative to original proposed amount: 23.5 percent (performance-based + efficiency saving) Grant closure: US\$ 83 million	Overall: US\$ 976 million Round 8 grant signing: 13 percent (US\$ 403 million) Rolling Continuation Channel: 7.4 percent (US\$ 79 million) Budget reduction relative to original proposed amount: 22 percent (US\$ 317 million) Grant closure: US\$ 177 million
Portfolio management: performance Performance-based funding in Phase 2	Difference in actual funding amount for Phase 2 relative to original proposal amounts, compared between high-performing and low-performing grants*	Difference between high- and low-performing grants: 30 percent	Difference between high- and low-performing grants: 26 percent
Portfolio management: procurement Improved price and quality reporting	All grants reporting to Price and Quality Reporting system Grant procurement budgets through the Voluntary Pooled Procurement facility	Price and Quality Reporting: 100 percent of grants	Price and Quality Reporting: 88 percent of grants Voluntary Pooled Procurement: 34 countries registered in six months for participation and US\$ 271 million of orders placed

* For example, in 2009 best performing (A-rated) grants received on average 88 percent of their original approved amount for Phase 2, while poorer performing (B2- and C-rated) grants received, on average, 62 percent, which gives a difference of 26 percent for this indicator in 2009.

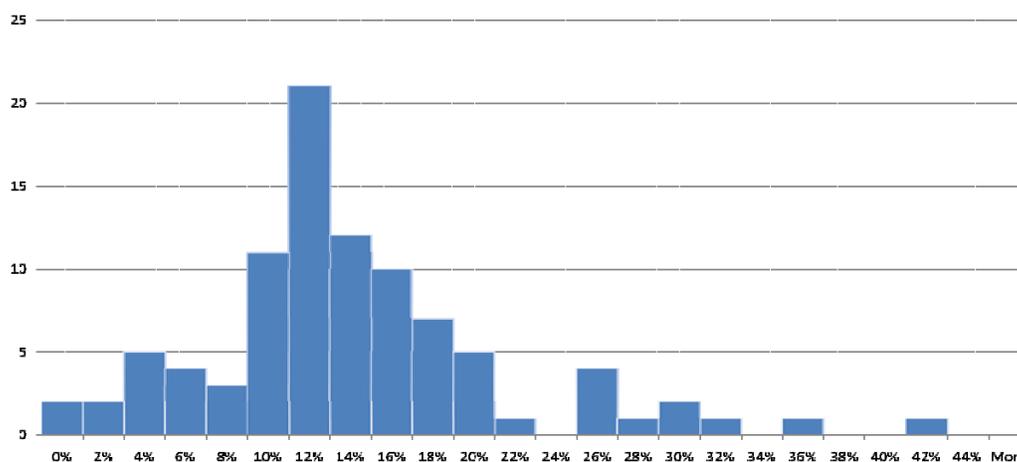
Proposal evaluation

8. In evaluating proposals, the Technical Review Panel assesses whether “interventions chosen are evidence-based and represent good value for money”². The Technical Review Panel evaluates proposals against the known evidence-base of cost-effectiveness for the interventions that are planned. In the Round 8 evaluation process, the Technical Review Panel also requested an independent budget review to scrutinize the budgets of some large proposals for potential cost efficiencies. Such reviews identified savings of over US\$ 190 million. In Round 9, the budgets of all proposals exceeding US\$ 100 million were reviewed by an independent financial analysis support group during the Panel review. Additional independent budget reviews are conducted on some of the approved Round 9 proposals during the Technical Review Panel clarification process.

Grant negotiation

9. At the grant negotiation stage, a legal agreement is negotiated between the Global Fund and the Principal Recipient. The grant agreement specifies expected results and detailed budgets. This stage provides another opportunity to review budgets and identify efficiencies, including by comparing unit costs to benchmarks. By December 2009, when grants for 85 percent of the approved Round 8 funds had been signed, this process had yielded an overall efficiency gain of 13 percent (US\$ 403 million) compared to proposed budgets for the round, with minimal impacts on service delivery targets. Adjustments were tailored to suit the country situations, resulting in gains of 2 to 20 percent for most grants. Figure 2 shows the variation of levels of efficiency gains in signing across Round 8 grants.

Figure 2. Efficiency gains in Round 8 grant signing



Notes: The bars represent the numbers of grants with a certain percentage of efficiencies gained at signing. Includes estimates for unsigned grants. Situation as of 1 March 2010.

Grant renewals

10. All grants are comprehensively reviewed after the first two years (“Phase 1”) in order to make decisions about funding for the next three years (“Phase 2”). The Phase 2 performance reviews include outcome and impact assessments. This process allows for the reallocation of funds from poorly performing grants to those performing better, as well as for the identification of efficiency gains.

² The Global Fund to Fight AIDS Tuberculosis and Malaria. Terms of Reference of the Technical Review Panel 2009: Available from: http://www.theglobalfund.org/documents/trp/TRP_TOR_en.pdf.

11. From 2005 to November 2008, 12 percent of the funds from poorly performing grants were deducted during Phase 2 reviews and allocated to better-performing grants. The Secretariat aims to have a 30 percent difference at Phase 2 between the actual funding amount allocated to well-performing (A-rated) and poorly performing (B2- and C-rated) grants relative to their approved proposal amounts. In 2009 this difference was 26 percent.

12. Through 2009, the performance-based funding reallocation process was amplified with an intensified focus on finding potential savings in budgets. As a result, efficiency gains identified and budget reallocations in Phase 2 grants amounted to about 22 percent of the original proposed Phase 2 budgets (US\$ 317 million). Similarly, approved Rolling Continuation Channel grants achieved an average saving of 7.4 percent (US\$ 79 million).

Procurement

13. Approximately 40 percent of grant expenditures are used to procure medicines and other health-related products. Grant recipients are required to conduct procurement through a transparent and competitive process (except in the case of small or emergency orders) to achieve the lowest possible price for products of assured quality³. They are also required to report price information for key products (such as antiretroviral (ARV) drugs, malaria and tuberculosis (TB) drugs, insecticide-treated nets, condoms and rapid diagnostic kits) to the Price and Quality Reporting system. This is then linked to the publicly accessible Global Price Reporting Mechanism hosted by the World Health Organization (WHO)⁴. These publicly accessible databases facilitate price comparisons, giving grant recipients additional information and leverage to negotiate prices.

14. The Global Fund has provided countries with purchasing power, and programs supported by the Global Fund collectively have the potential to influence prices and the market dynamics of key health products.

15. With the launch of voluntary pooled procurement in June 2009, countries can access a collective purchasing facility. This initiative aims to influence characteristics such as price, quality and supply by bulk purchasing, thereby facilitating ready access to medicines and other products. The initiative's initial focus is on four product categories: first-line and second-line ARV drugs for HIV as well as drugs for artemisinin-based combination therapy (ACTs) and long-lasting insecticidal nets for malaria. The short-term strategy includes monitoring the prices, cost savings and market shares, while the long-term strategy will focus on strengthening national procurement systems and supply chain management. The prices of comparable services such as long-lasting insecticide treated nets and first-line ARVs are followed (as of 2009) as part of the corporate key performance indicators. A target of an annual 5 percent decrease has been set for both of these items.

IMPROVING VALUE FOR MONEY AT PROGRAM IMPLEMENTATION

16. The Global Fund promotes the routine measurement of delivery unit costs of key intervention services in all supported countries. Available unit cost data and estimates at country and regional levels are fed back to countries and other stakeholders to facilitate cost evaluation and efficiency gains over time. The information made available will enable program managers in countries to use this information to prioritize the most cost-effective interventions and the most efficient ways of delivering services.

³ The Global Fund to Fight AIDS Tuberculosis and Malaria. Guide to the Global Fund's Policies on Procurement and Supply Management. Geneva 2006 November.

⁴ World Health Organization AIDS Medicines and Diagnostic Service. Global Price Reporting Mechanism. Geneva 2009; Available from: <http://www.who.int/hiv/amds/qprm/en/>

Improving measurement systems for value for money

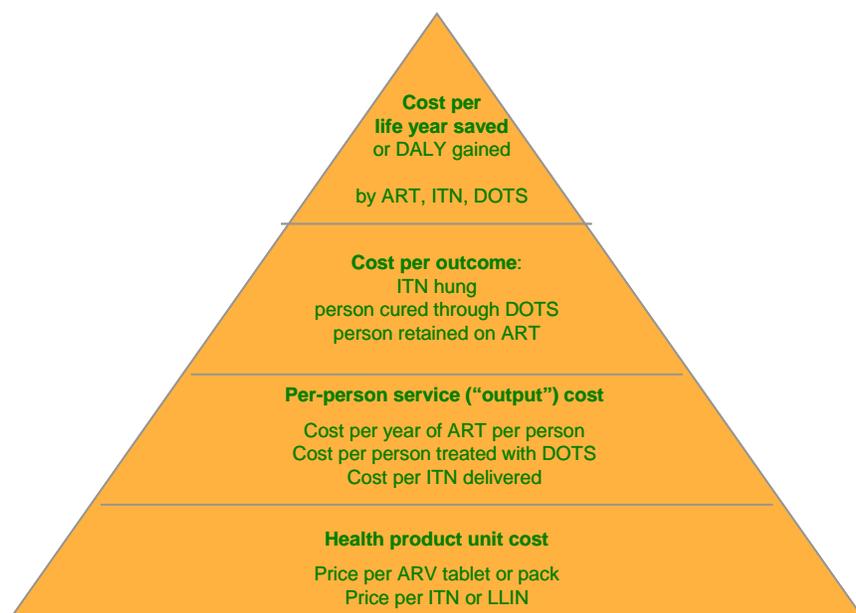
17. The Global Fund performance-based funding model has been a major catalyst for countries to focus on results. Reporting of outputs, outcomes and impacts of the disease programs in countries funded by the Global Fund has improved. However, the challenge when assessing value for money is the lack of adequate and comparable data on service delivery unit costs that could be linked to the data on people served and lives saved.

18. The approach for value-for-money measurement was agreed between the Global Fund, WHO and the Joint United Nations Programme on HIV/AIDS (UNAIDS) in 2008. The agreed principles for the measurement of standardized delivery unit costs are: to focus on program-level service delivery (rather than grants) where service output is translated into health impact; and to embed data collection in existing national monitoring and evaluation systems and routine annual reporting, through collaboration between Global Fund-supported national programs, WHO and UNAIDS.⁵

19. In order to promote the availability and use of standardized unit cost data for value for money assessments, the Global Fund works with international partners to gather this data using existing reporting channels. Country ownership of the approach is promoted by supporting capacity building at country level to measure unit costs of programs and to set efficiency targets. This information is then used for benchmarking, feedback and decision-making.

20. The measurement of value for money is approached at different levels (see Figure 3). At the *first level* are unit prices of commodities such as pharmaceuticals and health products used for key interventions. The *second level* is the measurement of standardized service delivery unit costs for key interventions in countries, such as the delivery of ARV therapy to an outpatient for a year. The *third level* is linking the unit cost of service delivery to the outcome of the service, such as the cure of a tuberculosis patient treated with DOTS (the basic package that underpins the Stop TB strategy). The *fourth level* is linking these unit costs with the data on impact (including measures such as cost per life-year saved or per disability-adjusted life-year) gained by the program.

Figure 3. Levels in assessing value for money in grant service delivery



Abbreviations: ART: antiretroviral therapy; ARV: antiretroviral; DALY: disability-adjusted life year; ITN: insecticide-treated net(s); LLIN: long-lasting insecticide-treated net.

⁵ The Global Fund to Fight AIDS Tuberculosis and Malaria. Value for Money framework, 2008. Available from: http://www.theglobalfund.org/documents/performance/framework_vfm.pdf

Improving the availability of standardized unit cost data

21. *Health product unit cost data:* The Global Fund Price and Quality Reporting system monitors the prices paid globally and serves as a reference point for countries in their price negotiations with suppliers.
22. *Per-person service unit cost data:* This is the focus of current efforts with partners to improve data availability. In the first phase, the measurement of standardized service delivery unit costs focused on three key interventions: DOTS treatment for TB, long-lasting insecticidal net distribution for malaria, and the delivery of ARV therapy for HIV. In 2010, unit cost measurement is being expanded to cover the prevention of mother-to-child transmission (PMTCT) for HIV, ACTs for malaria, multidrug-resistant TB, and possibly services for orphans and other vulnerable children. The aim is to have the standardized delivery costs measured and reported in all supported programs at the program level, using existing monitoring and reporting systems.
23. Measurement systems are the most advanced in the case of DOTS unit costs. The WHO Stop TB Department has built a reporting mechanism which has provided unit cost estimates since 2002. The department is currently providing unit cost data from 22 high-burden TB countries (See Table 2). Data have proven reliable and allow for identification of efficiencies in some contexts.
24. For insecticide treated nets, the Global Fund started collaboration in 2009 with the WHO Global Malaria Program in order to include reporting of standardized expenditure data for the delivery of long-lasting insecticidal nets (as part of reporting to the Global Malaria Report). Analysis of a first set of expenditure reports from 28 countries demonstrated that it is important to account for time lags between procurement of nets and delivery to households, reflecting transiting and storage. Data collection is being strengthened in 2010 to cover more countries, further standardize expenditure and service delivery reporting by improved guidance and technical assistance to national malaria programs, and include analysis for ACTs.
25. For ARV therapy, in collaboration with the WHO HIV/AIDS Department, UNAIDS and the President's Emergency Plan for AIDS Relief (PEPFAR), collection of standardized unit cost data from some national AIDS programs has started. A number of countries will be invited to participate in standardized reporting of ARV therapy delivery expenditure in order to determine the unit cost of the programs. WHO provides technical support to the countries to collect quality data.

26. Based on the Price and Quality Reporting system data on drug and health product procurement and on the service unit costs reported to the Stop TB Department, the Global Fund has been able to estimate the ranges of service delivery unit costs for key interventions, as summarized in Table 2.

Table 2. Estimates of unit costs for key interventions in Global Fund programs (2008)

SERVICE AND COST UNIT	NATIONAL INCOME LEVEL AND UNIT COST ESTIMATE (RANGE)	DATA SOURCES
Long-lasting insecticidal net distributed to a person or family at risk for malaria	All incomes: US\$ 7.3 (6.7-8.0)	Global Fund Price & Quality Reporting system and in-depth costing studies
DOTS per TB patient	Low income: US\$ 150 (138-191) Lower-middle income: US\$ 173 (151-177) Upper-middle income: US\$ 1,023 (956-3,148)	Annual expenditure reporting by national TB programs to WHO Stop TB department
ARV therapy per person per year (<i>first-line</i>)	Low income: US\$ 553 (538-572) Lower-middle income: US\$ 675 (654-708) Upper-middle income: US\$ 776 (729-803)	ARV prices reported to WHO Global Price Reporting system, in-depth ARV therapy costing studies, UNGASS expenditure reporting
ARV therapy per person per year (<i>second-line</i>)	Low income: US\$ 1,351 (1,324-1,488) Lower-middle income: US\$ 1,803 (1,533-2,331) Upper-middle income: US\$ 3,305 (2,408-5,223)	

Notes: The estimated unit costs are for the median and interquartile range. Country income levels are based on the 2007 World Bank list of economies⁶.

Abbreviations: UNGASS: United Nations General Assembly Special Session on HIV/AIDS

How the service unit costs are used in the grant life cycle

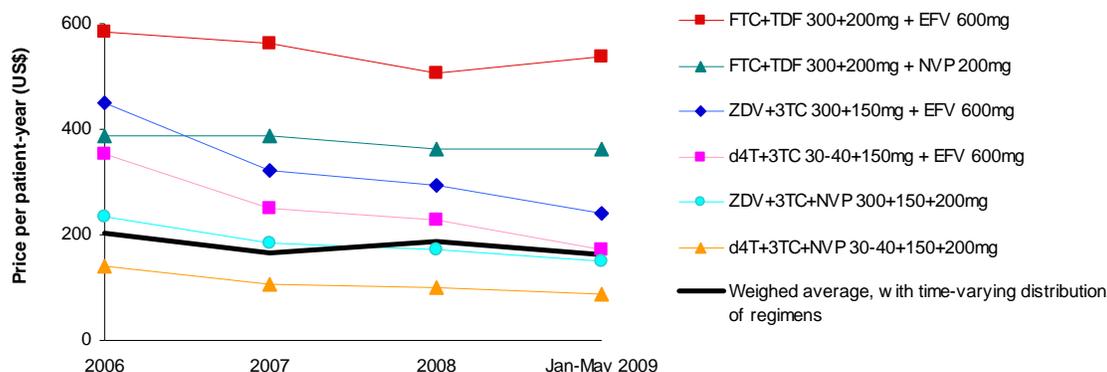
27. Due to its focus on seeking efficiencies in grant management, the Global Fund is making Principal Recipients and Country Coordinating Mechanisms more aware of the importance of value for money in programs. The increasingly available standardized program-level service unit cost data will be incorporated into the grant life cycle at various points. For example, at the country level, Country Coordinating Mechanisms are encouraged to use this data in proposal work plan and budget development. One of the objectives of developing standardized measurements for service delivery costs is to empower country stakeholders to have access to these data, and use it to more efficiently manage their grants. The forthcoming proposal guidelines for Round 10 will include guidance on the Global Fund's approach to value for money.

28. As described above, the work done by the Global Fund Secretariat and partners on gathering service delivery unit costs will provide data for comparison and benchmarking in various decision making points of the grant life cycle. Available service delivery unit costs are made available for the Technical Review Panel for proposal evaluations. As of April 2010, formal unit cost evaluations will be piloted in decision-making about continued funding for Phase 2 of grants. The unit costs of services delivered (or budgeted commodity unit prices) are compared to cost ranges of similar countries. Price data reported to the Global Fund by recipients give good starting points for procurement cost comparisons, while service delivery unit cost data are being collected with partners and made available for benchmarking.

⁶ World Bank. History of World Bank's analytical country income classifications [database on the Internet] 2009 [cited 23 October 2009].

29. An example of declining prices is provided in Figure 4, which presents the prices paid for first-line ARV therapy by HIV programs supported by the Global Fund since 2006.

Figure 4. Prices paid for first-line ARV therapy (2006–2009)



Notes: The averages weigh the six regimen prices according to their global-level share of patients, using regimen distribution data from 2006, 2007⁷ and 2008 data⁸ (thick black line). Abbreviations: 3TC: lamivudine; d4T: stavudine; EFV: efavirenz; FTC: emtricitabine; NVP: nevirapine; TDF: tenofovir; ZDV: zidovudine.

30. The Global Fund is redesigning the way in which it is providing funding to countries. In the new grant architecture, each Principal Recipient will receive a single stream of funding and comprehensive reviews of the program will be done every three years. Under this new model, program-level service unit cost measurement is integrated systematically in the performance-based funding model. With support from technical partners such as WHO, countries will be guided to measure and report service unit costs for key interventions in the programs at regular intervals (along with quality and impact data) to facilitate value-for-money assessments. This assessment will inform key decision-making stages of the funding cycle, such as the evaluations of proposals by the Technical Review Panel and decisions on continuing funding.

31. Currently, unit costs remain only one of the criteria used in decision-making. The purpose is to make countries aware of unit costs and achieve efficiency savings by setting feasible targets for improving unit costs without reductions in service delivery targets.

32. Apart from use in value-for-money program assessments, the Global Fund is also using unit cost estimates in model-based estimations of the future resource needs for program scale-up in different scenarios. These projections are done for both the overall program-level costs (based on program-level unit costs), and for expected Global Fund shares in these costs based on recent grant-reported expenditures.

⁷ Renaud-Théry F, Nguimfack BD, Vitoria M, Lee E, Graaff P, Samb B, et al. Use of antiretroviral therapy in resource-limited countries in 2006: distribution and uptake of first- and second-line regimens. AIDS 2007 Jul; 21 Suppl 4: S89-95.

⁸ World Health Organization, UNAIDS, UNICEF. Towards Universal Access: Scaling up priority HIV/AIDS interventions in the health sector. Progress Report 2009. Geneva: World Health Organization 2009 September.

CAN WE COMPARE THE GLOBAL FUND TO OTHER DONORS?

33. The focus of the Global Fund approach to value for money is not to produce service unit costs at the level of Global Fund grants, but at the level of supported programs, in line with Paris and Accra principles of aid effectiveness. It is not possible (or desirable) to determine the cost of a "Global Fund patient-year" of ARV therapy, as all Global Fund support to programs in countries is additional and co-funded.

34. The approach is to measure the standardized unit costs of programs supported in order to link the cost to the results reported by these programs. This provides the basis for measuring the value for money of the programs that the Global Fund is investing in. Many other donors, including PEPFAR, are supporting many of the same national programs. While results are carefully harmonized to avoid double counting, cost data and reporting is currently not harmonized, and is not always accessible. Promoting standardized unit cost measurement at program level and ownership of the value for money approach in countries is in the best interests of all stakeholders as a means to ensure better results for the money invested.

35. The Global Fund commitment to improve value for money is being implemented at all levels of the flow of funds from donors to the country beneficiaries. The current focus is on continuing to increase value for money at the institutional level and throughout the grant life cycle, as well as on improving data availability to be able to measure value for money of programs supported.

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