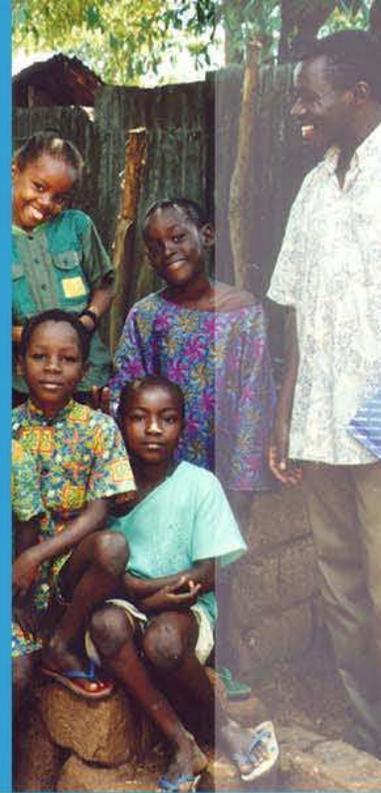


Evaluation of the Organizational Effectiveness and Efficiency of the Global Fund to Fight AIDS, Tuberculosis, and Malaria

Results from Study Area I of the Five-Year Evaluation

Contract #GVA-520-C-07-045-00

October 2007



Submitted to:
The Global Fund to Fight AIDS, Tuberculosis, and Malaria
Chemin de Blandonnet 8
1214 Vernier
Geneva, Switzerland

Submitted by:



11785 Beltsville Drive
Calverton, MD 20705



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Leo Ryan, Eric Sarriot, Peter Bachrach, Brad Dude, David Cantor, Jessica Rockwood, Jennifer Lissfelt, Victor Barnes

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Submitted by:

Macro International Inc.
11785 Beltsville Drive
Calverton, MD 20705
USA

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ACKNOWLEDGEMENTS

One of the challenges of conducting an “independent” evaluation is ensuring that objective findings and recommendations are grounded in the day-to-day realities of the organization that is subject to study. Understanding those realities can only come from honest and open exchanges with the individuals who make up the organization. While the recommendations in this report point to both successes and challenges at the organizational and systems levels, we found the Global Fund staff themselves to be dedicated, hard working, and willing to spend whatever time was necessary to assist the Evaluation team in understanding the organization, guiding us toward relevant data, and clarifying issues and nuances that would be impossible to understand from a purely external view. While all individuals who participated in Study Area 1 of the Five-Year Evaluation are listed in an annex to this report, we would like to particularly recognize the following individuals for significant time they took from their already busy schedules to inform the findings in this report:

Office of the Executive Director

Helen Evans
Sian Hamilton-Rousset

PEP

Daniel Low-Beer
Bernhard Schwartländer
Serge Xueref
John Cutler
Ronald Tran Ba Huy
Alex Lang
Mary Bendig and Fortunate Mendulla, with special thanks for facilitating the work of the team

Operations

Hind Khatib Othman
Paula Hacopian
Karmen Bennett
Katherine Ryan
Patricia Kuo
David Curry

External Relations

Dianne Stewart
Luke Aspinall

Finance

Barry Greene
Eric Godfrey
Julia van Riel-Jameson

Business Services

Steen Stottrup
Jean Claude Crepy

Legal

Bart Migone

OPCS

Duncan Earle
Kirsi Viisainen

Thanks to Tim Stiles of KPMG and for his help in collecting data and liaising with the LFAs in-country.

In addition, the Evaluation Team expresses its appreciation to Board members who made themselves available for interviews, and to the members of the Technical Evaluation Reference Group (TERG), for their guidance and support throughout Study Area 1.

The following members of the Five-Year Evaluation Team made significant contributions to this report:

- *Jim White* and *Jim Harden* contributed to the OD assessment;
- *Sarah Wood* and *Diane Willkens* contributed to the Resource Mobilization and Procurement sections;
- *Esther Dassanou*, *Marie Baptiste* and *Caroline Hope* contributed to the Resource Mobilization assessment;
- *LeeNah Hsu* led the TRP Review;
- *Karen P. Fogg* provided critical support in data analysis, draft review and technical editing.

The SA1 team thanks its colleagues from SA2, who contributed critical insights and comments during the preparation of the report. *Karen LeBan* served as a Senior Advisor to the Evaluation and provided valuable insights.

Finally, the writing of this report has benefited tremendously from the inputs of *Keith Bezanson*, Senior Advisor to the project, who has shared his insights and vast experience of the Global Fund and of the development field in general.

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EXECUTIVE SUMMARY

Introduction

In 2001/2002, with the recognition that (1) many countries faced expanding epidemics of HIV/AIDS, Tuberculosis, and Malaria; and, (2) new and effective responses were becoming available to confront all three diseases; leaders of the global community concluded that adequate funding was the primary constraint to bringing these diseases under control. While there was general agreement on the need for massive increases in funding, there was also an overall dissatisfaction with existing mechanisms for the funding of disease control and prevention programs in developing countries. Thus, the Global Fund to fight AIDS, Tuberculosis, and Malaria (the Global Fund) was founded, with the explicit aim that it should be a “different” international development organization: more able to raise large amounts of financing quickly; more adept at working with and through others in the application of those resources; agile and able to assure accountability, without requiring a large bureaucracy for its own administration and the management of its programs.

In just five years, the Global Fund has made notable contributions towards these original aims. It has (1) managed an exceptionally rapid start-up, scaling up its program to reach 113 countries within five years,¹ (2) attracted nearly 18 billion US\$ and disbursed considerable sums (4.4 billion US\$) against the three pandemics,² (3) included new constituencies through an original governance structure; (4) functioned entirely through new institutional arrangements with development partners as opposed to building up a field infrastructure of its own; (5) promoted accountability from its grantees through performance-based funding; and (6) established high standards for transparency in its operations.

Looking forward, the context has changed. The Global Fund has played a significant role in moving the world from a situation of severe resource scarcity in fighting the three diseases to one of much greater resource availability. Though the level of finances committed to the fight against the three diseases has not yet matched estimated epidemiological needs, the resources available and the future trajectory set for the size of the Global Fund at the 15th Board meeting have already considerably altered the context for recipient countries, program implementers, and the technical partners of the Global Fund. As global health actors have proliferated, often through fragmented efforts that create stress on national structures, developing country national investments in health care have generally failed to increase and to align with commitments (e.g., the Abuja plan of action).

In this context, the Global Fund’s plans for accelerated growth by raising additional resources, and expanding significantly the scale of demand for the Global Fund monies over the coming years, put the balance of achievements and shortcomings on a different scale. The Evaluation concludes that the governance and management systems and processes that have evolved through the Global Fund’s rapid start-up and which are now in place will not meet the needs of an

¹ In addition to regional grants. See Annex 1.4.

² These figures reflect the most recent developments from the Berlin Replenishment, which took place after primary data for this report was assembled. Prior to Berlin, the Global Fund had attracted nearly 7 billion US\$ and disbursed 3.8 billion.

expanded Global Fund that has projected a five-fold increase in the size of its operations³ in the next four years. A failure to seriously address the issues identified in this report regarding overall strategic focus; governance systems; resource mobilization; and organizational culture/climate will lead to serious risks for the institution in terms of corporate reputation, donor confidence, employee morale, and ultimately, risk to the Global Fund's beneficiaries (see Text Box, page 126).

The Evaluation recommends a prioritized series of coordinated strategic, governance, and management improvement steps as follows:

1. **The Global Fund will have to refocus its business model to ensure that its Strategy is clearly focused on impact against HIV and AIDS, Tuberculosis (TB), and Malaria, and articulates the role of each of its guiding principles in contributing to this focus.**⁴ The strategy will have to address how to effectively and equitably increase the demand for Global Fund monies, given system weaknesses at the country level, while containing risk. (see *Priority Recommendations 1,3,4,8—12, 20, and 23*).
2. The Global Fund has from the outset based its operations on partnership arrangements and avoided building a field infrastructure. However, the nature of partnerships have evolved differently with different partners, and no clear expectations have been articulated regarding the role of a “partner”—whether a technical partner or in-country implementing partner. **The Global Fund will need to more explicitly define its expectations for partnership arrangements, clarifying roles and responsibilities with various partners** (primarily technical partners and in-country partners) in line with its vision and mission (see *Priority Recommendation 2*).
3. **To ensure that it can focus on long-term strategic issues regarding the fight against the three pandemics, the Board will have to refocus the delegation of work it presently assigns to committees and the Secretariat** (see *Priority Recommendations 5, 6, and 7*).
4. To prepare itself for maximizing the efficiency with which it can manage a projected disbursement of 6 to 8 billion US\$, **The Global Fund must address a series of management and organizational culture dysfunctions that have emerged with the rapid growth of the organization**, resulting in ad-hoc systems and processes that are often duplicative and decrease efficiency, and leading to a feeling of distrust between different units and levels of the organization. (see *Priority Recommendations 13—19*)

This Executive Summary presents the key findings and priority recommendations that support the directions outlined above. The full report presents a historical perspective of the Global Fund's positioning within the development assistance architecture (1) at the onset of the experience, and, (2) as it has evolved throughout the last five years. Subsequent sections systematically present key findings and priority recommendations in all areas examined by Study Area 1: the Global Fund's business model and strategic focus; leadership and governance

³ Disbursements for 2006 were at 1.3 billion US\$. They are expected to reach 6 to 8 billion US\$ annually within four years.

⁴ The Global Fund has established a set of principles to define, guide, or constrain its mode of operations (see below and Annex 3). Some of these principles call for less involvement from the institution, on a par with the role of a financial institution; others require more involvement, as required by its responsibility as a significant actor of the global health stage

functions of the Board; resource mobilization (with a particular focus on private sector resource mobilization), key institutional arrangements supporting performance such as management of human resources, key work processes, measurement and information management, as well as procurement. The Technical Review Panel (TRP) and the Local Fund Agents (LFAs)—key parts of the Global Fund architecture, which have been extensively evaluated previously—are also presented as part of the overall SA1 findings.

Methodology

At its November 2006 meeting, the Global Fund Board approved the “first major evaluation of the Global Fund’s overall performance against its goals and principles after at least one full grant funding cycle has been completed (i.e., five years).” This report focuses on the first Study Area of the overall Five-Year Evaluation, which examines whether the Global Fund, through both its policies and operations, reflects its critical core principles, including acting as a financial instrument (rather than as an implementation agency) and furthering country ownership; and in fulfilling these principles, whether it performs in an efficient and effective manner.

Data for Study Area 1 was collected between April and September 2007, in parallel to startup activities for the two other primary study areas that constitute the Five-Year Evaluation:

- Study Area 2 examines the effectiveness and efficiency of the Global Fund’s partnership system in supporting HIV, TB, and Malaria programs at the country and global level, and the broader effects of the Global Fund partnership on country systems. This part of the evaluation will draw from country partnership assessments conducted in 16 countries between April and November 2007. A final report on Study Area two will be complete by February 2008, although some preliminary findings from this work are noted in this report.
- Study Area 3 examines the overall reduction on the burden of AIDS, TB, and Malaria, and attempts to assess the Global Fund’s contribution to that reduction. A final report from Study Area 3 will be complete in June 2008. Synthesis and integration of findings from all three study areas will begin in early 2008, with a final synthesis report scheduled to be complete in August 2008.

Study Area 1 has included (1) a study of Board governance; (2) an organizational development (OD) assessment of the Global Fund secretariat; (3) a review of the proposal development process and the technical review panel (TRP); (4) an examination of procurement, supply management, and financial management issues; and, (5) a study of private sector resource mobilization. These last two components bridged both SA1 and SA2 activities.

Specific information on the methods used for each part of the study is included at the beginning of respective sections of this report, but is summarized here. The principal data collection activities of SA1 included interviews at the Global Fund Secretariat and Board levels and with global stakeholders; an organizational development (OD) assessment of Global Fund governance and management; review of specific areas of performance of the Global Fund and its ancillary structures; and benchmarking of a number of results and processes. While identifying benchmarks in terms of metrics and institutions proved challenging (see “limitations” in the conclusion of this report), “benchmark highlights” featured throughout the report provide a

useful context for its findings, where appropriate.⁵ Over 100 individuals from the Secretariat and the Board participated in interviews or focus groups for Study Area 1.

Study Area 1 is further informed by a review of existing data and documentation on processes provided by the Secretariat, as well as the existing studies that have been conducted on the operations of the organization, including:

- Review of previous TERG-mandated Five-Year Evaluation studies⁶.
- General review of expert reports, studies, opinion pieces, evaluation reports and Global Fund and independent studies, by thematic areas (e.g., Resource Mobilization, Procurement).
- Review of Board and Committee reports; minutes from Board meetings; and TRP reports.

The complete list of references cited and consulted is provided as an annex to this report.

In addition, the Evaluation had access to the internal TERG and Secretariat SharePoint areas. Statistical Annex 1 compiles data collected from the Secretariat and is referred to throughout this report.

Summary of Key Findings and Priority Recommendations

VISION AND MISSION: TOWARD A BUSINESS MODEL

The Evaluation examined how efforts to respect the founding principles of the Global Fund have translated into an effective business model. The Global Fund's Framework Document links the institution's ultimate vision to "make a sustainable and significant contribution to the reduction of infection, illness, and death, thereby mitigating the impact caused by HIV/AIDS, tuberculosis and malaria in countries in need, and contributing to poverty reduction as part of the Millennium Development Goals," with its mission "to attract, manage, and disburse additional resources," and its means," through a new public-private partnership." The founding principles, outlined in the table below as presented in the Framework Document, have served to guide the institution in the conduct of its business.

⁵ For more details on the evaluation methodology, see: Global Fund Five-year Evaluation: Study Areas 1 and 2. Inception report summary. June 20, 2007; and the methodological annex attached to this report.

⁶ These documents and relevant summaries are available on http://www.theglobalfund.org/en/about/terg/five_year_evaluation/.

Founding Principles of the Global Fund

(Framework Document of the Global Fund to Fight AIDS, Tuberculosis, and Malaria)

- A. The Fund is a financial instrument, not an implementing agency.
- B. The Fund will make available and leverage additional financial resources to combat HIV/AIDS, Tuberculosis and Malaria.
- C. The Fund will base its work on programs that reflect national ownership and respect country-led formulation and implementation processes.
- D. The Fund will seek to operate in a balanced manner in terms of different regions, diseases, and interventions.
- E. The Fund will pursue an integrated and balanced approach covering prevention, treatment, and care and support in dealing with the three diseases.
- F. The Fund will evaluate proposals through independent review processes based on the most appropriate scientific and technical standards that take into account local realities and priorities.
- G. The Fund will seek to establish a simplified, rapid, innovative process with efficient and effective disbursement mechanisms, minimizing transaction costs and operating in a transparent and accountable manner based on clearly defined responsibilities. The Fund should make use of existing international mechanisms and health plans.
- H. In making its funding decisions, the Fund will support proposals which:
 - Focus on best practices by funding interventions that work and can be scaled up to reach people affected by HIV/AIDS, tuberculosis, and malaria.
 - Strengthen and reflect high-level, sustained political involvement and commitment in making allocations of its resources.
 - Support the substantial scaling up and increased coverage of proven and effective interventions, which strengthen systems for working: within the health sector; across government departments; and with communities.
 - Build on, complement, and coordinate with existing regional and national programs (including governments, public/private partnerships, NGOs, and civil society initiatives) in support of national policies, priorities and partnerships, including Poverty Reduction Strategies and sector-wide approaches.
 - Focus on performance by linking resources to the achievement of clear, measurable and sustainable results.
 - Focus on the creation, development and expansion of government/private/NGO partnerships.
 - Strengthen the participation of communities and people, particularly those infected and directly affected by the three diseases, in the development of proposals.

- Are consistent with international law and agreements, respect intellectual property rights, such as TRIPS, and encourage efforts to make quality drugs and products available at the lowest possible prices to those in need.
- Give due priority to the most affected countries and communities, and to those countries most at risk.
- Aim to eliminate stigmatization of and discrimination against those infected and affected by HIV/AIDS, especially for women, children and vulnerable groups.

1) **Key findings**

- The Global Fund has strived to respect its founding principles: As a financial instrument, not an implementing agency, it has no presence in countries; it relies on partners to provide technical assistance (TA) to its programs (although the distinction between the Fund’s in-country interventions and TA is not always clear); it disburses based on strict accountability criteria; and it has created conditions favoring measures of country ownership and encouraging inclusion of civil society and private sector representatives in country governance structures through the Country Coordinating Mechanisms (CCMs).
- Discussions with Board members, partners, and preliminary results from Country Partnership Assessments, suggest that there are very different interpretations of the guiding principles, and hence the role and purpose of the Global Fund, at many different levels. These different interpretations interfere with the Global Fund’s ability to work effectively on a global scale. This may in part be attributed to inconsistent articulation of the guiding principles which, from its inception, drove the manner in which the Fund’s vision and mission were communicated through partners to countries.
- The inherent tensions between competing principles have not been resolved to give consistent practical programmatic guidance. These tensions include the need to balance country ownership of results with the Fund’s desire to show results based on standardized data; the desire to remain a “financing-only” institution vs. the practice of providing technical resources such as the M&E toolkit that help to build capacity of countries (a technical assistance role); and the tensions related to remaining a “financing-only” institution while still ensuring the organization is operating in a balanced manner in terms of different regions, diseases and interventions. This has led to the creation of ad hoc arrangements and constant concerns about violating principles—especially the financing-only and country ownership principles (calling for restraint in interference with countries)—without a pro-active approach to the organization’s stated purpose of making a significant contribution to impact against the three diseases on a global scale (which calls for more proactive steps, in line with the responsibilities of a development agency).
- The Strategy recently approved by the Board provides a useful framework for setting policies and addressing the questions of “how” and “how much” the Global Fund will disburse, but it does not effectively establish long-term goals for global disease control, nor

resolve the conditions of applicability of the seven founding principles based on a strategy for achieving these goals.

2) **Priority Recommendations**

⇒ **Priority Recommendation 1:** The Board should consider further developing its Strategy to ensure that the organization’s mission and goals are clearly articulated to focus it toward impact on each of the three diseases. This will require:

- Developing specific goals for different types of country profiles based on—epidemiological profiles and, levels of country capacity to supporting disease control programs. CCM profiles should be considered in such areas as integration vs. parallel structures, and proactive involvement of constituencies vs. minimalist compliance to requirements for funding.
- Establishing the general magnitude of resource requirements (financial, organizational, and in terms of human resources) and defining resource allocation priorities for the achievement of the stated goals and objectives.
- Matching resource requirements with the resource mobilization strategy and adjusting the requirements for the application of different policy instruments, taking into consideration the Global Fund’s positioning and comparative advantage in the development architecture.
- Revising the performance and results targets to which the organization will be held accountable.

⇒ **Priority Recommendation 2:** Furthermore, the Strategy should clearly articulate a range of preferred and acceptable partner roles. These should be defined based on the prospect for effectiveness of partner arrangements in achieving specific objectives within given contextual profiles, rather than based on general intentions. These should be negotiated with the Global Fund’s main partners through a transparent and participatory process for technical partners, country partners and governments, civil society and private partners, and donor and recipient delegations.

- The objective of this recommendation is not for the Global Fund to become excessively prescriptive (to the extent that local agreements cannot be developed at the country or regional levels), but to set clear expectations and a range of options for effective technical partnerships, which countries can learn to access and use to their advantage. (As the Box below [Making Technical Partner Roles Explicit] illustrates, based on SA1 and SA2 findings, excessive flexibility in partnership arrangements can also lead to questions that would help better define what a functional partnership is.)
- Based on mapping of needs and capacity, elements of the Strategy could be specified to achieve the goal of sustainable and effective country disease control programs, based on the individual and coordinated capabilities of all country stakeholders (“country owned”). Some countries might benefit from CCM development and capacity building efforts through mechanisms negotiated between the Global Fund and a partner with

country presence (UNAIDS, WHO, International Non-Government Organization (NGO), even Bilateral Agency). Others may focus on integrating CCMs within sustainable national structures or strengthening disease control oversight capacity in-country. Countries themselves (especially governments) should be increasingly accountable for sound stewardship, effective technical oversight, and leadership as the size of disbursements and support from the Global Fund for national strategies increase.

Setting in place these essential strategic elements would allow further development of a resourced business plan. The following recommendations are made in support of this plan:

- ⇒ **Priority Recommendation 3:** To support the implementation of its Strategy, the Board should support the development of a business plan that sets a hierarchy and contextual boundaries for the application of the Global Fund principles. This business plan should assist the Board to (1) focus on issues which have not thus far received sufficient attention (especially partnership and monitoring and evaluation of impact); and, (2) define more precisely the current status and future orientations of the Global Fund business model.
- ⇒ **Priority Recommendation 4:** The business plan should include benchmarks for appropriate balance in resource allocations by (1) establishing minimum standards for effort toward low capacity and high burden of disease countries (by country groupings and by disease, if not by component); and, (2) establishing the framework and the means-to-ends requirements for ensuring access to required TA (e.g. explicitly stating how TA will be resourced, what contributions will be made by technical partners, what financing options of technical partners by the Global Fund are expected, and how arrangements will affect and maintain the principle of country ownership).
 - This recommendation points to a known tension in the Global Fund principles: if the Global Fund exists only as a financial instrument responding to country demands, it can hardly control the balance of efforts across regions, diseases and interventions. However, if the value proposition of the institution is to impact three diseases where they are prevalent first, this calls for proactive steps, which can be defined with partners inside (i.e., Board constituencies) and outside (e.g., technical partners) of the Global Fund. The Global Fund can then reinforce how its principles of being a financial institution and respecting country ownership will be operationalized (for example, through TA arrangements) in the pursuit of this higher purpose.

BOARD GOVERNANCE

The Board Governance Review focused on a comprehensive review of Board minutes for each of the first 15 board meetings, interviewing Board members to identify areas for efficiency gains in Board Operations.

1) Key Findings

- The Global Fund's Board structure and processes have achieved both broad participation and genuine power-sharing between key constituencies in the fight against HIV/AIDS, TB,

and Malaria, including; donors, developing and developed countries, the private sector, civil society organizations, and people living with these diseases.

- The effective expression of the voice of certain constituencies has, however, been constrained by varied rates of attendance at Board and Committee meetings, by the ineffective representation of constituents through their delegation, and by related internal communication difficulties. These difficulties are in large part due to the size of recipient country constituencies and to the absence of a mechanism for them to debate and form positions in a timely manner.
- Board members have been dedicated and diligent in paying attention to issues debated in both depth and detail. However, a review of the Board's discussions and decision points shows a heavy focus on operational issues and policies, at the expense of longer-term strategic discussions. Issues such as resource mobilization, partnership development, and monitoring and evaluation have collectively represented only 13 percent of Global Fund Board discussions since the inception of the organization, while the majority of focus has been on issues related to internal Global Fund matters, policies, and strategies for grants management, some of which could optimally be left to the operational levels (i.e. Secretariat Management).
- The information processing capacity of Board members has reached a point of saturation, calling into question the distribution of roles and responsibilities between the Board, its Committees, and the Secretariat (e.g., documents to be read by Board member before the last Board meeting reached 600 pages, in addition to 300 pages of presentations). The number of discussion topics alone for the last Board meeting reached over 170, raising serious questions about the effective prioritization of issues by the Board.
- The intensive Committee involvement in all aspects of the Global Fund's work in general and the Committee processes in particular has led to the justified criticism that the Board micro-manages the Global Fund's affairs. Board members have identified an excessive revalidation of Committee discussions in full Board meetings as one clear area of efficiency loss.

2) **Priority Recommendations**

In order to effectively support and guide the organization's Strategy, the Board and its Committees must avoid being tied to operational rather than strategic aspects of their mission. Recommendations for the improvement of Board operations will have a limited effect unless the Board first takes determined steps in focusing its attention to strategic issues and leaving operational issues at the appropriate levels. This requires finding efficiencies and streamlining operations, signifying that more areas of Board responsibility should be considered for delegation. The Evaluation recommends the following:

⇒ **Priority Recommendation 5:** The Board should emphasize the principle of subsidiarity in decision making,⁷ and accordingly seek to test and institutionalize areas for delegation and

⁷ The principle of subsidiarity posits that a central structure should perform only those tasks which cannot be performed effectively at a lower level. Accordingly, responsibilities ought to be handled by the lowest competent authority.

streamlining of its operations. Specifically, the Five-Year Evaluation recommends the following:

- *Board meeting management:* The Board Chair, Vice Chair, and Executive Director should together establish clear priorities for each meeting, and strengthen the management of the Board meeting agenda (prior to and during the meeting) to ensure that priority issues are (1) appropriately documented; (2) raised early in the meetings; (3) have estimated and reasonable time frames for consideration; and, (4) decided and communicated clearly. The remaining issues would necessarily then be delegated for action to the appropriate structures.
- *Committee operations:* The Board should improve the management of the number of issues referred to its Committees by more clearly distinguishing between strategic issues--which need to be brought to the full Board for discussion--and operational issues, which can be decided at the committee level and approved by motion by the full Board. Those issues which can be decided at Committee level should reflect discussion of sufficient maturity to facilitate rapid approval by the Board with little discussion.

Committees should use a medium term planning cycle to identify issues and deliverables over a longer period than the present 'Board meeting to Board meeting' 6-month timeframe.

- *A process for streamlining Board governance:* The Board should commission a facilitated participatory review process over the next cycle of Board meeting preparations, Committee and Board meetings, and follow-up. The purpose of this review should be to identify areas for further delegation and streamlining of Board operations, and might include such areas as mechanisms to further strengthen communication and working relationships between the Board and Secretariat, and examine size, structure/number, and terms of reference of committees⁸. It should rely on a trusted external coach, working with a group representing Board, Committee, and Secretariat leadership. This advisor/facilitator should be allowed to observe and analyze 'from inside' the Board and Committees' operations and their work with the Executive Director and Secretariat.

⇒ **Priority Recommendation 6:** The Executive Director should serve as an ex-officio member of the Board, for the purpose of strengthening the working relationship between the Board and the Secretariat.

- This recommendation is intended to build on the potential for change created by the renewal of all leadership positions; to signal both trust and determination to better differentiate between governance and management functions (see Table 10); and to facilitate appropriate delegation with progress from ex ante control (whereby control of the process is established beforehand by the oversight entity) to ex post monitoring (whereby verification of progress and performance takes place after the fact, leaving the

⁸ The evaluation did not have enough time nor was it involved sufficiently in Board internal operations to make more specific recommendations, as its work occurred between Board meetings. Suggestions made to further reduce the number of Committees to only two have not been examined by the Evaluation.

details of the process to the executing entity) of Secretariat management by the Board (a concept which should “trickle down” within Secretariat management),

- ⇒ **Priority Recommendation 7:** To facilitate quality representation of Board Members by enhancing their communication with all constituents, the Board should favorably consider proposals for assistance to resource-constrained constituencies. To facilitate these and other strategies, the Secretariat might be asked to take on the role of providing more proactive information to constituencies regarding how they can participate in decisions and Board processes.

Other potential directions might include:

- Constituencies could consider leveraging time at regional meetings that are already widely attended by their members. By staying an extra day at these meetings, constituencies could work to create a common long-term agenda. Emphasis should be placed on developing consensus about medium term issues and then feeding positions into Board Committee discussions (rather than on short term and reactive preparation of Board meetings).
- The Board might consider building constituency capacity to develop an agenda for advocacy and advancing policies in a complex governance structure, as a follow-up to the capacity development efforts supported at previous Board retreats.

RESOURCE MOBILIZATION

For the Global Fund, resource mobilization is a fundamental mission shared to some extent by all constituencies on the Board. It is also a key process supported by the Secretariat and examined as such through the OD assessment. Finally, it also involves in-country partners. The Evaluation reviewed the essential Global Fund resource mobilization documents; interviewed Secretariat staff from External Relations, the Finance Unit, the co-investment manager and the Global Business Coalition; it interviewed suppliers and potential private sector partners; and finally, it carried out specific interviews and reviews as part of SA2’s Country Partnership Assessments (still ongoing).⁹

⁹ While some data collection is still ongoing through Study Area 2, findings in this area are considered robust enough to be presented in this report.

1) **Key Findings**

- The Global Fund has received nearly 18 billion dollars to fight HIV and AIDS, TB, and Malaria.
- In a context of increasing Overseas Development Assistance (ODA), which moved from roughly \$50 billion to about \$100 billion over the period 2001-2006,¹⁰ the Global Fund largely benefited in its first years from the determination of G8 countries and other donors to attract and mobilize financial resources. After 2003, the Global Fund evolved from an ad hoc approach to establishing an effective Replenishment process, but has been less effective in building its resource mobilization capacity to access other funding streams.
- Given the projected increase in its size over the next 4 to 5 years, the Global Fund will face the challenges of (1) having to multiply and sustain its level of funding and, (2) continuing to increase the ratio of grant disbursements to donor contributions. This ratio has slowly increased and is now at 48 dollars disbursed for every 100 dollars in contributions received, but is at risk of leveling off or decreasing again (leading to an accumulation of unspent funds) unless the quantity and quality of grants increase on par or faster than donor contributions. As shown further in the Evaluation report, the demand side of the equation raises questions about potential weakening in terms of (1) a largely stable rate of approval for proposals submitted to the Global Fund; (2) a lower number of proposals submitted for Round 6 than for Round 5; (3) grants being implemented in virtually all possible target countries; and, (4) an increasing but still limited number of countries achieving very substantial annual disbursements (in 2006, six countries disbursed more than 50 million US\$ of Global Fund monies, all grants considered).
- While the Global Fund has made important strides in structuring public sector resource mobilization among large bilateral donors (large public sector contributions from donor countries amount to nearly 90 percent of the monies raised by the Global Fund), it has been less successful in mobilizing financing from other public sector sources. Although the Evaluation presents valuable efforts (the recent “Debt2Health Initiative,” smaller contributing countries with total contributions of less than \$200 million, and recipient country contributions), the Global Fund was not able to directly attract sustainable public funding streams (such as the airline tax, which led to UNITAID).
- The Global Fund has not yet effectively engaged the private sector as a partner in its resource mobilization strategy. Although private sector contributions will remain marginal in proportion to the overall mass of funds to be channeled through the Global Fund, they deserve further attention (and capacity) in terms of potential for co-investment at the country level and mobilization of the private sector as an important constituency of the Global Fund.
- Basic capacity to mobilize resources has been lacking in the Global Fund, and the Evaluation notes as a positive evolution the recent Board decision to approve a resource

¹⁰ OECD Statistics v.4.4. 2007. DAC Official and Private Flows. <http://stats.oecd.org/wbos/default.aspx?DatasetCode=TABLE1>.

mobilization strategy by allocating over 5 million US\$, including the support for 18 positions, to be filled in 2007.¹¹

- The approaches currently being developed by the Resource Mobilization Task Team (RMTT) deserve support through (1) direct contributions; (2) in-kind/pro-bono contributions; and, (3) co-investment strategies, for which a number of promising experiences are identified.

2) **Priority Recommendations**

The Replenishment meetings have demonstrated themselves to be an effective forum for mobilizing resources and allowing donors to articulate concerns, identify priorities, and learn about Global Fund results. The organization has also experienced pockets of success regarding private sector resource mobilization through (Product) RED and other similar efforts. However, the Evaluation finds that there are opportunities for improving both the Replenishment process and private sector resource mobilization efforts, and recommends the following:

⇒ **Priority Recommendation 8:** The Replenishment mechanism should be expanded (1) to mobilize additional financial resources from countries that have previously contributed, and, (2) to elicit contributions from countries that have not yet contributed to the Global Fund. This could be achieved through strategies encouraging contributions by region, for example from new donor countries which have established their own international development offices, or from countries currently starting or expanding their aid programs.

- In spite of the challenges it presents, the Global Fund should continue to explore strategies measuring the additionality of resources mobilized through the Replenishment process. While its measurement on a dollar by dollar basis is problematic, providing “additional” funding remains an overall mandate of the Global Fund, and the monitoring of large funding streams remains necessary to anticipate future trends and the prospects for sustainability and large systems effects.
- *Mobilizing private as well as in-country resources*¹² remains an important effort and stated goal of the Global Fund, regardless of the proportion of total contributions it will ultimately represent.

⇒ **Priority Recommendation 9:** The Evaluation endorses the recommendations of the Global Fund Task Team on Resource Mobilization regarding the need for:

- An explicit public statement by the Board and the Secretariat on the intent to engage private partners to strengthen and sustain the Global Fund, and the engagement of non-governmental leaders in early and frequent consultations at the Board and Secretariat levels.

¹¹ The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2007. Decision Points. (Decision Point/GF/B15/DP16). Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis, and Malaria.

¹² Study Area 2 will continue to examine private and country level resource mobilization and provide additional analyses and recommendations.

- A clear policy to enable targeting of non-governmental contributions, beyond the disease and continent designations currently accepted, to an even greater degree of specificity (to be determined) and reflecting practical considerations in guiding targeted support.
- More active involvement of the private sector in the development and funding of proposals, and better education for CCMs regarding the potential role of the private sector as a non-monetary resource for the fund (at the country level), including advice on conflict of interest relating to procurement.
- Mechanisms to promote private sector engagement, ranging from: enlisting corporate executives and other leaders in global advocacy, to developing an integrated platform for global partnerships with corporations, to further private sector representation on the Board and within CCMs.¹³

⇒ **Priority Recommendation 10:** At the level of the Board, the Global Fund should consider—

- Developing benchmarks for holding the private sector constituency of the Board accountable for meeting its commitment to raise one million dollars to support the Global Business Coalition’s (GBC) resource mobilization efforts.
- Articulating the differences between a private sector delegation (PSD) that represents the “North” versus the “South” in terms of the private sector, its capacities, and needs.

⇒ **Priority Recommendation 11:** Following up on current efforts of the Secretariat and the GBC, as well as on the Management Review, the Board should continue to monitor the adequacy of resources in terms of budgetary support, as well as the human resource capacity of the Secretariat, to mobilize private sector resources. Consideration should be given to staff support within the Operations unit to sustain co-investment and in-kind contributions (including mapping and the monitoring and evaluation efforts that have begun). This is in line with recent decisions for expansion of human resource capacity within External Relations to support growing portfolios on cause-related fund-raising and corporate solicitation.

⇒ **Priority Recommendation 12:** The Board should (1) adopt policies and procedures for accepting in-kind donations (which are not only pharmaceutical), emphasizing co-investment over monetary contributions; and, (2) establish systems for classifying private sector donors (including for-profit corporations, foundations, NGOs, and individuals) and tracking resource mobilization efforts and results going toward disease control.

¹³ Report of the Global Fund Task Team on Resource Mobilization, February 28, 2007

Effectiveness and Efficiency of Key Elements of the Global Fund Architecture

The evaluation combined a thorough organizational development (OD) assessment of the Global Fund Secretariat, focusing on key processes that involve the Secretariat, the workforce focus (climate), measurement, knowledge management and information systems, and procurement. In addition, two components of the architecture that have been featured in separate studies that are also considered part of the Five-Year Evaluation effort of the Global Fund: the TRP and the LFAs. These findings are presented in the context of overall performance of the Global Fund in terms of achievements in funding grants in a balanced manner.

OVERALL FUNDING ACHIEVEMENTS AGAINST THE THREE DISEASES

1) *Key Findings*

- As of June 2007, the Global Fund had disbursed US \$3.8 billion on a total of 428 grants to 117 countries and 9 regional groupings of countries. In terms of geographic distribution, the Global Fund has generally respected its mandate for balance.
- In 2006, the portfolio review identified 10 countries absorbing 40 percent of Global Fund grant commitments, in line with their proportionate share in global disease burden.¹⁴ Commitments to the top 10 recipient countries in any given year was still high in 2003 (almost 60 percent), and stabilized at over 40 percent in the following years.¹⁵ Over the last 4 years, the top 20 countries accounted for almost 60 percent of the disbursements.¹⁶
- The distribution of funds between the three diseases (55 percent to HIV/AIDS, 30 percent to Malaria, and 15 percent to TB¹⁷) is in line with their shares in global disease burden.
- The tracking of disbursements by program areas faces some challenges and is discussed in the Measurement and Results Monitoring Section.

2) *Priority Recommendations*

Priority recommendations that impact the overall portfolio are made in the relevant sections referring to adapting the Strategy to country needs and burden of disease as part of the scenario for growth of the Global Fund, as well as for improvements in monitoring and evaluation of grant disbursements and results.

¹⁴ Ethiopia, Tanzania, Uganda, Zambia, Kenya, China, Thailand, the Russian Federation, Indonesia and India.

¹⁵ Between 2003 and 2006, a total of 22 countries were one year or another part of the 'top 10' recipients: 12 different countries were in the list more than once (five were in the list at least three years out of four), and 10 more were in the list one year only.

¹⁶ Based on Statistical Annex 1.4; over 5 years, half of the Global Fund commitments have also gone to countries representing about half of the world population.

¹⁷ The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2006. Review of the Global Fund grant portfolio: Are we funding the right things? Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis, and Malaria.

Workforce Focus

1) Key Findings

- The overall size of the Secretariat has itself been constrained by fears about its absolute size, although it operates within a budget that is below half of the authorized ceiling.
- In 2007, the Global Fund benchmarked itself against the World Trade Organization (WTO) and the World Health Organization (WHO) in terms of the overall percentage of women in the Secretariat, and found that while women represent 49% of the workforce at WHO, and 53.9% of the workforce in WTO, they represent 68.4% of the Global Fund Secretariat Employees. When benchmarked against the United Nations Secretariat, the Global Fund Secretariat is on Par with the UN Secretariat in terms of representation of women at Senior Levels of the organization (33%), and has significantly more women in grade levels between P1 and P4. While similar figures were not available for the Global Fund, the UN Secretariat reports “virtually no change” in its professional and higher categories since June 2004¹⁸, and this provides a word of caution for the Global Fund to remain vigilant in its attention to this area.
- While the Global Fund attracts a motivated workforce, judged by the Board to be very productive and supportive, the overall climate of the organization is dominated by a philosophy of “risk mitigation” which has reached an unhealthy level. This climate is leading to poor communication and coordination, a sense by staff of feeling overworked and lacking a cohesive vision for the long-term objectives of their positions, and even adversarial relations between units.
- Indicators for staff morale and risk of burnout are poor and fail to improve. Staff members report frequently feeling overwhelmed and undervalued, even when they share a sense of excitement for the mission of the Global Fund. Given the poor communication, coordination, and relations, the influx of new staff to the organization that has occurred and will continue to take place, puts the organization at risk of preserving continuity in institutional memory and consistency in key processes that are critical to carrying out its Mission.
- According to informants participating in the OD review, three elements have eroded the initial sense of team and purpose that motivated The Global Fund in its early days:
 - o Constant changes in guidelines, procedures, and methods have demonstrated responsiveness to the constantly changing context but also led to confusion at the country level and, (inevitably) inconsistent application by Secretariat staff. Confusion and inconsistency have in turn tended to undermine the credibility of The Global Fund and to contribute to the sense that The Global Fund is an “individual” rather than an institution.

¹⁸ The Status of Women in the United National System (OHRM data from 31 December 2003 to 31 December 2004) and in the Secretariat (OHRM data from 1 July 2004 to 30 June 2006). United Nations, Office of the Special Advisor on Gender Issues and the Advancement of Women

- o The speed at which the organization has developed, in combination with its commitment to flexibility and responsiveness, has resulted in the development of ad-hoc systems and processes that are often duplicative and decrease efficiency. For example, Fund Portfolio Manager (FPM) roles and functions vary between clusters and lack standardization. The Global Fund operates with a model website in terms of presentation of information and documentation, but this is supported by many sub-optimal, disconnected tools for monitoring, tracking, and querying vital information internally.
- o With the diminished sense of team has come the increased sensitivity to risk (financial, technical, reputational, etc.) and its potential effects on the institution and, of course, on the individual. With a heightened sense of risk (and of course of fear of grant failure or worse), one result for staff has been the sense of an increasingly adversarial relationship among and within units. The introduction of new checks and verifications automatically results in additional work which may or may not materially contribute to the quality of the final product but certainly slows down the process.
- Although the Secretariat leadership has created different groups to address workplace climate issues, notably the Executive Management Team (EMT), the Senior Management Group (SMG), and the Staff Council, the management response to these critical issues has not been able to overcome the “crisis” mode of operations of the Global Fund and its structural limitations. Although official Global Fund staff turnover rates provided to the Evaluation are not outside of the acceptable range, a mere observation and interaction with Global Fund staff shows an abundance of personnel in key positions who are either newcomers or soon departing.
- The Global Fund’s historical reliance on short-term staffing arrangements (38 percent of the personnel at the start of 2007) has negatively contributed overall to the staff’s sense of job security and efficiency in carrying out activities that require coordination and information-sharing between multiple individuals and units.
- The lack of a clear resolution to the Global Fund’s direction regarding the Administrative Service Agreement (ASA) with the WHO is preventing the organization from making decisions that would contribute to resolving many of its issues.

2) *Priority Recommendations*

An ongoing Management Review will help the Global Fund examine areas for realignment of unit structures, relations, and required capacity.

Improving human resource management, critical for the success of the Global Fund’s plan for growth, will require an extensive reworking of human resource arrangements (some of which may be addressed by the ongoing Management Review), including staff size and structure of the Global Fund. The Board's final decision on the ASA issue will represent a major turning point for the Global Fund, and provide a clear set of boundaries within which the organization can systematically address its workforce management issues.

⇒ **Priority Recommendation 13:** The Board should make a prompt and final decision on its position in relation to the ASA agreement.

- Given the decisions pending on the strengthening of the Global Fund Strategy, and potential new distribution of roles between Board and Secretariat, the Management Review may have to be considered as a step in the direction of optimizing the structure of the Secretariat, rather than the final word on the question. The Evaluation further recommends—

⇒ **Priority Recommendation 14:** Based on projections for growth and the findings of the Management Review (including anticipated roles of the different units, groups, teams, and clusters), the Board should set budgetary ceilings for the size of the Secretariat, and allow Secretariat management to staff within those ceilings. The Executive Director should prepare and negotiate a workforce plan with staffing projections based on key functions. As part of this plan—

- The capacity (size) of specific Secretariat units should be increased, in relation to functional needs over the coming three to five years.
- The Executive Director should address the fixed-term vs. short-term contract as one of his top priorities. As part of an overall policy to address this issue, the ED might establish a cross-unit management panel to justify and approve any short-term positions (i.e., approve all decisions to use and/or continue a short-term position).
- The central role of FPMs needs clearer definition in terms of their roles, skills, and quality control responsibilities for operationalizing key strategies of the Global Fund and Board for different country profiles, including; grant negotiation, interfacing with partners and countries, and maintaining in-country oversight.

Altering the course of evolution of an institutional culture is a challenge and requires a systemic approach—no “silver bullet” or simple recommendation can be offered. The Global Fund has already developed cross-cutting structures and committees to facilitate cooperation between units. These do not need to be reinvented, but steps can be taken to move them closer to the original intent. The Evaluation recommends—

⇒ **Priority Recommendation 15:** The Executive Director should ensure the effective implementation of the following strategies for the purposes of improving internal communication and performance, addressing employee morale issues, and ensuring that the attention of Global Fund leadership is focused on enhancing the overall working environment of the Secretariat:

- Developing an enhanced Human Resources Development strategy that outlines how the Global Fund will operate in the future. This may address such issues as employee skill set requirements (i.e., knowledge, skills and attitudes), employee support expectations (e.g., working hours, training opportunities and equipment), recruiting and hiring practices (e.g., full time vs. short term hiring, gender and geographic representation goals, etc.), and the organizations’ expectations of management (e.g., leadership and operational focus, etc.);

- Developing an enhanced Human Resources Information system through which data is easily accessible for tracking issues such as staff turnover, training, employee survey results, and recruiting and hiring;
- Developing a concrete plan of action for addressing the seven staff survey issues that have persisted since 2003;
- Modifying the Global Fund's key performance indicators to better monitor organizational performance, as suggested in Table ES1.

⇒ **Priority Recommendation 16:** To enhance the ongoing efforts to improve performance management, leadership, and staff development within the Global Fund, the following steps should be considered:

- To facilitate a progressive shift from ex ante (beforehand) control of staff performance to ex post (after the fact) monitoring of achievements and learning from both successes and failures, the Secretariat should establish incentives to encourage, recognize and reward initiative and performance at both the group and individual levels.
- The Performance Management Development System (PMDS) for all managers and future vacancy announcements for senior managers should include specific and measurable supervisory requirement(s).
- The PMDS of EMT and SMG members should reflect planning, supervision, and management skills as critical measures of success.
- A review of the performance evaluation system should be considered for the purpose of enhancing cohesion within and between units, and providing supervisors with feedback from multiple perspectives.
- Supervisors should be rewarded and promoted for demonstrating effective management and leadership skills such as meeting deadlines, completing unit/group/team goals, and efforts to follow-up on performance improvement recommendations that may emerge from an enhanced performance evaluation process.
- Unit Directors and Senior Managers' performance should be evaluated partly on whether they have completed new training courses offered as part of the leadership and management training program.

Process Management and Customer Focus

3) *Key Findings*

- Overall, the Global Fund has been able to develop processes of disbursement and oversight, which have achieved the results highlighted above. These processes have allowed them to identify and respond to mismanagement and performance failure in some well-reported cases and have contributed to making the concept of performance-based funding (PBF) bear some weight.

- Through the Technical Review Panel, the Global Fund has established a robust mechanism for carrying out its principle to “solicit (but not shape) proposals and make decisions on funding with independent review processes according to transparent criteria.”
- The Continuity of Services Process is a responsive step taken by the Global Fund Board to start addressing a substantial risk in the long-term.
- Delays between grant approval and disbursement have slowly moved toward the Global Fund target of 8 months. Data assembled for the Evaluation suggests that these delays currently range from 343-535 days, depending on the geographic region.
- The Evaluation observed variation in the nature and role of condition precedents and their implementation by different clusters. This has been investigated by the Global Fund itself and a report is pending.
- The Performance Update and Disbursement Review (PUDR) process has become overly complicated and time-consuming. The validity of the ratings generated by the PUDR process is not entirely clear, and the PUDR process leads to a time lapse of almost 2 months between request and disbursement. (Contribution of in-country processes to disbursement delays is still being examined by SA2.)
- While the Phase 2 Review has served to emphasize the Global Fund’s commitment to performance, it is a complex and intensive process that often fails to provide key elements of information. Likewise, the Rolling Channel Continuation (RCC) process appears more complex than required.

4) *Priority Recommendations*

The Global Fund needs to improve the quality, success rate, and predictability of the Grant Application Process if it is to reach the intended 6 to 8 billion US\$ mark in annual disbursements. Strategically, The Global Fund must move from the focus of supporting multiple, “smaller” grants in-country to larger, country level programs that are in line with national strategies. This direction is already being tested through the planned focus on National Strategy applications. As the Global Fund moves in this direction, the Evaluation recommends the following:

- ⇒ **Priority Recommendation 17:** The Global Fund should consider, through proactive steps in mobilizing its partners, strategies for increasing country capacity to prepare successful applications, particularly in high burden of disease countries which have repeatedly applied for funding. This should build on the TA efforts initiated with the STOP TB Partnership and UNAIDS, and more recently with RBM.
- This holds promise for helping the Global Fund to maintain the same level of effort for the TRP while not significantly increasing the total amount of time dedicated to review. Other partnership strategies to support the better integration of disease control proposals within national plans should also be considered and might involve an array of valuable technical partners.

⇒ **Priority Recommendation 18:** In order to reduce a potential gap between banked donations and monies disbursed, the Board should consider amending its Comprehensive Funding Policy to allow for mechanisms that will streamline the grant management process and reduce the time between Board Approval and the first disbursement of funds. These mechanisms may include:

- Amending the Comprehensive Funding Policy to commit Global Funds for a longer period of time on new grants and eligible RCC grants;
- Authorizing the Secretariat to proceed with due diligence (prior to Board approval) on those new grants recommended “Fund” and/or “Conditionally Fund” by the TRP;
- Modifying Phase 2 to make funding decisions based on existing grant performance data (i.e., GPR, EARS, PUDR, country context, etc.), and the recommendations of an Internal Review Team composed of members from Operations, Finance and PEP.
- Ensuring the participation of FPMs on Internal Review Teams (IRTs) by streamlining the current PUDR process. This may include requiring the LFA to provide: (1) financial documents (including the scorecard) directly to the Finance Unit for processing according to current oversight procedures and practices; and, (2) a confidential report, when necessary, to the FPM for review, analysis and recommendations. This will refocus the efforts of the FPM on quality control, and free him/her for IRT service while reducing some of financial oversight currently provided.
- Modifying Phase 2 to establish a “fast track” for approvals of new grants (and eligible RCC grants) that are assessed as high performing through the PUDR process; and,
- Exploring ways to utilize the PBF system to provide incentives, by enabling “highly performing” new grants and RCC grants to be extended in length and increased in amount without going through the TRP unless there are significant changes in grant mission and goals.

⇒ **Priority Recommendation 19:** The Global Fund partnership as a whole should consider the Continuity of Services policy as merely a first and urgent step in dealing with a significant potential threat to the ongoing treatment of patients and the global management of drug resistance. Efforts should be made by the Board to assess the risk of massive treatment discontinuation in different countries and to monitor how responsive the Continuity of Services process is to this risk.

Measurement and Results Monitoring

The evaluation reviewed and compiled the Global Fund’s records on grants, performance, and disbursements. Detailed tables are provided in the statistical annex (Annex 1) and are referred to for the assessment of the important measurement function of Global Fund operations.

5) Key Findings

- The Global Fund tracks and makes available to the public, through its web site and publications, data on a large number of indicators, including its Key Performance Indicators, grant scores and performance ratings, and disbursement delays (through AIDSPAN). It has taken steps to monitor its corporate performance and to improve reporting on key service indicators since 2005.
- In spite of the Global Fund’s focus on measurement and PBF, the Evaluation found that standardized “results” information was available for only 3 of the 10 key service indicators for its portfolio of grants. The Table ES1 shows the regional and total numbers for antiretroviral (ARV) treatment, directly observed treatment, short course (DOTS), and insecticide-treated nets (ITN) program distributions from 2005 to mid-2007. There appears to be no standardized data on anti-malarial distribution, compliance with treatment, quality of services, population-based and service-based results, per capita expenditures, cost per unit of service, or any information about what takes place at the Sub-Recipient (SR) level.

Table ES 1: Main Global Fund-Level Service Indicators Reported

	2005	2006	Mid 2007
ARV*	383,865	766,083	1,087,511
DOTS**	1,026,989	2,010,661	2,800,701
ITN***	6,229,954	17,881,590	29,567,383

* Number of people reported currently receiving antiretroviral therapy

** Number of people reported currently being treated under DOTS

*** Number of insecticide-treated bed nets distributed

- The partial information available for the top 10 service indicators show progress but must be interpreted carefully. Staff in the Performance Evaluation and Policy (PEP) Unit report that these data are cumulative but cannot be analyzed on an annual basis, and feel that increased standardization across the wealth of data housed by the Global Fund would allow for more consistent reporting of results at the portfolio level.
- The Global Fund is currently responding to weaknesses in expenditure tracking, something that will deserve support and monitoring by the Board.

6) Priority Recommendations

The 2006 Portfolio Review¹⁹ has already identified key gaps in data availability and collection, notably (1) costed and credible national strategic plans to assess the financial context of Global Fund grants; and, (2) grant budget information by service area, which “limits the ability to further assess the portfolio; for example, to examine the balance of funding among prevention, treatment, and care and support.” The TERG made a number of recommendations, which are generally supported by the Evaluation. Additionally, the following is recommended:

⇒ **Priority Recommendation 20:** Consistent with its Monitoring and Evaluation Strategy, the Global Fund should strengthen its grant tracking capabilities, particularly with respect to

¹⁹ The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2006. Review of the Global Fund grant portfolio: Are we funding the right things? Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis, and Malaria.

expenditures by service delivery activity and key budget category. To this end, the Global Fund should consider—

- Accompanying the planned introduction of expenditure tracking (in January 2008) with additional training for FPMs, LFAs, and PRs.
- More systematically monitoring SR-level expenditures and program implementation, either by extending LFA oversight to SRs or, if this option is not cost effective, by requiring PRs to use Global Fund resources to finance other standardized M&E and financial management reporting systems to routinely monitor SRs.
- Standardizing the FPM review of PR audits, with assistance from PSP Finance for the purpose of strengthening the overall quality of this process between the LFA and Secretariat.

Knowledge Management & Information Systems

The Evaluation's Knowledge Management specialist conducted a series of IT-related interviews at the Secretariat level for the purpose of understanding the major work-flow systems and tools. The main processes investigated as part of the information technology and knowledge management assessment pertained to the existing and future Grants Management System (GMS).

7) *Key Findings*

- The establishment of the new Grants Management architecture, with the new GMS Core approach, is a move in the right direction and should be given every opportunity to succeed.
- There have been critical bottlenecks in the information management system in the past, including:
 - o Duplication of efforts within units, such as redundant data entry of grant information resulting in inefficient work flow and missed opportunities for collaboration among units.
 - o The historical switching back and forth between in-house development and outsourcing for application development, caused by changes in business strategies and the necessity of being responsive to immovable timelines.
 - o Application development staff being unable to keep up with the increased workload demands, resulting from overall Global Fund growth, and having to balance tasks related to new application development and the upkeep and maintenance of current systems.
 - o Increased workload for application developers has contributed to burnout and increases in staff turnover.

- o The need to simultaneously plan for integration with the WHO Global Management System (GMS) Administrative Financial System, while at the same time planning for an eventually separate Global Fund Administrative Financial System.

8) **Priority Recommendations**

⇒ **Priority Recommendation 21:** As part of a responsive, flexible, and forward-thinking overall Information Systems Strategy, the establishment of the new Grants Management architecture, with the new GMS Core approach should be supported by the Board and Secretariat Management and given every opportunity to succeed. Specifically:

- The Global Fund senior management should ensure that the IS unit has sufficient time and resources to ensure data quality within the new Grants Management System.
- Business user needs should be clearly articulated to developers of this redesigned system.

⇒ **Priority Recommendation 22:** On the personnel side of the IT/KM equation, the Evaluation recommends the following:

- Representation within the high-level Information Systems Steering Group (ISSG) should be more inclusive of technical staff. Frequently, non technical management underestimates the efforts and problems in building new tools and not all issues are readily apparent or communicated before actual development takes place. Because of this, the ISSG should consider representation from less senior Technical Directors or Business Analysts in helping shape systems that are forward-thinking.
- As part of the Management Review, the Secretariat should consider creating and approving separate staff Business Analyst positions for liaison and monitoring of changing data-user needs across the Global Fund business units.
- Within the Business Services/Information Systems sub-unit, consider splitting the Information Technology and Information Management groups. Although there are three managers in the IS subunit, there is one lead manager that oversees both operations. Managing the tasks and responsibilities for hardware, networking, user help, training, and application development could be improved by reorganization. Options could include moving the IS sub-unit up one level into its own unit and out of Business Services; creating a director-level Chief Information Officer (CIO) position and lead manager positions for both IT and IM; or keeping the IT team within Business Services and move application development (IM) to a different unit such as PEP, which has close staffing synergies regarding design and development of data entry and analysis applications.

Procurement

The Evaluation was not tasked with carrying out procurement audits, but instead examined (and is still reviewing through SA2) key issues regarding procurement and a small set of tenders across countries. In addition to a review of studies and reports produced to date, the Evaluation

carried out interviews with Global Fund Secretariat staff in Geneva, as well as with former Global Fund staff, global partner organizations, and supplier companies. The same Evaluation team members are participating in SA2 Country Partnership Assessments (CPAs), where interviews with LFAs, PRs, SRs, Central Medical Stores, in-country partners, and procurement agents are taking place.

9) **Key Findings**

- While procurement and supply chain management (PSM) is an in-country concern forming part of grant performance, both corruption and mismanagement of PSM represent potential risks to the Global Fund's effectiveness and reputation.²⁰ Procurement is a prime example of the tensions the Global Fund faces in operating under its principles (e.g., financing-only and country ownership) while not allowing misuse or mismanagement of funds.
- The involvement of the Global Fund Secretariat in procurement has progressively increased. The Procurement sub-unit was created to set policies and has played an important support and advisory role to FPMs. A Quality Assurance (QA) policy and a Compliance List were developed, and—at the Secretariat level—are generally considered adequate.
- The Global Fund recognizes the benefits of using a country's own procurement systems and accepts policies that are in line with other donors (e.g., World Bank guidelines) or with SWAP models to rationalize PSM. The Secretariat is actively pursuing coordination activities with other donors.
- The Global Fund Secretariat has made efforts to reduce initial disbursement delays and their negative effects on procurement of drugs and other health products, including introducing a template to facilitate PSM plan approval shortly after grant signature.
- The Global Fund has engaged in partnership arrangements with WHO's Global Drug Facility (GDF) and Green Light Committee (GLC) to procure TB drugs, which PRs report are working smoothly to ensure a consistent supply of high-quality drugs.
- The Board has recently endorsed a policy change on pooled procurement, to develop a mechanism whereby one or more external procurement agents would provide a centralized procurement service to Global Fund programs, which could improve procurement practices, reduce waste, and make processes more efficient for countries.
- While the Global Fund does not have procurement rules per se, Secretariat respondents reported that countries still struggle to understand the Global Fund's procurement policies, particularly regarding QA. While countries budget for procurement capacity-building in their grants, these resources are not always put to use.

²⁰ Through October 2006, almost 25 percent of Global Fund disbursements had been spent on procurement of pharmaceutical products and health commodities alone. Source: SCMS, "Voluntary Pooled Procurement," Full Report (GF/PSC7/03-Attachment 1-DRAFT) nd, pp. 9-10.

- Secretariat-level responses to PSM problems in countries are ad hoc and lack standardization; some FPMs are actively intervening to resolve problems while others leave this up to partners or the CCM.
- The Procurement sub-unit is relatively small and plays a role that has not always been clearly understood or supported within the Secretariat. Official Terms of Reference (TORs) for the sub-unit are forthcoming and will finally clarify its role and performance measures.
- LFAs have been assigned a limited PSM role and there appears to be substantial variation in how they engage in PSM issues in-country (besides approving PSM plans and at times overseeing large tenders). Although LFAs can play a role in policing the procurement system, this has not been a part of their effective role to date.
- Significant procurement activity is taking place at the SR level, where the Secretariat and LFA have a limited mandate, and which is inconsistently monitored across PRs. This represents a risk to the Global Fund's investments if SR procurement is not subjected to the same scrutiny as PR procurement.
- Procurement activities of some PRs have been severely criticized by both Secretariat staff and in-country informants, suggesting the need for closer inspection.²¹
- The Global Fund's expectations have not always been adequately communicated to countries regarding the Price Reporting Mechanism (PRM). Initial findings from SA2 indicate that data entered in the PRM are frequently incomplete or inaccurate. The tool is also universally seen by country respondents (and Secretariat staff) as cumbersome, extremely slow, and some say "impossible to use" from a technological perspective. Prices entered are not routinely verified through an audit.

10) *Priority Recommendations*

Procurement will continue to require more attention and efforts by the Global Fund. Based on the differentiation of countries proposed as a key component of the Global Fund strategy, the role of the Global Fund in procurement can be clarified and the tension created by competing demands and principles can be addressed proactively. This proposed tiered approach should include providing clear guidance to Secretariat staff about the appropriate boundaries of the framework principles relative to PSM to ensure equitable attention to and evaluation of grant performance across countries. The Evaluation recommends—

- ⇒ **Priority Recommendation 23:** Following on Priority Recommendations 1 and 2 of requiring a tiered approach to grant award and management based on profiles in disease burden and country capacity, the Global Fund should map out a plan for 'sliding' (or tiered) levels of assistance on procurement issues based on country needs, preferably through clear and defined partnership arrangements. The capacity of the Procurement sub-unit of the Global Fund (including its size) should be strengthened accordingly. As options are developed, the Global Fund should consider the following:

²¹ The evaluation was not tasked with and did not conduct procurement audits.

- The Board-endorsed pooled procurement model should be put into practice via the hiring of a procurement agent from the Global Fund’s pre-selected list to procure a limited number of health commodities in greater volumes. Countries with serious and documented PSM difficulties should be required (via the application of Conditions Precedent) to opt-in to the model. However, the Global Fund should monitor closely the effects of the pooled procurement mechanism from its initial stages to avoid development of monopolistic practices among suppliers or procurement agents.
- As is already happening with some success in certain countries,²² effective and improved PSM at country levels should be supported through formalized in-country partnership arrangements to assist where systems are weak (e.g., a UN agency may provide the procurement support needed in one country, while bilateral funding may support a NGO, government contractor, or private partner in carrying out this function in another.) These partnerships need to be formalized, with clear delineations of roles and expectations, to ensure objectives are met. This would be a shift from the current ad hoc approach of relying on partners to fill gaps.
- As part of the proposed tiered approach, the Global Fund should modify proposal guidelines to require designated “high capacity” countries to include funding allocations in their grant proposals for strengthening national PSM capacity and performance through innovative and sustainable methods (for example, through the involvement of private partners or joint-donor efforts to build long-term PSM capacity within countries).
- In the immediate term, prior to the introduction of this tiered approach, the Global Fund Secretariat should monitor and encourage the use of grant funds currently available and unspent for technical assistance to enhance PSM capacity and performance.

A Structure in Transition: LFAs in the Global Fund Architecture

The Five-Year Evaluation team agrees with the major conclusions of the recently completed assessment of the LFA system²³, and has found corroboration for the issues addressed in both Study Areas 1 and 2. It did not, however, explore alternatives to the LFA model.

CONCLUSION

The Global Fund needs to identify clearly how it will manage a new phase of growth and expectations for results, while facing risks that are both external (its global responsibility) and internal (its institutional workings and structural weaknesses). With explosive growth now on the horizon, the Global Fund is currently on the cusp of where the opportunities are immense but where it is also vulnerable (See Boxes X and Y summarizing critical risks ahead, and a simplified scheme for programmatic growth).

²² This aspect is still being examined by Study Area 2.

²³ Euro-Health Group. 2007. *Evaluation of the Local Fund Agent System*. Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria.

Looking outward, the approach to strategy has been slow and arduous. The attempt to come up with a longer-term strategic framework has been frustrated by the unresolved conflicts of the founding principles and by a governing body that has expended considerable effort on internal arrangements, rather than the global fight and the partnership strategies warranted by its model. One of its main challenges will be to increase the demand for funding, without compromising accountability or effectiveness. The Global Fund needs to finalize and complete its strategy in conjunction with its partners, if the Global Fund is to become a reliable tool for contributing to “sustainable impact against the three diseases.”

Looking inward, this evaluation examines the institution holistically and recommends directions for improvement. The Secretariat will need determination from its management and support from the Board to correct some of its dysfunctions, and thus evolve into the culture of a stable and mature institution. Gains in efficiency might be possible through a revision of the work processes examined in this evaluation; but they are unlikely to outweigh the demand for the increased capacity necessary to manage a huge enterprise. Efforts, such as the ongoing Management Review, will be important for aligning the structures and capacity of the Global Fund with its mission, in spite of the deep and legitimate fears about building a bureaucratic apparatus.

The accumulated assets of the Global Fund, after 5 years, are impressive and more than sufficient to address its shortcomings. Change will, however, require political consensus and determined leadership.

INTRODUCTION AND STRUCTURE OF THE DOCUMENT

The Five-Year Evaluation

At its November 2006 meeting, the Global Fund Board gave a final approval to the “first major evaluation of the Global Fund’s overall performance against its goals and principles after at least one full grant funding cycle has been completed (i.e., five years).” Through a scope developed more explicitly by the Technical Evaluation Reference Group (TERG), the evaluation focuses on three Study Areas (SAs) that are organized around the following three overarching questions:

Study Area 1 (SA1): Organizational Efficiency and Effectiveness of the Global Fund

Does the Global Fund, through both its policies and operations, reflect its critical core principles, including acting as a financial instrument (rather than as an implementation agency) and furthering country ownership? In fulfilling these principles, does it perform in an efficient and effective manner?

Study Area 2 (SA2): Effectiveness of the Global Fund Partner Environment

How effective and efficient is the Global Fund’s partnership system in supporting HIV, TB, and Malaria programs at the country and global level? What are the wider effects of the Global Fund partnership on country systems?

Study Area 3 (SA3): Impact of the Global Fund on the Three Diseases

What is the overall reduction on the burden of AIDS, TB, and Malaria, and what is the Global Fund’s contribution to that reduction?

Figure 1 illustrates how the three study areas overlap, inform, and complement each other, and it serves as the organizing framework for the approach to SA1 and SA2.

The overlap within and between the SAs is highlighted not only by the interrelationships between the elements covered within each area (e.g., Architecture, Partner Systems), but also by the fact that no SA alone will entirely address any of the overarching evaluation questions. There are connections between the impact achieved at the country level, the partnership system set up at the global and country level for the purpose of maximizing this impact, and the creation of a business model and organizational architecture established for the Global Fund itself.

SA1 has focused on carrying out assessments of the Global Fund operations in Geneva and consulting with global stakeholders. Country-level data required to inform SA1 studies has been collected through the first phase of SA2 activities. SA2 focuses on the partnership environment at the global level and in 16 countries.

Figure 1: Overview of Three Study Areas ²⁴

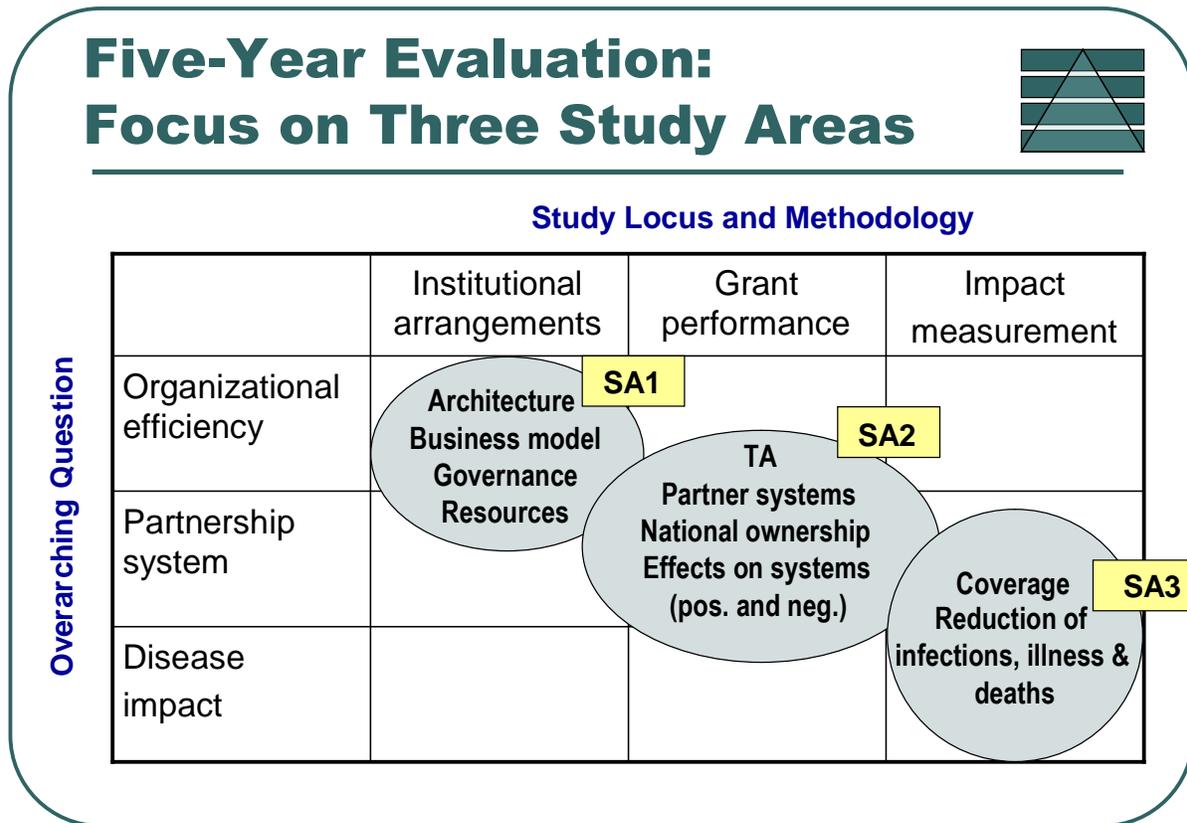


Table 1 shows the 16 focus countries of SA2, with overlapping SA3 impact assessment countries.

Table 1: Study Area 2 Focus Countries

SA2 Country Partnership Assessment Countries	
Burkina Faso*	Kyrgyzstan**
Cambodia*	Nepal**
Ethiopia*	Vietnam**
Haiti*	Honduras
Malawi*	Kenya
Peru*	Nigeria
Tanzania*	Uganda
Zambia*	Yemen

* SA3 Comprehensive Evaluation Countries

**SA3 Secondary Analysis Countries

²⁴ Korte, R. and S. Bertozzi. 2006. TERG Update. Presentation made at the Fourteenth Board Meeting of the Global Fund, October 31-November 3, Guatemala City, Guatemala.

This report focuses on findings and recommendations related to Study Area 1, and preliminary observations related to Study Area 2, which will be more fully reported on in February 2008 when data from all country partnership assessments (CPAs) have been fully analyzed. Subsequently, additional synthesis and integration of findings will take place once the impact study produces its findings.

The primary audience for this report is the Board of the Global Fund, but the evaluation team recognizes that many parties have an interest and a stake in ensuring maximum success for the Global Fund. This “global health community” is the larger audience of this report.

Study Area 1 Methodology

Specific information on the methods used for each part of the study is included at the beginning of respective sections of this report, but is summarized here. The principal data collection activities of SA1 included interviews at the Global Fund Secretariat and Board levels and with global stakeholders; an organizational development (OD) assessment of Global Fund governance and management; review of specific areas of performance of the Global Fund and its ancillary structures; and benchmarking of a number of results and processes. While identifying benchmarks in terms of metrics and institutions proved challenging (see “limitations” in the conclusion of this report, “benchmark highlights” featured throughout the report provide a useful context for its findings, where appropriate.²⁵ Over 100 individuals from the Secretariat and the Board participated in interviews or focus groups for SA1.

Study Area 1 is further informed by a review of existing data and documentation on processes provided by the Secretariat, as well as the existing studies that have been conducted on the operations of the organization, including:

- Review of previous TERG-mandated Five-Year Evaluation studies.²⁶
- General review of expert reports, studies, opinion pieces, evaluation reports and Global Fund and independent studies, by thematic areas (e.g., Resource Mobilization, Procurement).
- Review of Board and Committee reports; minutes from Board meetings; and TRP reports.
- The complete list of references cited and consulted is provided as an annex to this report.

In addition, the Evaluation had access and examined for additional information the internal TERG intranet and the Secretariat SharePoint. Statistical Annex 1 compiles data collected from the Secretariat and is referred to throughout this report.

²⁵ For more details on the evaluation methodology, refer to the Global Fund Five-Year Evaluation: Study Areas 1 and 2. Inception Report summary. June 20, 2007; and the Methodological Annex attached to this report.

²⁶ These documents and relevant summaries are available at http://www.theglobalfund.org/en/about/terg/five_year_evaluation.

Structure of the Document

This report presents the findings and recommendations from Study Area 1 of the Five-Year Evaluation of the Global Fund. Preliminary findings from Study Area 2, still underway, are referenced as relevant to strengthen the analysis. The assessment of the effectiveness of the Global Fund partner environment will be completed and presented in a separate report, due February 2008.

The current document is structured along the following lines:

- The first section provides a **Historical Context** and summary of the Global Fund's positioning within the development assistance architecture (1) at the onset of the experience, and, (2) as it has evolved through the last five years.

Understanding this historical context and the projected growth of the Global Fund sets the stage for the following key evaluation sections, integrating Study Area 1 findings and analyses in support of specific actionable recommendations:

- The **Vision and Mission** section examines the extent to which the Global Fund's Business Model effectively takes into account the institution's Foundational Principles and the functions of *Strategic Planning* to guide the Global Fund's operations.
- The **Board Governance Review** section considers specifically the leadership and governance functions of the Board.
- Resource Mobilization is an essential step of the Global Fund's "raise it; spend it; prove it" motto. It is examined with a particular focus on private sector resource mobilization efforts and prospects.
- The core additional findings and recommendations from the OD assessment and related reviews of SA1 are then presented in the section on the **Effectiveness and Performance of the Global Fund** in managing and disbursing funds.
- Specific recommendations are presented in each of these sections and the **Conclusion** summarizes both study limitations and the way forward.

A Historical Context for the Global Fund

The Global Fund was created in a context where specific demands were made by a range of stakeholders regarding both what needed to be done to address three world pandemics and how it should be done (or perhaps not done). It is important not only to consider this past context ("looking back") in evaluating the Global Fund after five years, but also to examine how the global context has evolved during the same period ("looking forward"), in order to produce a relevant frame of reference for the recommendations of this Evaluation.²⁷

²⁷ This section is expanded upon in the accompanying working paper: "The Global Fund: Historical antecedents and first five years of operation," Annex 4.

Looking Back

Three developments marked the environment that shaped the call for the Global Fund:

- The first was the growing recognition that large areas of the globe faced expanding epidemics of HIV/AIDS, tuberculosis (TB), and malaria. The AIDS epidemic, which was leveling off in Western Europe and the United States as well as in certain countries in Latin America and even Africa, was spreading at an unprecedented rate in southern Africa, India, China, and certain areas of Southeast Asia. TB, which had never really been brought under control over much of the globe, was evolving into increasingly resistant strains that were difficult and expensive to treat, directly contributing to increased rates of TB mortality. Malaria, which had been the subject of massive efforts to eliminate it as a public health problem during the 1950s, 60s, and 70s, was expanding its hold on many areas of the tropical and sub-tropical world in the wake of the withdrawal of control efforts, drug resistance, and the development of social and economic conditions that fostered its resurgence.
- The second development was the appearance of new weapons to combat all three diseases: Antiretroviral drugs (ARVs) against HIV; new anti-tubercular drugs, combined with proven forms of effective treatment based on directly observed therapy (DOTS); and new combination anti-malarial therapies, which included Artemisin derivatives; insecticide treated bed nets (ITNs), and the intermittent treatment of pregnant women—all of which had been shown to significantly reduce malaria-related deaths among the most vulnerable populations in Africa, where 90 percent of malaria deaths occurred. These recent technologies were the basis for new initiatives aimed at combating these diseases. Yet as promising as these technological breakthroughs were, they were also in many cases expensive and beyond the reach of the impoverished countries in which the heaviest burden of these three diseases existed.
- The third development was a growing dissatisfaction with existing mechanisms for funding disease control and prevention programs in poor countries. One major source of this dissatisfaction emerged during the 1980s with the neo-liberal critique²⁸ of government-based programs, which were viewed as inefficient, wasteful, and often corrupt. The second critique posited that existing multilateral and bilateral development practices were often inefficient, lacked adequate safeguards to insure accountability, and resulted in a massive waste of resources. Inefficiency was frequently associated with government-run programs, as seen in the World Bank's 1993 World Development Report—Investing in Health, while efficiency was equated with privatization and the application of accounting models borrowed from business. In the 1990s, such critique led the World Bank to implement a set of accounting practices aimed at ensuring that aid monies were spent effectively and responsibly. Beginning in the late 1990s, the Gates Foundation, through its billion dollar investment in the Global Alliance for Vaccine and Immunization (GAVI) program, developed performance-based funding models. These models required recipients of aid to

²⁸ Neoliberalism is a theory of political economic practices which proposes that human well-being could best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade, and the elimination of strong governmental constraints. Neo-liberal ideas have been a major force in global health since the 1980s.

demonstrate that funded programs produced results, and doled out monies in small tranches with each subsequent payment dependent on demonstrated achievement. The WHO's STOP Tuberculosis program employed similar strategies. GAVI was also important in that it embodied ideas about the power of the market and the need to establish public-private partnerships that would mobilize the resources of private capital and jump-start market forces that could play a major role in providing new health interventions that promised to revolutionize disease control and prevention programs.

Representatives of G8 countries meeting in Denver in 1997 committed their countries to working to provide funds for an accelerated attack on AIDS, a commitment that resulted in part from sustained advocacy by organizations and coalitions representing persons affected by HIV/AIDS, such as ACT UP (AIDS Coalition to Unleash Power), and from donor concerns about the constraining effect of the AIDS epidemic on economic and social development. This promise was repeated and expanded to include TB and malaria when the G8 met in Okinawa in 2000. In a January 2001 *Lancet* article, economist Jeffrey Sachs, together with Amir Attaran²⁹, calculated that \$7.5 billion annually was the amount needed to effectively bring HIV/AIDS under control worldwide. In early May 2001, UN Director-General Kofi Annan, in a speech to a special session on AIDS at the UN, called for the creation of a fund that would add \$7-10 billion to the current level of spending on AIDS, TB, and malaria. The overall consensus about the need for this fund did not prevent debates about the opportunities and challenges of a disease-focused fund, raising fears of new "verticalization" of programs. Representatives of the G8 group of countries endorsed the creation of said fund at their annual meeting in Genoa the following July.

The Transitional Working Group defined the general organizational guidelines that the Global Fund would follow, and included: Representatives of the G8 countries, including the U.S. government, which became the first contributor of public funding for the Fund;³⁰ the Gates Foundation, largest private donor and represented on the Global Fund's Board; and the World Bank, which became the Trustee for the Global Fund. The concerns of these groups, outlined in the previous section, played an important role in the Global Fund's design.

Characteristics of the culture and structure were developed around a set of guiding principles that are discussed later in this document (see Vision and Mission Section) based on the agreed upon needs and on these driving factors.

Looking Forward: Adapting and Positioning the Global Fund in a New Context

The second part of the historical equation that warrants attention is just how much the world, and the world of global health in particular, has changed in the last five years.

- Global health actors have proliferated, often through fragmented efforts creating stress on national structures, while developing country national investments in health care have not necessarily aligned with commitments (such as, for example, the Abuja plan of action). Far

²⁹ Attaran, A., and J. Sachs. 2001. Defining and refining international donor support for combating the AIDS pandemic. *The Lancet*, 357(2924), 57–61.

³⁰ Six contributors represented 80% of funding in 2001-2002. Their overall contribution for the last five years represents 71% of total funds. See Annex 1.1.

from being merely “unique and innovative,” Global Health Partnerships are becoming the norm rather than the “new idea,” and have become the model for the foreseeable future. A recent study identified some 40 global health partnerships³¹ (e.g., UN; multilateral, bilateral, and private foundations; and other global partnerships and networks) involved in providing financial, technical, and other support for health services.

- While more funds are still required to meet the level of need created by AIDS, TB, and Malaria, the Global Fund will be called on to meet different and additional challenges beyond the mere lack of resources that called for its creation. It will continue to face a challenge in maintaining and expanding necessary levels of funding for AIDS treatment, as the pool of people living with AIDS continues to expand as a result of gains in longevity, and as high levels of HIV transmission persist in many countries. But it will first and foremost have to face the challenge of significantly increasing the amount of funds disbursed, from \$1.5 billion to \$6 billion annually, despite existing stress and turnover in the Secretariat, and despite health systems constraints limiting the absorptive capacity in many of the countries with the greatest needs.
- All three diseases have gathered momentum in attracting public attention and being recognized for the global threats they are. New efforts are being made to give the same kind of momentum to neglected issues, such as maternal and child health. But these new efforts will only “compete” marginally for the attention of donors and their public opinion. The competition for attention (and potential funding) might, however, come from additional global health and environmental threats, such as other communicable diseases (e.g., avian flu), environmental, and climactic changes.

Therefore, the Five-Year Evaluation examines the successes and challenges of the Global Fund during its first five years of operation, but focuses its recommendations on how the Global Fund can best achieve its mission in the continued fight against AIDS, TB, and malaria, given the changing context and its overall fit within the international development architecture.

³¹ Harmer, A. 2005. *Global health partnership as new players in the global health arena: An international relations perspective*. Antwerp, Belgium: Institute of Tropical Medicine.

ORGANIZATIONAL EFFECTIVENESS AND EFFICIENCY OF THE GLOBAL FUND

Vision and Mission: Toward a Business Model

To assess the Global Fund’s “business model”, the Evaluation reviewed existing literature on business and management to identify what might be considered to be the main elements of a business model, and then reviewed the Global Fund’s founding documents and strategic foci over its brief history to identify how a business model has or has not been articulated by the organization.

INTRODUCTION AND ACHIEVEMENTS-TO-DATE

The Global Fund set out to be a different type of development institution, based on a ‘unique’ business model, to bridge a critical need in the fight against AIDS, TB and malaria. Driven by a sense of urgency and the necessity to show efficiency, the Global Fund has achieved well publicized results, which are detailed further in this document in terms of resources mobilized and funds disbursed.

While the Global Fund has been taken to task³² for lacking a comprehensive strategy (and the following sections discuss further needed strategic improvements), the Board’s Policy and Strategy Committee (PSC) has devoted the last two years to developing its Strategy, providing a map for growth, continued funding, and essential policies for the conduct of operations at scale.³³

In line with its vision, the Global Fund has maintained a high level of energy and a focus on the needs of beneficiaries by involving a diverse set of constituencies in its governance structure.

Finally, the Global Fund has defined key principles for itself. The evaluation finds that overall--from its Board members, to the Secretariat, to in-country stakeholders--while these principles may be understood differently, they are generally recognized as defining the Global Fund’s brand and operations. The institution has reinforced these principles in its rhetoric and operational practices, although not without some unresolved tensions. The questions of this report relate to how effective and efficient the Global Fund has been in conducting its operations while respecting these principles, and whether they have allowed the development of an effective business model.

³² The Global Fund to Fight AIDS, Tuberculosis and Malaria, Bezanson, K. A. 2005. A situation assessment of the Global Fund. Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria.

³³ The Global Fund to fight AIDS, Tuberculosis, and Malaria. 2007. A Strategy for the Global Fund: Accelerating the effort to save lives. Geneva, Switzerland: The Global Fund to fight AIDS, Tuberculosis, and Malaria. Full report available at http://www.theglobalfund.org/en/media_center/publications/strategy

A CONSIDERATION OF THE GLOBAL FUND PRINCIPLES

The Global Fund’s Framework Document links the institution’s ultimate vision (“make a sustainable and significant contribution to the reduction of infections, illness, and death, thereby mitigating the impact caused by HIV/AIDS, Tuberculosis, and Malaria in countries in need, and contributing to poverty reduction as part of the Millennium Development Goals”) with its mission (“to attract, manage, and disburse additional resources”) and its means (“through a new public-private partnership”).

Inherent tensions between principles of the Global Fund Framework Document have not been resolved to give consistent and practical guidance to its programs, toward the stated purpose of making a significant contribution to impact against the three diseases on a global scale.

Seven fundamental principles³⁴ have served to guide the institution and are, both individually and collectively, considered to be the core of its business model. Progressively, the Global Fund has emphasized the need to avoid breaching these principles (i.e., not being an implementing agency; not growing the Secretariat to avoid the risk of becoming a “bloated bureaucracy”³⁵) rather than the need for a strategic and practical consideration of when and how, specifically, the principles ought to be applied.

ALIGNING THE GLOBAL FUND PRINCIPLES TO THE ELEMENTS OF A BUSINESS MODEL

Table 2 seeks to organize the logic of the guiding principles as they are presented in the Framework Document, while Table 3 presents an alternative organization of these guiding principles in the context of the logical flow of a business model (capitalized letters in Table 2 refer to the original sequencing of these concepts in the Framework Document). This examination of the role the guiding principles have played has led the evaluation team to the following observations:

- Following the present logic of the guiding principles in the Framework Document (Table 2), it is clear that the principles are enunciated in an operational rather than a strategic order. They offer an approach for pushing the work ahead to meet immediate concerns rather than a systematic approach for realizing the long-term goals of the Global Fund. The sequencing of these essentially operational principles, as presented in Table 2, has become less useful to the Global Fund than the original framers had in mind, particularly in regard to the future challenges faced by the Global Fund.
- When viewed through the lens of a business model framework (Table 3), it is clear that each of the guiding principles potentially constitutes a critical component to a strategic focus that might guide the organization into the future. However, the emphasis (‘boundaries’) and role

³⁴ See text box on the Seven Founding Principles in the Executive Summary of this report. The Framework Document also presents an *additional principle or set of principles* further guiding funding decisions (see Annex 3). Sources include: The Global Fund to Fight AIDS, Tuberculosis & Malaria. n.d. *The Framework Document of the Global Fund to fight AIDS, tuberculosis and malaria: Title, purposes, principles and scope of the fund*. Geneva, Switzerland: The Global Fund; The Global Fund to Fight AIDS, Tuberculosis & Malaria. n.d. *Global Fund Principles*. Geneva, Switzerland: The Global Fund.

³⁵ Board member interview.

of each guiding principle would be different from the logic articulated in the Framework Document.

- Discussions with Board members, partners, and preliminary results from Country Partnership Assessments, suggest that there are very different interpretations of the guiding principles, and hence the role and purpose of the Global Fund, at many different levels of the model. These different interpretations interfere with the Global Fund model’s ability to work effectively on a global scale. This may in part be attributed to inconsistent articulation of the guiding principles which, from its inception, drove the manner in which the Fund’s vision and mission were communicated through partners to countries.

Table 2: Current Logic of the Global Fund’s Guiding Principles

If the Global Fund is to be an Effective Financial Instrument (A)	▶	It must Mobilize Financial Resources (B).
If the Global Fund is not to be an implementing agency (A)	▶	It must develop partnerships (C) to carry out that important element.
If the Global Fund is to reach the most affected populations (to achieve the MDGs)	▶	It must <i>(and here the logic is not entirely clear)</i> operate in a balanced manner both geographically and substantively (D and E).
If the Global Fund is to make grant decisions on the basis of an independent review	▶	It must rely on transparent criteria comprising clear scientific and technical standards (F).
If the Global Fund is to be an efficient financial instrument (A)	▶	It must disburse rapidly with minimal transaction costs (B).

Table 3: Aligning Key Concepts of the Global Fund with Functions of a Business Model

Six Functions of a Business Model³⁶	Key Concepts and Principles from the Global Fund Framework Document
1. To articulate the value proposition.	To mitigate the effects of HIV/AIDS, TB, and Malaria and eliminate stigmatization of and discrimination against those infected and affected by these diseases
2. To identify the market segment.	To operate in a balanced manner in terms of covering— (a) Different regions, diseases and interventions, giving due priority to the most affected countries and communities, and to those countries most at risk. (b) Prevention, treatment, and care/support in dealing with the three diseases.
3. To define the structure of the organization’s value-chain.	To solicit (but not shape) proposals and make decisions on funding with independent review processes according to transparent criteria based on— (a) The most appropriate scientific and technical standards, taking into account local realities and priorities (b) The potential for substantial scaling up and increased coverage of proven and effective interventions, which strengthen systems for working within the health sector, across government departments, and with communities. (c) Performance-linking resources to the achievement of clear, measurable, and sustainable results. (d) International law and agreements, intellectual property rights, and efforts to make quality drugs and products available at the lowest possible prices for those in need.
4. To describe the position of the organization.	To act as a financial instrument, not an implementing entity: Using simplified, rapid, and innovative process with efficient and effective disbursement mechanisms; and to minimize transaction costs.
5. To specify the revenue-generation mechanisms.	To mobilize (make available) and leverage additional resources from donors, the private sector, and other sources.
6. To formulate the “competitive strategy”.	To establish partnerships reflecting national ownership and country-led processes as well as international efforts to align and harmonize implementation modalities: (a) Building on, complementing, and coordinating with existing regional and national programs in support of national policies, priorities and partnerships. (b) Focusing on the creation, development, and expansion of government/private/NGO partnerships. (c) Strengthening the participation of communities and people, particularly those infected and directly affected by the three diseases, in the development of proposals.

³⁶ Chesbrough, H. *Open Business Models: How to Thrive in the New Innovation Landscape*. Harvard: HBS Press.

Uniqueness and Evolution of the Model

In interviews, Board members recognize and support the features which made the Global Fund “unique” at its onset, and which should be preserved: disease focus, heavy governance role for civil society, public-private partnership model, focusing on channeling resources, country ownership and accountability. But a large majority of Board respondents across constituencies also volunteered that the future will require some pragmatic adaptation of the foundational principles based on context and need. The Text Box below entitled “The Need to Define Boundaries of Principles in Practice” provides illustrations for this necessary evolution.

Some Board members also noted that the “uniqueness” argument has been overplayed; that the new models of development are all more like the Global Fund, which reflexively means it is less unique. Only a few voices went as far as mentioning “hubris” and “arrogance”, but the general emphasis is on the need to move toward a better fit and more harmonization within an overall development assistance and global health context (as also discussed in the preamble on the historical evolution of the context in which the Global Fund operates).

Within this larger context, the effort to avoid breaching a principle will not necessarily matter as much as the need to confront The Global Fund's challenging new responsibilities.

The Need to Define Boundaries of Principles in Practice

Examples of unsatisfactory resolution of the tensions between principles due to lack of a clear articulation are found in this evaluation. For example—

- ⇒ Fund Portfolio Managers (FPMs)—probably the spearhead of the Global Fund’s operations—have neither standard nor clear guidance about how to avoid providing TA (a.k.a. implementing/breaching the principle of financing-only) while still “getting the job done,” particularly in countries with fragile systems and limited partnership experience where need for assistance is greatest.
- ⇒ The Board has already appropriately stepped forward and allowed a “continuity of services” process, to avoid treatment discontinuation at the end of a grant which will not be renewed based on the principle of performance-based funding, and until alternative treatment can be found. Some Board members willingly acknowledge that the risk of ARV or TB treatment interruption to hundreds of thousands of patients if performance of grants and/or countries falters will be too great for the Global Fund to be protected from its responsibilities (behind the principles of country ownership, performance-based funding, or behind the responsibility of its partners), and that this will affect the approach to the principle of financing-only based on performance.

DISCUSSION AND RECOMMENDATIONS: A POSSIBLE WAY FORWARD

The Evaluation suggests two principal considerations as the basis for the Global Fund to move forward:

First: If the principles of the Framework Document were to be examined as suggested in Table 3, the Global Fund would have a far more strategic framework with which to build on for the next 5 years: A business model based on first defining the value proposition of the Global Fund (namely, impact on and mitigation of effects on the three diseases); then ordering all other principles along the key elements of a business model; until finally formulating a “competitive

strategy” that is based on complementary partnerships; would help resolve more explicitly the tensions among the institution’s principles. Partnership, which is essentially absent from the Strategy, would be the fundamental basis for progress within the Global Fund.

Through its ongoing work in SA2, the Evaluation is further examining how Partnership arrangements translate at the country level, and what some typologies for partnerships might be. However, some important principles about partnership are emerging and can already be taken into consideration:

- Partnership arrangements necessarily create complexities and transaction costs, which are assessed differently by each party. Partnerships can thus be cost-ineffective just as they can be cost-effective.
- Beyond valuable but non-specific notions such as 'inclusiveness', 'participation', and 'voice', partnership arrangements should primarily be based on the prospect for achieving defined objectives, and on agreement about the respective comparative advantage that each of the partners brings to the relationship. Partnerships should be based on ex-ante utilitarian agreements bound by specific rules, assignment of responsibility, agreed divisions of labor, and exit strategy.
- Complementary and comparative advantages come with differentiated needs of partners, including their own resourcing. In a business approach, these should be addressed explicitly and transparently in the arrangements, thus avoiding confusion of roles and conflicts of interest.

Second: If the sequence of steps of Table 3 is considered as a logical framework, then the Global Fund would have a far more effective tool for carrying out strategic decision-making by refocusing the Board on issues which it has thus far tended to ignore (partnerships, resource mobilization, monitoring and evaluation of impact), as examined in the Governance section of this report.

The Strategy recently approved by the Board³⁷ is structured as a house comprising (1) a foundation based on impact and accountability; (2) a roof summarizing the purpose and principles; and, (3) three pillars for growth, adaptation, and evolution as the keys for future development of the Global Fund. In the debate thus far, neither the foundation nor the roof has been seen to merit significant modifications, but the pillars have occasioned considerable debate, particularly over whether the language is too weak and might undermine the overall validity and credibility of the model for potential donors.

Though the Strategy provides a useful framework for addressing the questions of “how” and “how much” the Global Fund will disburse, it is less useful in providing guidance on the questions of “where” and “what” the additional resources will be spent on.

The Strategy reflects the need to significantly increase commitments and disbursements over the 2007 to 2010 time period, but it thus far tends to focus on the issues of size and financing

³⁷ The Global Fund to fight AIDS, Tuberculosis, and Malaria. 2007. *A Strategy for the Global Fund: Accelerating the effort to save lives*. Geneva, Switzerland: The Global Fund to fight AIDS, Tuberculosis, and Malaria. Full report available at http://www.theglobalfund.org/en/media_center/publications/strategy/.

mechanisms (particularly grant consolidation, the rolling continuation channel (RCC), and the national strategy application (NSA), which are all currently being tested). What the Strategy does not do at this stage is provide an indication of which countries and which interventions are potentially able to absorb the increased resources. While such discussion may be seen as contradicting the principle of country-driven demand, it is not in contradiction with the introduction of the replenishment process which assumes that substantial additional resources can be effectively placed.

Previous assessments of the Global Fund's business model³⁸ have discussed but not led to full resolution of many of these issues: how to identify programs for financing in a rational and comprehensive manner, how to promote efficient disbursement and effective implementation of grants, and how to ensure proactive oversight.

To progress in this direction, the Evaluation recommends the following:

⇒ **Priority Recommendation 1:** The Board should consider further developing its Strategy to ensure that the organization's mission and goals are clearly articulated to focus it toward impact on each of the three diseases. This will require:

- Developing specific goals for different types of country profiles based on—epidemiological profiles and levels of country capacity to support disease control programs. CCM profiles should be considered in such areas as integration vs. parallel structures, and proactive involvement of constituencies vs. minimalist compliance to requirements for funding.
- Establishing the general magnitude of resource requirements (financial, organizational, and in terms of human resources) and defining resource allocation priorities for the achievement of the stated goals and objectives.
- Matching resource requirements with the resource mobilization strategy and adjusting the requirements for the application of different policy instruments, taking into consideration the Global Fund's positioning and comparative advantage in the development architecture.
- Revising the performance and results targets to which the organization will be held accountable.

⇒ **Priority Recommendation 2:** Furthermore, the Strategy should clearly articulate a range of preferred and acceptable partner roles. These should be defined based on the prospect for effectiveness of partner arrangements in achieving specific objectives within given contextual profiles, rather than based on general intentions. These should be negotiated with the Global Fund's main partners through a transparent and participatory process for technical partners, country partners and governments, civil society and private partners, and donor and recipient delegations.

³⁸ See the Discussion papers from BM 8, BM 9, and BM 10.

- The objective of this recommendation is not for the Global Fund to become excessively prescriptive (to the extent that local agreements cannot be developed at the country or regional levels), but to set clear expectations and a range of options for effective technical partnerships, which countries can learn to access and use to their advantage.
- Based on differential mapping of needs and capacity, elements of the strategy could be specified to achieve the goal of sustainable and effective country disease control programs, based on the individual and coordinated capabilities of all country stakeholders (“country owned”). Some countries might benefit from CCM development and capacity building efforts through mechanisms negotiated between the Global Fund and a partner with country presence (UNAIDS, WHO, NGO, or Bilateral Agencies). Others may focus on integrating CCMs within sustainable national structures or strengthening disease control oversight capacity in-country. Countries themselves (especially governments) should be increasingly accountable for sound stewardship, effective technical oversight, and leadership as the size of disbursements and support from the Global Fund for national strategies increase.
- Setting in place these essential strategic elements would allow further development of a resourced business plan. The following recommendations are made in support of this plan:
 - ⇒ **Priority Recommendation 3:** To support the implementation of its Strategy, the Board should support the development of a business plan that sets a hierarchy and contextual boundaries for the application of the Global Fund principles. This business plan should assist the Board to (1) focus on issues which have not thus far received sufficient attention (especially partnership and monitoring and evaluation of impact); and, (2) define more precisely the current status and future orientations of the Global Fund *business model*.
 - ⇒ **Priority Recommendation 4:** The business plan should include benchmarks for appropriate balance in resource allocations by (1) establishing minimum standards for effort toward low capacity and high burden of disease countries (by country groupings and by disease, if not by component); and, (2) establishing the framework and the means-to-ends requirements for ensuring access to required TA (e.g. explicitly stating how TA will be resourced, what contributions will be made by technical partners, what financing options of technical partners by the Global Fund are expected, and how arrangements will affect and maintain the principle of country ownership).
- This recommendation points to a known tension in the Global Fund principles: if the Global Fund exists only as a financial instrument responding to country demands, it can hardly control the balance of efforts across regions, diseases and interventions. However, if the value proposition of the institution is to impact three diseases where they are prevalent first, this calls for proactive steps, which can be defined with partners inside (i.e., Board constituencies) and outside (e.g., technical partners) of the Global Fund. The Global Fund can then reinforce how its principles of being a financial institution and respecting country ownership will be operationalized (for example, through TA arrangements) *in the pursuit of* this higher purpose.

Making Technical Partner Roles Explicit—the Case of the Global Fund—WHO Partnership

What are the boundaries of a technical partnership? Does a technical partner contribute its resources to support Global Fund country programs? Does the technical partner receive Global Fund monies to support Global Fund grants? There is evidence for both roles, even in the limited samples during the first phase of SA2. Flexibility can, however, reach its limitations in defining a functional partnership.

As the lead UN health agency, WHO plays a key role in its partnership with the Global Fund. This has contributed to achievements in terms of quality of proposals and technical assistance to grants. But the ill-defined nature of the partnership arrangements has resulted in a mix of roles and genres, creating concerns about at least the appearance of a conflict of interest, and questions about what is expected from the “partnership.”

For example, WHO can be found to play the following roles with regards to the Global Fund:

- ⇒ Serves as contract office for all procurement activities of the Global Fund, including Human Resources through the ASA agreement
- ⇒ Sits on the Board as an ex-officio member
- ⇒ Has provided TRP reviewers through Round 7
- ⇒ Contributes to the TERG
- ⇒ Can serve as CCM Chair or Vice-Chair in countries
- ⇒ Provides technical assistance through in-country or regional offices, and as a member of global technical partnerships and alliances
- ⇒ Receives Global Fund monies as grant SR, and then provides TA to the CCM and PR who apply for and disburse the funds
- ⇒ Functions as a Global Fund 5-Year Evaluation sub-contractor for the impact assessment
- ⇒ In some cases provides some support to Board delegations.

None of these roles are inherently wrong or inappropriate. But in addition to the ongoing debate about attachment of the Global Fund to WHO, and concerns expressed by Board members for an excessive evolution of the institution into a UN-type body (one Board member goes as far as stating that the Global Fund is getting “enmeshed” with WHO, specifically), even the appearance of a conflict of interest needs to be eliminated. This appearance exists when members of one agency provide TA to support or write proposals, which ultimately channels funds to the same agency, through the approval of an independent review panel, of which the agency is also a member.

Board Governance Review

The Evaluation focused on three key issues related to Board governance: (1) representation of the constituencies as a right and as a source of legitimacy for decision-making; (2) consideration of the issues as they relate to the Board’s mandate; and, (3) participation in decision-making. The findings are based on the examination of (i) documents establishing the various Global Fund structures; (ii) records of representation and participation of constituencies on the Board; (iii) analysis of the organization of work between the Board, Committees, and the Secretariat; (iv)

study of the decision-points recorded at the Board meetings; and, (v) interviews with 18 Board delegation members.³⁹

BOARD STRUCTURE AND CONSTITUENCY PARTICIPATION

Achieving Wide Participation by Different Stakeholders

As detailed in its By-Laws and Board Operating Procedures, the Global Fund has sought to create a different model for international governance comprising (1) broad participation (of governments, international organizations, civil society, the private sector, and communities affected by the diseases); and, (2) equal voice to all Board Members by a combination of alternating responsibilities for Board leadership among developed and developing country representatives, consensus-building precedents, and specific voting prerogatives to reach decisions of the Board. These arrangements are a fundamental element of its governance structure.

Through June 2004, the Board was comprised of 18 voting members (representing donors, groups of developing countries from each of the WHO regions, and representatives from civil society and the private sector) and five non-voting members. At the 8th Board Meeting, the previously non-voting representative of Communities Affected by the Diseases was accorded voting status (reducing the number of non-voting members to 4: WHO, UNAIDS, World Bank, and the Swiss Representative). An additional donor constituency was subsequently added, bringing Board membership to 20 voting members. Each constituency determines its own process for selecting Board representation. Members (1) serve for two years or such other term as the Board may determine, and, (2) act in their capacity as representatives of their respective governments, organizations, constituencies, or other entities.

The Global Fund's Board structure and processes have achieved both broad participation and genuine power sharing between key constituencies in the fight against HIV/AIDS, TB, and Malaria, including donors, developing and developed countries, the private sector, civil society organizations, and people living with these diseases.

The Global Fund has achieved both broad participation from different constituencies and genuine power sharing, but the voice of certain constituencies has been constrained by varied rates of attendance at Board and Committee meetings, by the effective representation of constituents through their delegation, and by internal communication difficulties.

On the whole, Board members believe that the Global Fund Board adequately represents the diverse constituencies required to combat the three diseases. Board members interviewed for this evaluation expressed great appreciation for (1) how the Global Fund has established a true public-private partnership; and, (2) how the Global Fund's governance structure has integrated its different constituencies, from Board to CCM level. Members expressed particular consensus for the seats given to NGOs and Communities, and cited their importance in (i) providing

³⁹ A list of individuals who participated in interviews is available in the Methodological Annex (Annex 2) to this report.

information, perspectives, and recommendations from beneficiaries and patients representatives; and, (ii) energizing Board discussions.

With respect to individual representation of the different constituencies, 200 people have (since 2002) occupied one of the key positions in the Board (Member, Alternate, or Focal Point). Because a number of persons have occupied more than one position on the delegation, the total number of different persons is 181, representing a total of 51 different countries.

Of these 181 different people, 66 (or 36 percent) have been women. In terms of the "highest" positions occupied, 23 women have served as Board Members, 14 as Alternates, and 29 as Focal Points. Two delegations have never been represented by a woman in any position: Eastern Mediterranean and West and Central Africa.

Turnover in membership on these key Board positions has varied. The total number of persons serving in these key positions ranges from a minimum of three (UK/Australia) to a maximum of 16 (Eastern Europe). Focal Points change somewhat more frequently than Alternates and Board Members. A number of delegations have maintained a single person in one of these key positions throughout the entire period,⁴⁰ and 20 percent of the delegations have had a single Board Member throughout the five-year period.

Limitations in Constituency Representation and Participation

Participation and equal voice have been constrained by varied attendance at Board and Committee meetings and by difficulties for communicating within certain constituencies. Although Board respondents indicated their appreciation for the distribution of power, the openness of debates, the flexibility of the suggestions and recommendations, and the possibility to discuss and convince others on the Board and even though equal participation and voice are protected by the By-Laws and Board Operating Procedures among the constituencies, attendance at Board and Committee meetings, the burden of information to be processed, and the (lack of) communication between these meetings—primarily for recipient country delegations—have reduced the effectiveness of these conferred rights.

Constituency attendance data is available for Board meetings 2 to 15⁴¹ and have been analyzed by the External Relations unit which found that 93 percent of constituencies were represented by either the Board Member or an Alternate, while 98 percent were represented by the Board Member, Alternate, or Focal Point. Though these attendance rates are impressive, it is also true that more than half of the constituencies were not represented by a Board Member or Alternate at one or more meetings, while two constituencies were not represented by a Board Member or Alternate at three or more meetings.

Similarly, External Relations has analyzed attendance at the Board Committee meetings from July 2005 onward⁴² for the Policy and Strategy Committee, the Finance and Audit Committee (FAC), and the Portfolio Committee (PC); External Relations found that 94 percent of constituencies were represented at Committee meetings by their nominated Committee Member,

⁴⁰ The UK/Australia result is partly the artifact of the creation of this delegation in 2004.

⁴¹ Data incomplete for the First Board meeting are, therefore, not included in statistics.

⁴² Data for meetings before July 2005 were not considered because this relates to the old committee structure.

and 97 percent of constituencies were represented at Committee meetings by their nominated Committee Member or their designated representative. Additional details by year and by committee are presented in Table 4:

Table 4: Attendance of Delegation Members to Board Committee Meetings

	2005 Committees			2006 Committees			2007 Committees		
	PSC	FAC	PC	PSC	FAC	PC	PSC	FAC	PC
No. of Meetings	3	4	2	3	3	3	1	1	2
No of Constituencies:									
Attending All Meetings	14	7	10	17	8	10	18	8	9
Missing 1 Meeting	4	2	1	1	1	2	2	2	1
Missing 2+ Meetings	1	1	0	2	1	0	0	0	2

Based on these results, one to two constituencies have missed two or more committee meetings per year. From 2005 to 2006, the Eastern Mediterranean constituency was the most frequently unrepresented at committee meetings.

Board members cited a number of factors that constrain communication within constituencies, which inhibits the development of coherent positions and diminishes effective participation. These include the size and turnover of the delegations, linguistic differences, telecommunications problems, and lack of adequate financial resources. About half of the Board respondents (mostly from the recipient constituencies) indicated their overall dissatisfaction with intra-constituency communication. These concerns were discussed at a February 2007 meeting of the Board Committee Chairs and Vice Chairs (attended by the Chair and Vice Chair of the Board), and the Secretariat was requested to offer increased assistance through revised constituency guidelines, describing examples of optimal practices for information sharing, constituency management, and communication (the Point-Seven delegation in the Donor Country Bloc is frequently referred to as effective constituency representation and coordination).

With respect to country representation, the By-Laws require that country groupings on the Board correspond with WHO's regional groupings. While the country groupings on the Board conform to the By-Laws, the Secretariat's internal grouping of countries for Operations is different; this is particularly the case for the Eastern Mediterranean Region (and to a lesser extent, for the Africa and South East Asia Regions). This disconnect in country groupings on the Board and within the Secretariat has potential for further limiting the effective representation of all constituencies.

BOARD DELIBERATIONS

Main Achievements in Addressing the Global Fund Agenda

The Global Fund's By-Laws confer four main responsibilities on the Board; these can be summarized as follows:⁴³

⁴³ The Board also retains "all other powers required to carry out the purposes of the Foundation."

- Ensure the internal arrangements for the operations of the various Global Fund structures, including (1) appointing Board Members; (2) creating committees as appropriate; (3) establishing criteria for participation and rules of procedure for the Partnership Forum; (4) setting criteria for membership of and appointing members of the Technical Review Panel and other advisory groups as appropriate; (5) instituting conflict of interest policies for the Foundation Board, the Technical Review Panel, the Secretariat staff and others as appropriate; and, (6) selecting and, if necessary, replacing the Executive Director.
- Set policies and strategies for the Foundation, including (1) advocating for the Foundation and mobilizing resources; (2) validating eligibility criteria for projects; (3) setting operational guidelines, work plans and budgets for the Secretariat and the Technical Review Panel; and, (4) making funding decisions.
- Develop partnerships, including (1) consideration, approval, and monitoring of cooperative arrangements or agreements with other organizations and institutions; and, (2) coordination with outside agencies.
- Establish a framework for monitoring and periodic independent evaluation of performance and financial accountability of activities supported by the Foundation, including approval of the annual report of the Foundation.

From 2002 to 2005, the Board met three times per year. Since 2006, following the amended By-Laws, the Board has met as often as necessary, but not less than two times per year. Between January 2002 and April 2007, the Board met 15 times. The By-Laws state that all decisions of the Board will be recorded in the minutes of the meetings, approved by the Board, provided to all voting and non-voting Board members, and retained in the permanent records of the Foundation. On the basis of these detailed records (provided by the Legal unit and External Relations) and documents on the Global Fund web site, much information can be collected on the nature of the issues discussed, the documentation considered, and the decisions reached.

Board discussions and decisions show a heavy focus on operational issues and policies. This is partly explained by the great pressures faced during an exceedingly rapid startup and by a desire for due diligence by the Board; but it has hindered prioritization of longer-term strategic discussions.

Board members view their experience as generally positive and assess the effectiveness of the Board as currently having improved, compared with earlier in its history. Two-thirds of respondents rate their experience with the Board and its committees as generally more efficient and productive than other boards on which they sit. They confer a heavy responsibility for effectiveness to the individual skills and know-how of the Board chair, vice-chair and the committee heads.

However, as shown below, the mass of information to be processed and the nature of the issues addressed point to a critical shortcoming in establishing priorities by and for the Board. Some Board members acknowledge that the work needed to establish the Global Fund has resulted in detailed and often complicated discussions, and that projected future growth of the Global Fund will require changes in the Board's organizational methods.

Increasing Constraint: The Board Information Processing Capacity has Reached Saturation

The increase in the number of issues considered, the quantity of background documentation produced, and the volume of decisions made has become overwhelming for the Board (even though many Board respondents are satisfied with both the nature of the issues discussed in board meetings and [to a lesser extent] the level of detail in which those issues are addressed).

The quantity of documentation to be reviewed in preparation of each board meeting has reached beyond the effective information processing capacity of most delegations.

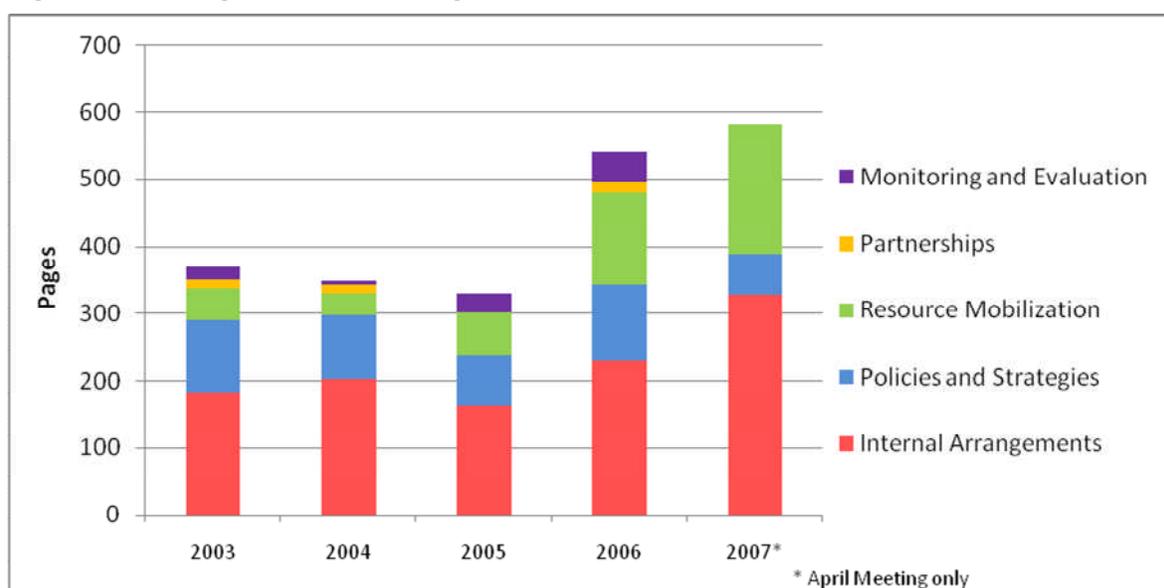
Of the 15 Board meetings, the total number of topics discussed per year has varied from 189 in 2002, to 290 in 2006, to 171 for the April 2007 meeting alone. Likewise, the average number of topics discussed has increased significantly over the past 18 months.

Table 5: Number of Topics Addressed as Noted in the Board Meeting Summaries

	2002	2003	2004	2005	2006	2007
Number of Meetings	3	3	3	3	2	1
Average Number of Topics Per Meeting	63	84	51	70	145	171

Along with the increase in the number of topics has come a marked increase in (1) the volume of documentation in support of their consideration, and, (2) the number of decisions Board Members are asked to make. As indicated in Figure 2, documentation volume has increased substantially over the last several board meetings, primarily because of the inclusion of the PowerPoint presentations in the package transmitted to the members.

Figure 2: Average Number of Pages of Documentation to Process per Board Meeting



The April 2007 meeting involved slightly less than 1,000 pages (including PowerPoint presentations) of which more than half dealt with the internal arrangements of the Board. While Board members indicate that they are largely satisfied with the documentation provided for the Board meetings, they also acknowledge that they cannot possibly master such an overwhelming amount of documents. This is particularly the case for non-English speaking members and for some constituencies without ready access to reliable (and high speed) internet services. In addition, the recipient delegations are particularly frustrated that they cannot formulate appropriately detailed positions.

The number of decisions reached by the Board has increased from 174 for three meetings in 2002, to 257 for two meetings in 2006, and to a staggering 196 for the initial meeting in 2007. Electronic decision-making now contributes marginally to the total number of decisions.

Table 6: Summary of Decision Points Reached at Board Meetings

Board actions	2002	2003	2004	2005	2006	2007*	Total
Board Decisions	88	90	64	106	167	138	653
Referrals To Secretariat	86	145	71	96	90	58	546
Total	174	235	135	202	257	196	1199
Of Which Electronic	0	0	6	66	84	22	

*Includes February special meeting and April regular meeting

The principal question is whether all these efforts have contributed to advancing the Global Fund's purpose and objectives. A review of the Board's discussions and decision points shows a heavy focus on operational issues and policies, at the expense of longer-term strategic discussions. Table 7 summarizes the frequency of topics discussed:

Table 7: Frequency of Topics Noted in the Board Meeting Summaries

Board Responsibilities	2002	2003	2004	2005	2006	2007	Total
Internal Arrangements	47%	36%	39%	33%	25%	31%	34%
Policies And Strategies (largely for grants management)	41%	45%	51%	63%	61%	53%	53%
Resource Mobilization	3%	8%	3%	1%	13%	13%	7%
Partnerships	3%	9%	6%	2%	1%	0%	4%
Monitoring And Evaluation	6%	2%	1%	0%	1%	2%	2%

Overwhelmingly, the issues considered by the Board have addressed either internal Global Fund matters, or policies and strategies for grant management. Phase 2 considerations contribute to approximately one third of the overall frequency of the topics, and especially to the increase seen since electronic consideration of issues was introduced in 2005. Resource mobilization has assumed more importance in the last couple of years, but the principal topics have been UNITAID and restricted financial contributions, rather than replenishment.

Both Partnerships and Monitoring & Evaluation (M&E) are very infrequent topics of discussion. This contrasts somewhat with Board member responses concerning past, present, and future critical issues. Most Board members acknowledge their initial focus on the grant management process and the Secretariat structure and capacity, but they state that improving partnerships, harmonization and alignment, and country capacity are now and will continue to be as critical as those original issues on which the Board focused. The small number of issues devoted to M&E do not align with the Board’s concerns about demonstrating results.

The preceding review of discussions, decision points, and volume of documentation created points to a critical weakness in governance. Board members have been dedicated and diligent in paying attention to issues debated in both depth and detail. However, by failing to differentiate sufficiently between areas of responsibility which can be delegated, and those which cannot, the Board’s focus has overall drifted toward the operational and neglected the long-term and strategic. As discussed above (see Vision and Mission), while the institution has shown tremendous flexibility in adjusting grant disbursement strategies and operational policies, a number of larger picture issues (overall impact, partnership, resolving tensions in the principles, expansion of the strategic focus), though discussed, have not been resolved.

ORGANIZATION OF WORK BETWEEN THE BOARD, ITS COMMITTEES, AND THE SECRETARIAT

Evolution of and Achievements in Organizing the Board-Committees-Secretariat Division of Labor

The Board works through established Committees (with their own Committee Operating Procedures), and it relies on the staff of the Secretariat to provide support to the Board and its Committees in deliberating options and carrying out decisions. Initially, the Board established a total of six committees. Almost immediately,⁴⁴ the Board expressed concern that the “committee

⁴⁴ Feachem, R. 2003. *Fourth Board meeting of the Global Fund Report of the Executive Director Richard G.A. Feachem.* (GF/B4/4). Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis, and Malaria.

focus should uniformly expedite and assist the work, not unduly distract from the Secretariat’s core business and avoid intruding on operational matters, which are for the Secretariat to pursue.”

After consideration⁴⁵ of the results of a study of ways and means to increase its efficiency and effectiveness, the Board⁴⁶ reduced the number of committees to four, and adopted a number of other recommendations as well. The following are the pre- and post-2005 lists of committees:

Table 8: Changes in Board Committees

Committees Prior to 2005	Committees Since 2005
Ethics Committee	Ethics Committee
Monitoring, Evaluation, Finance And Audit Committee	Finance And Audit Committee (FAC)
Resource Mobilization And Communication Committee	Policy And Strategy Committee (PSC)
Governance And Partnership Committee	Portfolio Committee (PC)
Portfolio Management And Procurement Committee	
Partnership Forum Steering Committee	

Though the number of committees were reduced, the terms of reference for each of the new committees were significantly expanded as the committees are intended to provide both policy and decision support and oversight. Committee roles are clear and differentiated in general, although potential areas of overlap have been identified. These areas include (1) identification and evaluation of risk, which is a shared responsibility of all Committees; (2) resource mobilization, with overlaps between the FAC and the PSC; (3) performance monitoring, with overlaps between the PC and the PSC. In addition, the TORs of the PSC give it a broad mandate in policy and strategic planning “in areas not explicitly covered by the FAC and PC,” a formulation which might lend itself to possible duplication.

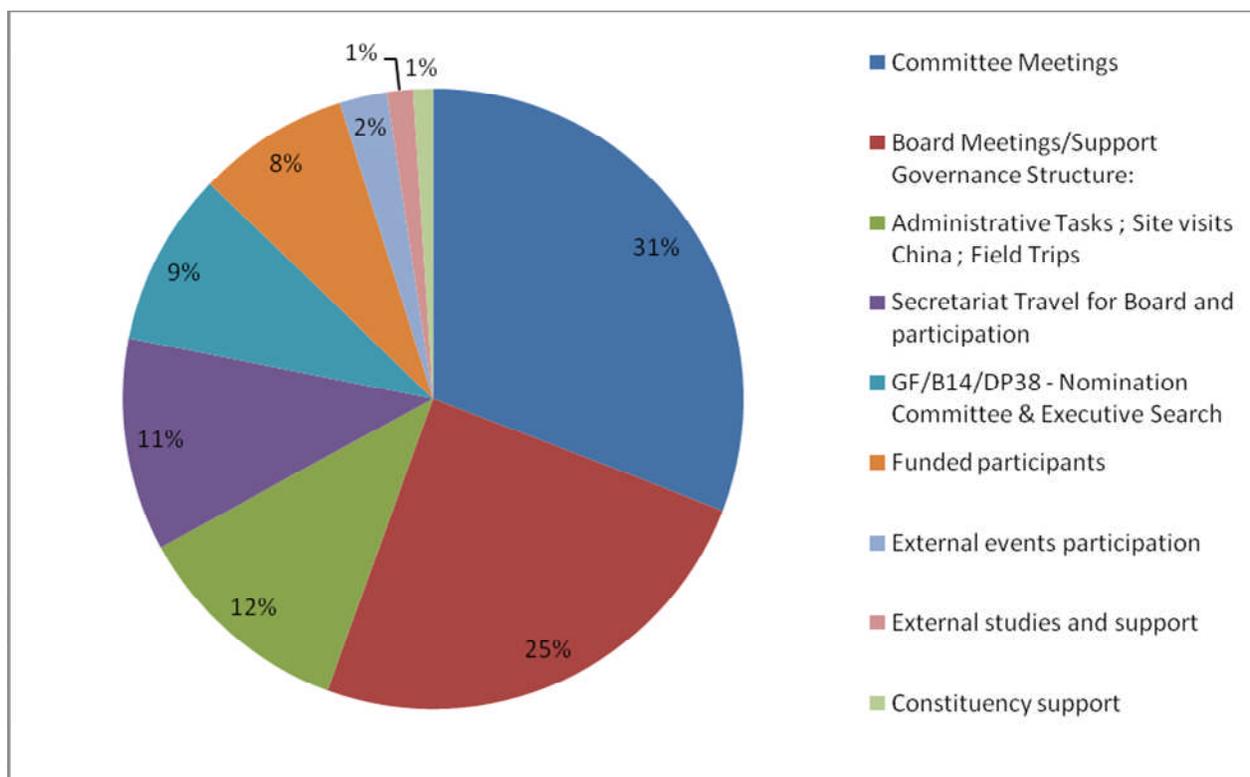
For 2007, the budget for Board meetings was 2.4 million US\$. As shown in Figure 3 below, the main areas of expenditure were Committee Meetings (31%); Board Meetings and Support (25%); administrative tasks and site visits (12%); and Secretariat travel and participation (11%). Smaller budgeted expenditures (apart from the executive search) involved support to funded Board meeting participants (8%), and very small expenditures in terms of participation of members to external meetings/events, external studies, and only 1% of the budget for constituency support.

Based on 2006 expenditures, the Board operating costs represent 3.9 percent of Secretariat expenditures and 2.8 percent of total operating costs (Secretariat and LFA costs). This represents under 0.2 percent of the total annual (2006) budget, including grant disbursements. The Evaluation sought to establish benchmarks in this area, but found reliable comparisons impossible to make in terms of financial costs of governance due to wide variations in governance across organizations (e.g., frequency of meetings, levels of governance, resident/non-resident nature of Boards).

⁴⁵ The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2004. *Executive summary of the Board committee study*. (GF/B9/6). Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis, and Malaria.

⁴⁶ The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2005. *The report of the Committee Restructuring Working Group*. (GF/B10/11). Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis, and Malaria.

Figure 3: Board Meetings 2007 Budget Breakdown



Limitation: Demands Made on the Secretariat and Intensive Committee-Secretariat Processes

As part of their expanded terms of reference, each committee was requested to "identify and evaluate all Global Fund risks relevant to the terms of reference of the committee and ensure that proper controls are in place to reduce the risks to an acceptable level." During the Committee self-assessment exercise of February 2007, the Committees and the Secretariat determined that:

- The demanding work programs and tight timelines for producing the work and considering the results in committee have increased workloads significantly for some units within the Global Fund Secretariat, often leaving little time for critical non-committee work.
- The multiple steps of the review process for approving papers are time-consuming and involve substantial transaction costs.

The Board has not yet been able to delegate sufficient responsibility to its Committees and to the Secretariat. Committee discussions are too frequently duplicated during full Board meeting.

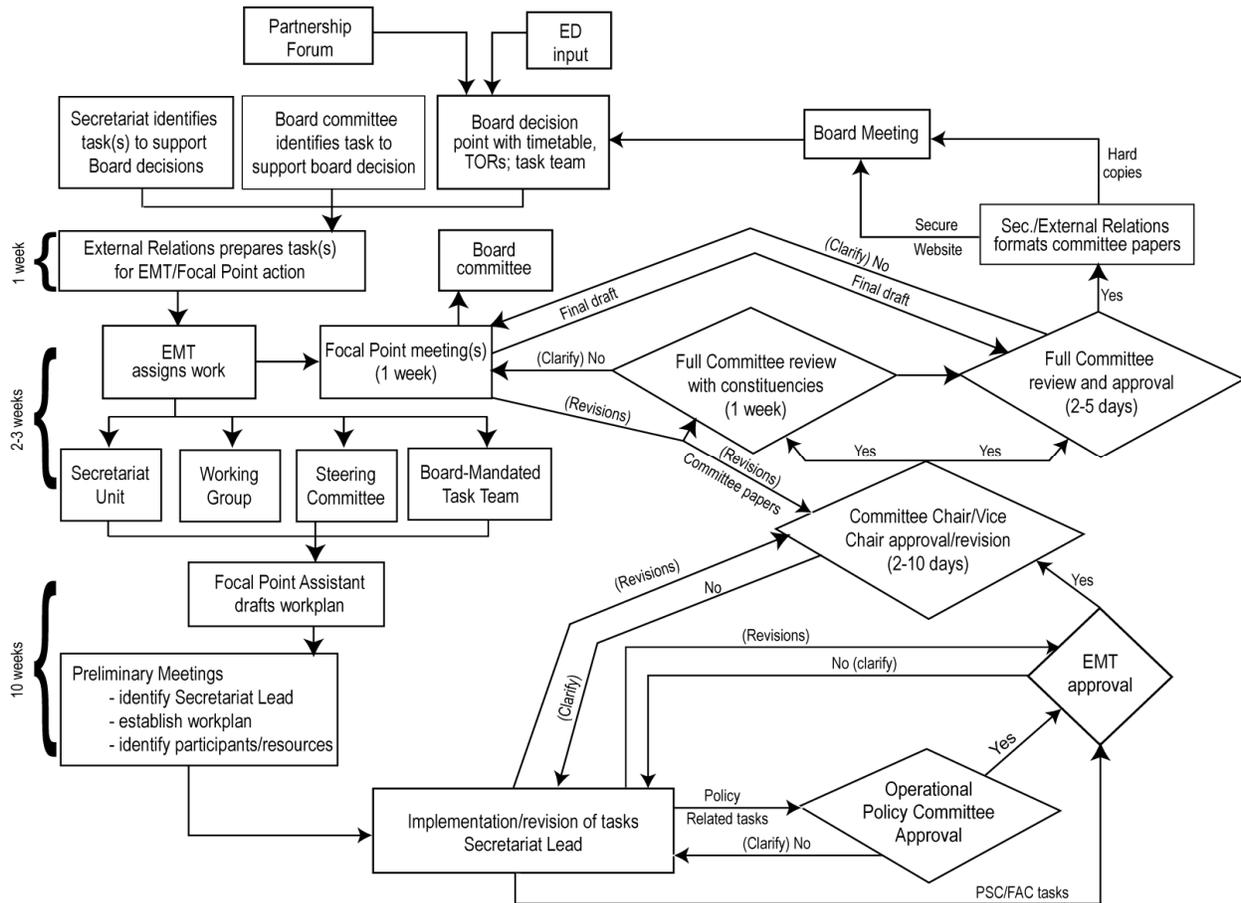
Currently, certain Secretariat unit heads refer to the Board and Committee assignments as their "homework," to be completed before the next Board meeting, and to this additional work as their "second job," requiring up to 70 percent of their time.

The Committee structure, with Secretariat support, provides an extremely thorough process for the Global Fund Board to anticipate developments in its procedures; to initiate, test, and assess options; and to evaluate previous decisions, among others. But the Committee structure has also provided the Board with a means to become involved in a number of issues which might more reasonably have been left for Secretariat action and subsequent reporting to the Board. As illustrated in Figure 4, the steps from Board identification of an issue, through analysis and discussion of the possible response within the Secretariat and Committee, to finalization and submission of the Committee document to the Board for discussion and eventual disposition, comprises a number of steps to ensure completeness and quality.

The level of attention paid by the Board to operational details—explained in great part by the pressures from an exceedingly rapid startup—has led to micro-management of issues that could be better addressed at Committee and Secretariat levels.

As shown, the process may originate from a Board Decision Point, a Board Committee task or a task identified by the Secretariat itself to the Executive Management Team (EMT) for assignment of the work both to a structure and to a Focal Point and/or Focal Point Assistant to organize the task. Given the approximately six months between Board meetings, the time to organize the task, and the time required for Committee discussion, the actual time available for the Focal Point to organize and execute the work is relatively short. The initial draft document then flows through various management reviews (through the Operations Policy Committee [OPC] and the EMT) with subsequent exchanges between the Focal Point and the Committee Chair and Vice-Chair before being submitted to the whole committee for review and eventual approval. If there are no further revisions, the document is processed as a Committee paper by External Relations and submitted to the Board.

Figure 4: Board - Secretariat Relationship



The intensive committee involvement in all aspects of the Global Fund’s work in general and the committee process in particular has led to the justified criticism that the Board micro-manages the Global Fund’s affairs. Board involvement (or micro-management) should be examined at three levels:

- In the identification and referral of issues to the Committees for analysis and future Board decision-making;
- In the working methods employed by some committees to transform a Secretariat paper into a Committee document; and,
- In the Board’s tendency to reexamine Committee work in detail during the Board meetings.

The complexity and time pressures for document preparation are further exacerbated by sometimes politically sensitive and often frustrating negotiation of the wording of decisions and documents, which leaves some Delegation members out.

This reported micro-management, the corresponding lack of prioritization of the issues and insufficient focus on long-term issues by the Board raises the question of the role played by Secretariat Management, and the Executive Director in particular.

Role of the Executive Director (ED) on the Board

The ED of the Global Fund is currently not a Board member. While the arms-length relationship between an ED and a Board is essential to maintain checks and balances between an organization’s leadership (Board) and operations (ED), participation of the ED on the Board can enhance the executive's position of authority within the organization and strengthen the working partnership between the two levels.

Table 9, benchmarking the ED Role on the Board with Other Institutions, illustrates a variety of governance practices with regards to the role given to CEOs or EDs. Executive Directors frequently serve as ex-officio (by reason of their office) members of Boards and attend Board meetings, often developing the Board meeting agenda in consultation with the Board chair. (Voting rights of the ED, however, are established through the by-laws, irrespective of the ex officio status). This does not prevent the Board from carrying out its responsibility for the assessment of the ED’s performance.⁴⁷

Table 9: Benchmarking ED Role on Board with Other Institutions

Organization	# of Board Members	Executive Director Board Participation	Specific Arrangements
GAVI ALLIANCE	13	Not a member	President/CEO acts as Alliance Board's non-voting Executive Secretary with responsibility for working with the chair to develop meeting agenda. Serves on Foundation Board.
GAVI FOUNDATION	4	Full Member with voting rights	
GAVI FUND	16	Full Member with voting rights	Unless elected on the Board, the GAVI Fund by-laws state that the President/CEO shall not be a member of the board and shall not vote.
GAIN	17	Ex-Officio Member without voting right	Appointed by the Board, the ED reports directly to the Board chair.
ICRC	19	Not a member	ICRC separates the Board (Assembly) from its Directorate (Secretariat) but provides a linkage between the two through a five-person Assembly Council, chaired by the President of the ICRC—who also chairs the Assembly.
Global Reporting Initiative (GRI)	16	Full Member with voting rights	
ICTSD	12	Not a Member.	Ex-Officio status: Unknown.

⁴⁷ According to Boardsource (<http://www.boardsource.org/>), a leader in enhancing the effectiveness of nonprofits through the strengthening of their Boards, a critical task of the Board is the annual performance assessment of the Executive Director. Eighty percent (80%) of all Boards surveyed in a recent study conducted an annual evaluation of the Executive Director (the Board chair conducted this evaluation in 37% of the respondents).

The recent and concurrent renewal of all leadership positions of the Global Fund (Board, Committees, management of the Secretariat) has created a new sense of possibility. Given the necessity of reducing the workload of the Board, shifting more responsibilities toward both Committees and the Secretariat, and allowing the Board to focus on the ‘big picture’, this new context should be seized upon to strengthen or re-establish trust, and to introduce constructive change—including increased delegation from Board to Committees and to the Secretariat levels, with a strengthening of the participation of the ED in Board meetings.

Table 10 below is illustrative (not prescriptive) of the kind of distribution of roles, which can be considered between the governance (Board) and management (ED and EMT) functions of the organization.

Table 10: An Illustrative Distribution of Role between Governance and Management Functions of the Global Fund

Functions of Governance:	Functions of Management
<ul style="list-style-type: none"> ⇒ Keep under review the trends of world pandemics and especially AIDS, TB and Malaria. ⇒ Ensure policy coherence and international agreements, regulatory frameworks and codes of practice as necessary. ⇒ Define the strategy and performance measures for the governing bodies themselves and transparently monitor and report performance against them. ⇒ Define the overall strategy, priorities, and budget of the organization and agree on its overall programme of work, ensuring that the agreed budget is adequate to the agreed programme of work. ⇒ Decide major organizational changes. ⇒ Monitor the implementation of governance decisions. ⇒ Exercise oversight ensuring that: <ul style="list-style-type: none"> - the Organization operates within its financial and legal framework; - there is transparent and independent evaluation of the Organization's performance in contributing to its planned outcomes and impacts; - there are functioning results-based budgeting and management systems; and - policies and systems for human resources, information and communication technology, contracting and purchasing etc., are functional and fit for purpose. ⇒ Appoint the ED, establish performance targets for him and review performance against those measures; and ⇒ Undertake governing body to governing body contacts with other Organizations. 	<ul style="list-style-type: none"> ⇒ Responsibility for all aspects of the internal workings of the Organization and its programme of work, in line with the decisions of the governing bodies: ⇒ Proactively propose to the governing bodies: priorities, programmes, areas for institutional improvement and areas for improvement in governance itself. ⇒ Decide the detail of the programme of work and ensuring its effective and efficient implementation. ⇒ Appoint and manage the organization's staff, subject only to exceptions specified in the legal charter of the organization. ⇒ All aspects of contracting and purchasing. ⇒ The management of all aspects of the organization's finances. ⇒ Decide and undertake internal reorganizations commensurate with improved programme effectiveness which do exceed the financial framework endorsed by the governing bodies. ⇒ Support the governing bodies in the execution of their work. ⇒ Monitor all aspects of the organization's work and its finances and report on it to the governing bodies; and ⇒ Manage all aspects of partnering at the level of secretariats with other organizations.

ANCILLARY STRUCTURES OF GOVERNANCE

The Board relies on specific ancillary structures to support its capacity to lead the institutions of the Global Fund. These institutions and their operations were not evaluated as such by the evaluation, but some summary points are presented as follows:

Office of the Inspector General (OIG)

This office was included in the WHO Administrative Service Agreement (ASA) from 2002 to 2005. By 2005, a separate office was created for the Global Fund and an Inspector General (IG) was recruited.

The recent and finally resolved questions relating to the Crédit Suisse Account⁴⁸ have brought attention to the role of the OIG and its interaction with the Secretariat. While the understanding about the role of the IG varied among Board constituency, this recent episode has clarified the question of its importance, and there is consensus on the Board for the functions served by the IG.

A series of independent reviews have been carried out and provide guidance for strengthening this role. Specifically, at its 15 Board meeting in April 2007,⁴⁹ the Board requested the Interim Inspector General to prepare a comprehensive account of the content of four documents:

- a report issued by the Office of the Inspector General pertaining to the use of a Global Fund bank account ("the OIG Report")
- the management response to the OIG Report ("the Management Response")
- the Board-commissioned independent analysis of these two documents ("the ORNA Report"),
- the Board-commissioned independent review of the OIG, including the effectiveness of the function of the OIG and the performance of the former Inspector General ("the Deloitte Report").

The Global Fund is now in transition and in the process of recruiting a new IG. The Interim Inspector General of the Global Fund is currently the WHO/IG. As the interim Global Fund IG, the WHO/IG now monitors contractor efforts to revise the Terms of Reference (TORs) and the OIG Charter, and is reviewing a new disclosure policy relating to information published by the organization on its website. It is anticipated that the new IG in the Global Fund will report directly to the Executive Director with oversight to the Board and to WHO, as long as the ASA remains intact. It would be reasonable—as suggested by some Board members—that the OIG be more directly attached to the Board, rather than the ED, should the ASA agreement be terminated. Furthermore, the role of the IG should include developing an organization-wide risk management plan, highlighting the areas of highest corporate vulnerability, and thus helping the

⁴⁸ The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2007. *Comprehensive account of the reports related to the Credit Suisse Account*. Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis, and Malaria. Full report is available at <http://www.theglobalfund.org/en/files/boardmeeting15/GlobalFund-FinalReport.pdf>

⁴⁹ *Ibid.*

organization in differentiating between risks of different magnitude (see OD assessment findings below on the excesses of the “risk mitigation culture”).

The Evaluation took place at a time of transition and expects these issues will be revisited in the future.

Technical Evaluation Reference Group (TERG)⁵⁰

The TERG serves an important function in providing independent advice to the Board on evaluation and performance measurement questions. It provides the Performance Evaluation and Policy (PEP) unit with an intellectual/technical counterpart, but also depends on the PEP for administrative support.

Most Board members understand and appreciate the role played by the TERG, whose contribution is mostly associated to the Five-Year Evaluation. Some question whether the TERG has been practical enough in its approaches, as opposed to “academic” and “distant from the field.” Other Board members suggest that its presentations to the Board should be on an annual basis rather than at each Board meeting, at least in the aftermath of the Five-Year Evaluation.

Partnership Forum (PF)

Two PFs have taken place to date, and the next one is planned for 2008. The PF provides a place to consult broadly with stakeholders of the Global Fund, whose representation through Board delegations is problematic (primarily, the Civil Society Organization [CSO] and Communities’ constituencies). Electronic discussions feed into the PF, and results of deliberations are reported and published by the Global Fund.⁵¹ Recommendations are also addressed to the Board’s PSC.

Some Board members enthusiastically support the PF and see tremendous value in how it brings new stakeholders to the table and influences the institution. A number of other Board members, however, tend to dismiss the value of the PF, seeing duplication with the role of the CSO and Communities’ delegations, and therefore as too large an investment by the Global Fund.

DISCUSSION AND RECOMMENDATIONS FOR BOARD OPERATIONS

The Board and its Committees want to and must avoid being tied to the operational rather than the strategic aspects of their mission. The Board has been productive in the past five years, but it has a challenging task ahead given its stated goals for the future. It will need to (1) emphasize (prioritize) its role in strategic decision-making (particularly about partnership and monitoring and evaluation of impact); and, (2) improve the efficiency of its consideration of issues.

The necessity to find efficiencies and streamline operations will require that more areas of its responsibility be considered for delegation. Recommendations for the improvement of Board operations will have limited effect unless the Board first takes determined steps in focusing its attention to strategic issues and leaving operational issues to the appropriate levels.

⁵⁰ The TERG has technical and managerial oversight over the Five-Year Evaluation.

⁵¹ See for 2006: The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2006. The Global Health Partnership Forum 2006. Available at <http://www.theglobalfund.org/en/about/forum/2006>.

Having managed and emerged from a rapid startup in 2002, the Global Fund needs to normalize its processes in line with that of a more mature institution. The recent and concurrent renewal of all leadership positions in the key structures of governance of the Global Fund (Board, Committees, management of the Secretariat) has created a new sense of possibility. This should be seized upon to re-establish trust; introducing constructive change between Board and Committees and between the Board and the Secretariat; and strengthening the role of the Executive Director. In order to progress further on this process and to allow the appropriate focus of the Board on high-order questions (e.g., how can the Global Fund succeed if the rate of HIV infection continues to outpace the rate of treatment), the Evaluation recommends—

⇒ **Priority Recommendation 5:** The Board should emphasize the principle of subsidiarity in decision making,⁵² and accordingly seek to test and institutionalize areas for delegation and streamlining of its operations. Specifically, the Five-Year Evaluation recommends the following:

- *Board meeting management:* the Board Chair, Vice Chair, and Executive Director should together establish clear priorities for each meeting, and strengthen the management of the Board meeting agenda (prior to and during the meeting) to ensure that priority issues are (1) appropriately documented; (2) raised early in the meetings; (3) have estimated and reasonable time frames for consideration; and, (4) decided and communicated clearly. The remaining issues would necessarily then be delegated for action to the appropriate structures.
- *Committee Operations:* The Board should improve the management of the number of issues referred to its Committees by more clearly distinguishing between strategic issues—which need to be brought to the full Board for discussion—and operational issues, which can be decided at the committee level and approved by motion by the full Board. Those issues which can be decided at Committee level should reflect discussion of sufficient maturity to facilitate rapid approval by the Board with little discussion. Committees should use a medium-term planning cycle to identify issues and deliverables over a longer period than the present ‘Board meeting to Board meeting’ 6-month timeframe.
- A process for streamlining Board governance: The Board should commission a facilitated participatory review process over the next cycle of Board meeting preparations, Committee and Board meetings, and follow-up. The purpose of this review should be to identify areas for further delegation and streamlining of Board operations, and might include such areas as mechanisms to further strengthen communication and working relationships between the Board and Secretariat, and examine size, structure/number, and terms of reference of committees.⁵³ It should rely on a trusted external coach, working with a group representing Board, Committee, and Secretariat leadership. This advisor/facilitator should be allowed to observe and analyze

⁵² The principle of subsidiarity posits that a central structure should perform only those tasks which cannot be performed effectively at a lower level. Accordingly, responsibilities ought to be handled by the lowest competent authority.

⁵³ The evaluation did not have enough time nor was it involved sufficiently in Board internal operations to make more specific recommendations, as its work occurred between Board meetings. Suggestions made to further reduce the number of Committees to only two have not been examined by the Evaluation.

‘from inside’ the Board and Committees’ operations and their work with the Executive Director and Secretariat.

- ⇒ **Priority Recommendation 6:** The Executive Director should serve as an ex-officio member of the Board, for the purpose of strengthening the working relationship between the Board and the Secretariat.
- This recommendation is intended to build on the potential for change created by the renewal of all leadership positions, to signal both trust and determination to better differentiate between governance and management functions (see Table 10); and to facilitate appropriate delegation with progress from ex ante control (whereby control of the process is established beforehand by the oversight entity) to ex post monitoring (whereby verification of progress and performance takes place after the fact, leaving the details of the process to the executing entity) of Secretariat management by the Board; (a concept which should “trickle down” within Secretariat management).
- ⇒ **Priority Recommendation 7:** To facilitate quality representation of Board Members by enhancing their communication with all constituents, the Board should favorably consider proposals for assistance to resource-constrained constituencies. To facilitate these and other strategies, the Secretariat might be asked to take on the role of providing more proactive information to constituencies regarding how they can participate in decisions and Board processes.

Other potential directions might include—

- Constituencies could consider thematic regional meetings to help create a common long-term agenda, as the Partnership Forum has done for Civil Society. These meetings could be planned around already scheduled international conferences, to contain costs. Emphasis should be placed on developing consensus about medium-term issues and then incorporating positions into Board Committee discussions (rather than on short-term and reactive preparation of Board meetings).
- The Board might consider building constituency capacity to develop an agenda for advocacy and advancing policies in a complex governance structure, as a follow-up to the capacity development efforts supported at previous Board retreats.

Resource Mobilization

For the Global Fund, resource mobilization is a fundamental mission shared to some extent by all constituencies on the Board in varying degrees. It is also a key process supported by the Secretariat and examined as such through the OD assessment. Finally, it also involves in-country partners, as the sustainability of Global Fund programs and adherence to Global Fund principles require additional contributions both globally and on a country-by-country basis.

The Evaluation reviewed the essential Global Fund resource mobilization documents; it interviewed Secretariat staff from External Relations, Finance, the OPCS/Co-Investment Manager, and the Global Business Coalition (GBC); it interviewed suppliers and potential

private sector partners; and finally, it carried out specific interviews and reviews as part of Study Area 2's CPAs (still ongoing).⁵⁴

While general resource mobilization was considered, the TOR of the Five-Year Evaluation emphasized examination of private sector and in-country resource mobilization.

ACHIEVING AND MANAGING FINANCIAL GROWTH

Overall Achievement in Raising and Channeling Resources

The Global Fund has been able to attract and mobilize increasing amounts of financial resources over the past five years, totaling nearly seven billion dollars (US\$6,735,685,443) through 2006, and this number at nearly 18 billion dollars as a result of the recently completed Berlin Replenishment. The increasing amounts raised are presented in Table 11 below.⁵⁵

Table 11: Amount (and %) of Contributions to the Global Fund in (US\$) through December 2006

Sources Of Contributions	2001-2002	2003	2004	2005	2006	Total
From Donors of US\$ 200 Million+	\$830,756,238 (86.8%)	\$780,939,817 (83.4%)	\$1,370,916,204 (89.7%)	\$1,341,444,254 (91.1%)	\$1,520,972,266 (82.6%)	\$6,095,028,778 (86.8%)
From Other Contributing Countries	\$62,772,456 (6.6%)	\$96,273,108 (10.3%)	\$94,807,103 (6.2%)	\$113,352,050 (7.7%)	\$189,213,826 (10.3%)	\$556,418,543 (8.3%)
From Recipient Countries	\$10,189,187 (1.1%)	\$9,408,462 (1.0%)	\$10,550,000 (0.7%)	\$15,600,000 (1.1%)	\$16,550,000 (0.9%)	\$62,297,649 (0.9%)
From Gates Foundation	\$50,000,000 (5.2%)	\$50,000,000 (5.3%)	\$50,000,000 (3.3%)		\$100,000,000 (5.4%)	\$250,000,000 (3.7%)
From Other Private Donors	\$3,236,804 (0.3%)	\$165,113 (0.0%)	\$1,848,997 (0.1%)	\$2,013,731 (0.1%)	\$14,675,828 (0.8%)	\$21,940,473 (0.3%)
Total Contributions	\$956,954,685	\$936,786,500	\$1,528,122,304	\$1,472,410,035	\$1,841,411,920	\$6,735,685,443

In addition to donor contributions, the Global Fund generates revenues on the basis of interest earned on non-disbursed contributions held in trust by the World Bank. While there are costs associated with the management of these funds and although interest rates are relatively low (4.5 percent in 2006), the amounts generated are substantial, as indicated in the following table:

⁵⁴ While some data collection is still ongoing through Study Area 2, findings are considered robust enough to be presented in this report.

⁵⁵ A more detailed presentation by source can be found in Annex 1.1.

Table 12: Bank and Trust Fund Income (in US\$)

2002	2003	2004	2005	2006
\$10,078,000	\$28,235,000	\$33,819,000	\$58,941,000	\$126,498,000

There are some issues and concerns—expressed in past reports⁵⁶ and evaluation interviews—with the World Bank as Trustee, including the fees charged to the Global Fund and the modest interest rates earned by the Bank for managing the account. The trade-off is that the Bank is generally recognized as conservative but safe. The Resource Mobilization Task Team (RMTT) has suggested a more aggressive investment policy, which is now under consideration.

Questions Raised by the Evolution of Key Financial Ratios

The Five-Year Evaluation coincides with the prospect of significant growth of the Global Fund through the Berlin replenishment. Within this context of growth, the Global Fund continues to face, as it has since its inception, two competing concerns: that donor contributions would not be sufficient to meet the needs of recipients, which would constitute “donor failure;” and that recipient commitments to implement disbursements would lag behind donor contributions, which would represent “recipient failure.”

Table 13 provides indicators about these two risks, comparing financial ratios related to (1) contributions from donors to the Global Fund; (2) commitments by the Global Fund to recipient countries to finance grant components; and, (3) actual disbursements to improve services to beneficiaries. Each of these ratios addresses a different issue:

- The ratio of commitments (to approved grants) to contributions (from donors) measures the Global Fund's ability to generate and finance approved projects. The trends in this row of the table show that the Global Fund has significantly increased the amount of dollars it commits for every \$100.00 dollars of contributions it receives: from \$7.00 committed per \$100.00 contributed in 2002, to \$79.00 per \$100.00 in 2006.
- The ratio of disbursements (of Global Fund resources) to commitments (to approved grants) addresses the quality of the portfolio of grants (as annual commitments should mirror the previous year's commitments). This row of the table shows that while the Global Fund has improved in this area since 2002, when it disbursed \$2.00 for every \$100.00 committed, it still has a gap of \$40.00 per every \$100.00 committed that goes undisbursed.
- The ratio of disbursements (of Global Fund resources) to contributions (from donors) shows the Global Fund's ability to use donor contributions rapidly and efficiently to avoid the "mountain of money" problem. This row of the table shows that the Global Fund has cumulatively disbursed less than half of the contributions it has taken in—or \$48.00 disbursed per every \$100.00 contributed.

⁵⁶ The Global Fund to Fight AIDS, Tuberculosis and Malaria, Bezanson, K. A. 2005. *Replenishing the Global Fund: An independent assessment*. Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria. p.20-21.

Table 13: Cumulative Ratios of Dollars Contributions, Commitments, and Disbursements

Contributions, Commitments, and Disbursements Over Time (in US\$)					
Cumulative Dollar Ratio	2002	2003	2004	2005	2006
Commitments to Contributions	7:100	53:100	61:100	71:100	79:100
Disbursements to Commitments	2:100	21:100	43:100	55:100	60:100
Disbursements/Contributions	<1:100	11:100	26:100	39:100	48:100

While the Global Fund has been encouraged to develop a more proactive resource mobilization strategy in the past⁵⁷ (as well as the human capacity required by such a strategy), an examination of these ratios suggests that the initial priority of ensuring that disbursements would catch up with donor contributions had a reasonable rationale.

On the donor / supply side, over its first five years, the Global Fund has succeeded in doubling its annual contributions from both public and private sector sources.⁵⁸ The 2007 Resource Needs report estimates current projections of demand at US\$6 billion per year by 2010, which would represent a four-fold increase⁵⁹ in the size of the Global Fund.⁶⁰ At BM15, the Board also recognized that, depending on demand from country partnerships, funding levels could increase to as much as US\$8 billion per year by 2010.

Given the projected increase in its size over the next four years, the Global Fund will face the challenges of (1) having to multiply and sustain its level of funding; and, (2) continuing to increase the ratio of grant disbursements to donor contributions, in a context of potentially decreasing demand for its monies—partly resulting from weak country health systems.

As shown further in this Evaluation report, the demand side of the equation (i.e., will the ‘pipeline’ of proposals from countries be large enough? Will Global Fund monies be properly absorbed by programs?) raises questions, given (1) the largely stable rate of approval for proposals submitted to the Global Fund; (2) a lower number of proposals submitted for Round 6 than for Round 5; (3) grants being implemented in virtually all possible target countries; and, (4) an increasing but still limited number of countries achieving very substantial annual disbursements (in 2006, only six countries disbursed more than 50 million US\$ of Global Fund monies, all grants considered).

Consequently, given the relatively slow increases in the ratios of disbursements/commitments and disbursements/contributions, not only will the Global Fund need to diversify and increase its resources, it will have to considerably scale up the effectiveness and efficiency of all steps, from proposal development through implementation and measurement of impact, in order to accelerate disbursements. (At its present capacity and based on the performance illustrated in the table

⁵⁷ Global Fund Working Group. 2006. *Challenges and opportunities for the new executive director of the Global Fund: Seven essential tasks*. Washington, DC: Center for Global Development.

⁵⁸ See Statistical Annex 1.

⁵⁹ Under the projected growth scenario, contributions (and disbursements) should reach US\$ 6-8 billion per year. In 2006, the Global Fund received US\$ 1.8 billion (Annex 1.1), and disbursed US\$ 1.3 billion (Annex 1.4). The future size of the Global Fund thus represents a *five-fold increase* (4.6 to 6.2) in disbursements; and a *four-fold increase* (3.3 to 4.4) in terms of resources mobilized.

⁶⁰ The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2007. *Decision Points*. (Decision Point/GF/B15/DP16). Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria.

above, if the Global Fund were to attract US\$6 billion in contributions in one year, it would only be able to commit US\$4.47 billion and disburse just over US\$2.8 billion, leading to an unacceptable treasury situation).⁶¹

EFFECTIVENESS OF THE RESOURCE MOBILIZATION PROCESS WITH REGARDS TO PUBLIC MONIES

As suggested by Table 11, the Global Fund's resource mobilization efforts have, since its inception, followed two parallel tracks; (1) attracting or mobilizing approximately 90 percent of the financial contributions from the large (mostly public sector) donors (possibly more due to the will of initial contributors than to a defined strategy, at least initially); and, (2) making up the remaining 10 percent of the contributions through a variety of public and private sector strategies.

A strategy for resource mobilization has most recently been refined by the RMTT, which has been in operation since November 2006. Made up of Board members, the Global Business Coalition (GBC), private sector representatives, and others, the RMTT will continue to advise the Board "on the ways and means to increase resources to meet the year 2010 target."⁶²

The Global Fund has benefited from a favorable ODA environment and progressively set in place an effective replenishment process

The Global Fund largely benefited in its first years from the determination of G8 and other donors to tackle the three epidemics through a new mechanism, and attracted more financial resources than it actively mobilized.⁶³ The Global Fund was formed at a propitious time in Overseas Development Assistance (ODA) and represented an effective new vehicle for G8 donors to channel large amounts of ODA funds, which increased from roughly US\$50 billion to about US\$100 billion over the period of 2001 through 2006.⁶⁴

Over time and progressively, the Global Fund developed a more formal process for mobilizing resources based on the two tracks described above. The resource mobilization process is presented on the following page in Figure 5 and indicates: (1) the targets and preparatory steps ("road shows" and individual meetings with the largest contributors) leading up to the Second Replenishment Session in Berlin; (2) the various private and other sources of financial resources being pursued by External Relations; and, (3) the flow of funds from the different sources into the Global Fund's account held by the World Bank as Trustee.

⁶¹ Recourse to promissory notes from donors will help alleviate the immediacy of this problem.

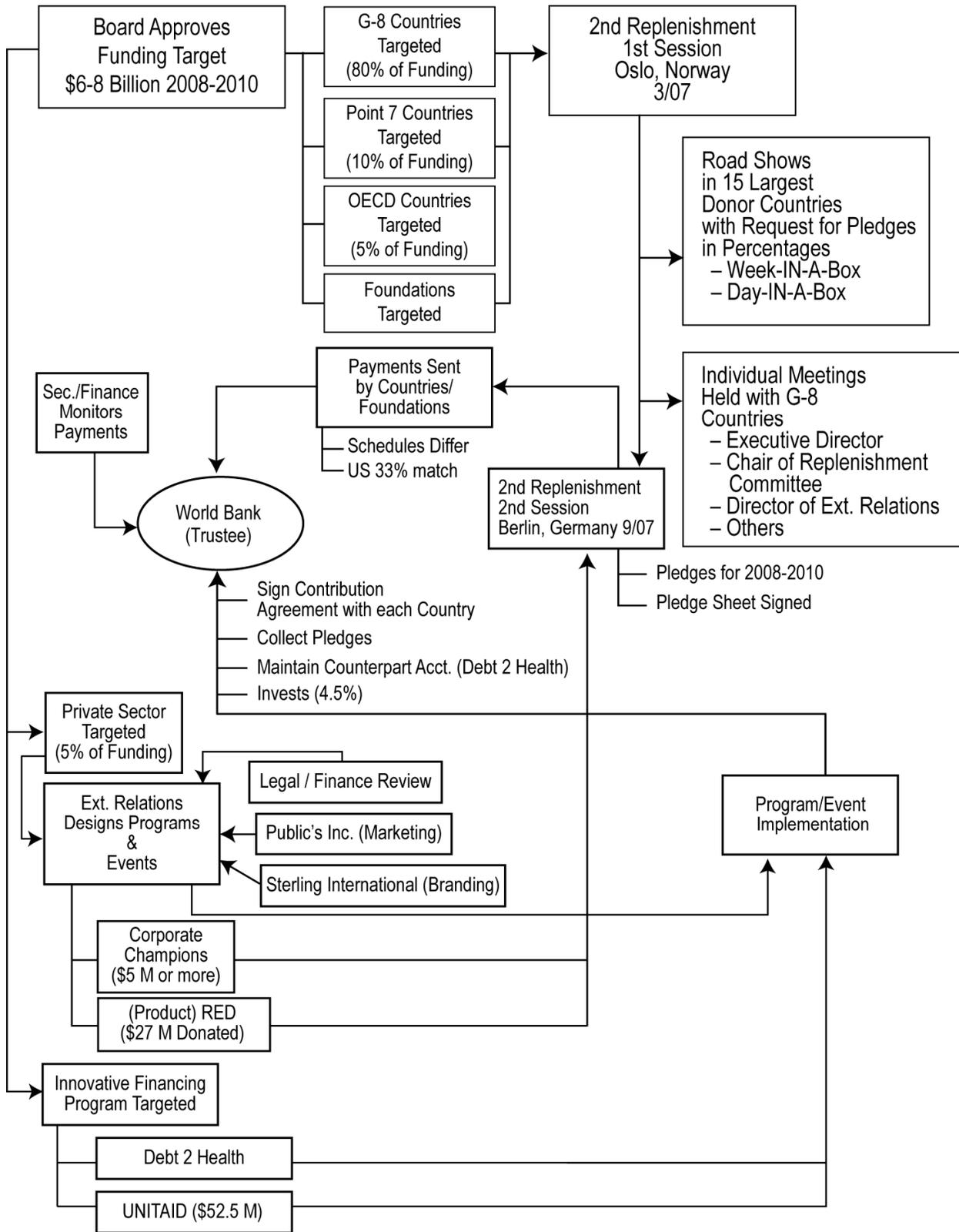
⁶² The Global Fund to Fight AIDS, Tuberculosis and Malaria. 2007. Report of the Global Fund Task Team on Resource Mobilization. (GF/B15/6—Attachment 1). Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria.

⁶³ The Global Fund to Fight AIDS, Tuberculosis and Malaria, Bezanson, K. A. 2005. *Replenishing the Global Fund: An Independent Assessment*. Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria.

⁶⁴ p. 20

⁶⁴ OECD Statistics v.4.4. 2007. DAC Official and Private Flows. Available at <http://stats.oecd.org/wbos/default.aspx?DatasetCode=TABLE1>.

Figure 5: Resource Mobilization Process



Major changes in the approach to public sector resource mobilization were introduced in 2003 when the Board replaced the existing, more ad hoc approach (based on demonstrated demand from the amounts estimated by the country proposals), with a periodic, more formal replenishment model for resource mobilization. The replenishment model, which seeks commitments from donors before demand is entirely known, is in modest contradiction with the espoused “country-driven demand” model of resource mobilization (which would imply raising funds strictly based on country demand). This does not seem to be of serious concern to donors, perhaps because the volume of quality proposals is still significant. By September 2007, two replenishments had been conducted:

- **First Replenishment:** In 2005, the Global Fund held three meetings (in Stockholm, Rome, and London) to launch the replenishment mechanism and solicit contributions for the next two years. At the end of the first replenishment, donors committed \$3.7 billion for 2006 and 2007, which covered the possible extension of all existing grants through Phase 2, but they did not commit sufficient resources to fill the 2005 funding gap, or the amounts required for new rounds in 2006-07.
- **Midterm Replenishment:** Subsequently, in 2006, donors participated in a midterm review of the implementation of the first replenishment, focusing on filling the funding “gap” for 2006-07 to allow for the financing of additional rounds. Participants welcomed the efforts made to mobilize resources from the private sector and innovative financing mechanisms, but raised the issues of target size for the Global Fund and sub-optimal TA funding as key issues to be addressed in the second replenishment.
- **Second Replenishment:** In 2007, the Global Fund improved on the initial replenishment process by presenting the Partners in Impact Report, describing the results achieved to date, and by developing more ownership and better consensus by the Board around the targets. The Global Fund will set the minimum amount required for 2008 to 2010 at the next replenishment meeting in Berlin, based on the Board’s decision about the target size of the Global Fund and the Strategy on Resource Mobilization.

After 2003, The Global Fund evolved from an ad hoc approach to set in place an effective replenishment process, has raised nearly 18 billion US\$ through this mechanism. However, it has been less effective in building its resource mobilization capacity to access other funding streams, both public and private.

The replenishment process provides an occasion for donors to discuss issues with the Global Fund in order to develop common perspectives. During the first replenishment, these discussions emphasized the need for a long-term strategy and concerns about filling an urgent funding “gap” to enable continuation of grants already approved. Replenishment participants also requested greater attention to health system strengthening and the implementation of PBF in fragile states. In 2007, sustainability has become a key concern, especially with the knowledge that provision of ARVs for life for large numbers of people is a major, long-term commitment. Though equally difficult to define and operationalize, ‘additionality’ (i.e., where external assistance fully

augments the local investments that would have occurred without external aid) has also been a concern of the Global Fund.⁶⁵

While the Global Fund has made important strides in structuring public sector resource mobilization among large bilateral donors, it has been less successful in mobilizing financing from other public sector sources.

Other public sector financing efforts have been attempted. For example, a number of bilateral donors have promoted the “Debt2Health Initiative,” wherein G8 governments provide debt relief, with the debt funds going directly for projects in the debtor country. Currently being tested by the German government in Indonesia, these grants will aim to “have the same technical rigor” and transactions as other Global Fund grants, but the funds will be earmarked to the country for projects in that country. The Global Fund was, however, not able to directly attract sustainable public funding streams based on taxation (such as the airline tax, which led to UNITAID).

The Global Fund has also sought contributions from other potential contributors, including (1) smaller contributing countries, with total contributions (through 2006) of less than \$200 million; and, (2) recipient countries, ranging from some of the largest countries (e.g., Russia, India, and China) to some of the smallest (e.g., Sao Tomé, Cape Verde). Appeals to the smaller contributing countries have not received enough attention, but these countries are expected to more than double their contributions. Among the more than 20 smaller donor countries, only two or three have significantly raised their contributions in recent years, and a number of potentially important donors among oil-producing countries have made only modest contributions to date. Similarly, among recipient countries, only the Russian Federation has made a moderate contribution.

NEW EFFORTS IN PRIVATE SECTOR RESOURCE MOBILIZATION ARE STILL SHOWING VERY MODEST RESULTS

Ambitious goals

Although the Global Fund has developed strategies and set ambitious targets for increasing private sector contributions, the results have been disappointing. The Global Fund goal of 10 percent for contributions from the private sector is optimistic, given that current contributions from the private sector constitute approximately 4 percent of all contributions, and that the Gates Foundation contributions represent 92 percent of all private sector contributions.

With anticipated total annual contributions in the range of US\$6-8 billion, private contributions would need to be US \$600-800 million to reach the 10 percent target. However, few companies give more than \$25 million in cash and fewer than one dozen companies have the capacity and generosity to contribute cash donations of \$100 million or more annually.^{66 67} The tenor of the debate surrounding the private sector’s participation suggests a gap between past experience and

⁶⁵ The Global Fund to Fight AIDS, Tuberculosis and Malaria, Bezanson, K. A. 2005. *Replenishing the Global Fund: An independent assessment*. Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria.

⁶⁶ The Global Fund to Fight AIDS, Tuberculosis and Malaria. 2007. *Report of the Global Fund Task Team on Resource Mobilization*. (GF/B15/6—Attachment 1). Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria.

⁶⁷ The largest non-cash contributors are major pharmaceutical companies who have given more than \$1 billion in pharmaceutical contributions outside the United States.

current expectations. The Global Fund, however, expects to raise US\$500 million from the private sector by 2015, under a plan that is, at this stage, in its infancy. Half of these funds would come from major gifts, and the rest from consumer campaigns and corporate partnerships.

Critics of the private sector have (1) noted their inability, as a donor delegation, to deliver on the anticipated amounts of direct cash contributions, and questioned the responsibilities and prerogatives of this delegation; and, (2) criticized the private sector's reluctance to contribute financial resources,⁶⁸ and the ensuing diversion of resources from the Global Fund's ultimate purpose in fruitless attempts to engage the private sector.

Defenders of the private sector have responded that the Global Fund's insistence on direct contributions is both unsustainable and hardly the most mutually beneficial point of entry.

Both sides mention a lack of communication and differences in modes of operations as barriers to private sector cooperation with the Global Fund. These differences are sometimes referred to as the "culture" or "language" of the respective sector, and arise in such areas as decision-making structures, proposal submissions, pace of work, and bureaucratic practices.

While the presence (in the Global Fund's Headquarters) of the Global Business Council as the private sector focal point has been able to raise the private sector profile at Board meetings and through sub-committees, it has been inadequately staffed and felt underappreciated or ignored in recommendations for new rounds (e.g., the co-investment section in the grant proposal form was approved and then ignored during implementation).

The Global Fund has not yet achieved the expected results in engaging its private sector partners in its resource mobilization strategy. Private sector contributions deserve additional support, due to the potential for co-investment at the country level, and the important role of the private sector constituency for defining the identity of the Global Fund. The Evaluation notes the recent Board approval of a costed resource mobilization strategy, increasing the number of staff positions, as a positive development.

Recent and Ongoing Efforts for Private Sector Resource Mobilization

Recognizing that the public and private sectors have quite separate and distinct modes of operation, the Global Fund has called for facilitators to help mediate negotiations between the two groups. The Private Sector Delegation and its appointed Co-investment Working Group have promised to respond to these recommendations in 2007⁶⁹. Now that a comprehensive policy on targeted financial contributions has been developed, an equivalent focus and strategic approach is needed for the further development of products and services contributing to the fund. In particular, analyses of the difficulties associated with the Global Fund's current private sector strategy have emphasized the need for (1) a clear "value proposition" for each company to

⁶⁸ ActionAid International. 2004. *The increased corporate involvement in the Global Fund: From 'Fund the Fund' to 'Rule the Fund'*. Milan, Italy: ActionAid International Italy.

⁶⁹ Private Sector Delegation to the Board of the Global Fund to Fight AIDS, Tuberculosis and Malaria. 2007. *The private sector and the Global Fund: 2006 year in review*. Geneva, Switzerland: Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria. p.19.

become engaged with the Global Fund, and, (2) an explicit message welcoming the private sector as partners whose contributions are not limited primarily to cash contributions but are expanded to include in-kind support and/or capacity to leverage resources through co-investment.

Since 2004, the GBC has been working on developing a private sector strategy, and the Secretariat has been preparing a co-investment strategy with assistance from the Berlin Group—an informal group of people and organizations working on co-investment (including GBC, ILO, GTZ, World Bank, IFC, DFID, PEPFAR, and private companies). Three principal approaches are being developed: (1) direct contributions, (2) in-kind/pro-bono contributions, and, (3) co-investment schemes. For example—

- Direct contributions—from both individuals and companies—are increasing, and now include: Friends of the Global Fund; UNITAID; (Product) RED; and a variety of campaigns (e.g., Hope Spreads Faster than AIDS, Change Me, and the Corporate Champions Program).
- In-kind and pro-bono contributions, particularly in public relations and consulting have been received, and drug donations and discounted drug pricing have also been contributed. Responding to criticism that the Global Fund has no clear policy on such contributions, the Board created a Technical Working Group in March 2007 to work on developing such a policy.⁷⁰ A number of legal and liability issues are being resolved (e.g., conflict of interest and donation liability) in the process of amending the current policy. The management of the process of handling in-kind contributions, particularly pharmaceuticals, will then need to be addressed once a final policy decision is made.
- Co-investment schemes have been developed, which capitalize on private sector infrastructure and/or expertise for public sector programs. These include (1) the Royal Swazi Sugar Corporation's employee ARV treatment program; (2) the Mongolian Anti-Tuberculosis Association's lunch and treatment program, with Cafes in Ulaanbaatar; and, (3) the Zambian National AIDS Network's support to various business coalitions implementing HIV/AIDS workplace programs in small- and medium-sized enterprises.⁷¹

Meeting Private Sector Resource Mobilization Goals Has Faced a Capacity Gap

The Global Fund has developed a strong advocacy model using multiple approaches to prepare appropriate messages for communicating to key stakeholders, including annual reports, resource mobilization conferences, organizational films, branding, and personalities (e.g., key parliamentarians, opinion leaders, academia, and celebrities). Despite these efforts, the current and projected resource expectations for cause-related marketing (e.g., (Product) RED and Hope Spreads) are unrealistic with current investment levels and human resource capacity. At the time of completion of its data collection, the Evaluation found the human capacity for private sector Resource Mobilization of the Secretariat to be limited, with few staff members dedicated to this mission and key positions unfilled or vacated. The last Board meeting (BM15), however, approved increases in the resourcing of the Secretariat capacity for mobilizing these resources, allocating over five million US\$ with an authorization of over 18 new positions to be filled in

⁷⁰ Ibid. (18)

⁷¹ Interview with Global Fund staff based on forthcoming working paper.

2007.⁷² The Global Fund will need to rapidly build its capacity in accordance with the Board mandate and focus its resources on the most significant opportunities for success with the private sector, which include (1) cash contributions through corporate marketing (e.g., (Product) RED, targeted corporate “asks” (such as the Corporate Champions Program), and individual giving asks; (2) products and services through in-kind/pro-bono contributions; and, (3) operational contributions (co-investment) with a clearer focus on program implementation at the field level.

In addition to implementing strategies already adopted by the Board for global application, the Global Fund will need to strengthen its focus on private sector resource mobilization in-country to reach its goal of 10 percent of contributions from the private sector. One particular challenge will be to find ways to measure intangible or informal private sector contributions being made in-country to grant program efforts. Currently, the main formal private sector participation in-country comprises assistance in (1) governance (e.g., Gambia Standard Chartered Bank); (2) technical (pro-bono) support to CCMs and PRs for proposal development (e.g., Anglo American in Zimbabwe); (3) implementation (e.g., Unilever Tea in Tanzania and the Malawi Business Coalition Against HIV/AIDS); and, (4) program continuation after grant closure (e.g., Standard Chartered in Nigeria). Educating CCMs regarding the potential role of the private sector at the country level could encourage more involvement of the private sector.

One challenging issue is that when private sector resources are mobilized in-country, channeling these resources through Global Fund entities such as the CCM or PR (and thus attributing responsibility) is not always the best or most acceptable approach to the private sector, as these entities have tended to be government-based and/or are seen as impermanent, donor-created structures.⁷³ An example from Burkina Faso, documented by Study Area 2, is presented in the following text box. Another concern, which may discourage private sector contributions, is that private sector entities that contribute to Global fund programs may be disqualified from subsequently bidding on procurements for those programs.

⁷² The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2007. *Decision Points*. (Decision Point/GF/B15/DP1-54). Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria. Available at <http://www.theglobalfund.org/en/files/boardmeeting15/GF-BM15-Decisions.pdf>

⁷³ These findings come from SA2 and will be expanded upon by February 2008.

Private Sector Mobilizes to Fight HIV/AIDS in Burkina Faso— But not Through Global Fund Grants

In Burkina Faso, a comprehensive strategy to engage the private sector in the fight against HIV/AIDS has been developed with support from such global partners as UNDP and the World Bank. However, these efforts are happening almost completely separately from the implementation of Global Fund HIV/AIDS grants. In fact, the private sector strategy is intended to encourage companies to set up their own self-financed prevention and treatment programs, viewed as more sustainable than contributing resources to Global Fund grants. As one respondent explained, “If one bases programs on the company’s own funds this assures the sustainability of the fight against HIV/AIDS. The Global Fund is a project that could withdraw at some point.”

The strategy was prepared following Burkina Faso’s participation in the 2006 HIV/AIDS Private Sector Mobilization Forum for Francophone, Africa, organized by such partners as the World Bank, WEF, UNAIDS, ILO, GTZ, GBC, CCA, and SIDA-Enterprises. Strongly informed by Burkina Faso’s multisectoral approach to HIV/AIDS prevention and treatment, the strategy recommends creating a national coalition of private sector representatives selected from coordinating committees for every sector of the economy (e.g. agriculture, banking, hotels, and others). These structures would be responsible for designing, mobilizing resources for, and implementing HIV/AIDS programs through the private sector in both workplaces and surrounding communities. In addition to this strategy, Burkina Faso’s National AIDS Council has allocated a permanent staff member to coordinate outreach to companies, including advising them on establishing their own HIV/AIDS programs and monitoring these initiatives.

RECOMMENDATIONS FOR RESOURCE MOBILIZATION

The replenishment meetings have demonstrated themselves to be an effective forum for mobilizing resources and allowing donors to articulate concerns, identify priorities, and learn about Global Fund results. The organization has also experienced some initial pockets of success regarding private sector resource mobilization through (Product) RED and other similar efforts. However, the Evaluation finds that there are opportunities for improving both the replenishment process and private sector resource mobilization efforts, and recommends the following:

- ⇒ **Priority Recommendation 8:** The replenishment mechanism should be expanded (1) to mobilize additional financial resources from countries that have previously contributed, and, (2) to elicit contributions from countries that have not yet contributed to the Global Fund. This could be achieved through strategies encouraging contributions by region, for example from new donor countries which have established their own international development offices, or from countries currently starting or expanding their aid programs.
- In spite of the challenges it presents, the Global Fund should continue to explore strategies measuring the additionality of resources mobilized through the replenishment process. While its measurement on a dollar by dollar basis is problematic, providing “additional” funding remains an overall mandate of the of the Global Fund, and the monitoring of large funding streams remains necessary to anticipate future trends and the prospects for sustainability and large systems effects.

Mobilizing *private* as well as *in-country resources*⁷⁴ remains an important effort and stated goal of the Global Fund, regardless of the proportion of total contributions it will ultimately represent.

⇒ **Priority Recommendation 9:** The Evaluation endorses the recommendations of the Global Fund Task Team on Resource Mobilization regarding the need for:

- An explicit public statement by the Board and the Secretariat on the intent to engage private partners to strengthen and sustain the Global Fund, and the engagement of non-governmental leaders in early and frequent consultations at the Board and Secretariat levels.
- A clear policy to enable targeting of non-governmental contributions, beyond the disease and continent designations currently accepted, to an even greater degree of specificity (to be determined) and reflecting practical considerations in guiding targeted support.
- More active involvement of the private sector in the development and funding of proposals, and better education for CCMs regarding the potential role of the private sector as a non-monetary resource for the fund (at the country level), including advice on conflict of interest related to procurement.
- Mechanisms to promote private sector engagement, ranging from: enlisting corporate executives and other leaders in global advocacy, to developing an integrated platform for global partnerships with corporations, to further private sector representation on the Board and within CCMs.⁷⁵

⇒ **Priority Recommendation 10:** At the level of the Board, the Global Fund should consider—

- Developing benchmarks for holding the private sector constituency of the Board accountable for meeting its commitment to raise one million dollars to support the GBC's resource mobilization efforts.
- Articulating the differences between a private sector delegation (PSD) that represents the “North” versus the “South” in terms of the private sector, its capacities, and needs.

⇒ **Priority Recommendation 11:** Following up on current efforts of the Secretariat and the Global Business Coalition (GBC), as well as on the Management Review, the Board should continue to monitor the adequacy of resources in terms of budgetary support, as well as the human resource capacity of the Secretariat, to mobilize private sector resources. Consideration should be given to staff support within the Operations unit to sustain co-investment and in-kind contributions (including mapping and the monitoring and evaluation efforts that have begun). This is in line with recent decisions for expansion of human

⁷⁴ Study Area 2 will continue to examine private and country level resource mobilization and provide additional analyses and recommendations.

⁷⁵ The Global Fund to Fight AIDS, Tuberculosis and Malaria. 2007. *Report of the Global Fund Task Team on Resource Mobilization*. (GF/B15/6—Attachment 1). Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria.

resource capacity within External Relations to support growing portfolios on cause-related fund-raising and corporate solicitation.

- ⇒ **Priority Recommendation 12:** The Board should (1) adopt policies and procedures for accepting in-kind donations (which are not only pharmaceutical), emphasizing co-investment over monetary contributions; and, (2) establish systems for classifying private sector donors (including for-profit corporations, foundations, NGOs, and individuals) and tracking resource mobilization efforts and results going toward disease control.

Effectiveness and Performance of the Global Fund Architecture

The Evaluation combined a thorough Organizational Development assessment of the Global Fund Secretariat, with targeted reviews to examine the effectiveness of the Global Fund and its performance on key functions of its operations management. The OD team conducted interviews and focus groups with 56 Secretariat staff members, representing 20% of its 283 current employees. An additional 33 Secretariat staff participated in pre-assessment meetings to aid in the identification of key organizational issues, potential interviewees, key processes for review and analysis, and to provide a historical perspective of their units. The organizational assessment encompassed management functions of strategic planning, leadership, the examination of Secretariat support to Board activities and the substantial issue of resource mobilization, all examined above. This included those staff interviewed to inform the findings related to procurement and information management. In addition, the following sections examine—

- The overall effectiveness of the Global Fund, as demonstrated by the amount and balance of grant disbursements.
- Critical areas of internal operations, specifically;
 - The workforce focus of the Global Fund
 - The effectiveness and efficiency of some of its key processes; and as part of the review of the process of grant approval examines how effectively the Technical Review Panel (TRP) has fulfilled the requirement for an independent and technically sound review process.
 - The key functions of measurement, information and knowledge management
 - Procurement as a specific area of operations in support of country programs.
- Finally, the Local Fund Agents (LFAs) have been featured in separate studies as part of the overall Five-Year Evaluation effort of the Global Fund. A summary of findings and status of the LFAs is provided in the last section.

OVERALL ACHIEVEMENT IN SUPPORTING GRANTS AND MANAGING RISK

Funding Grants against the Three Diseases in a Balanced Manner

In its first five years, the Global Fund has disbursed substantial funds in the fight against the three diseases worldwide and—in conformity with the framework principles—achieved a certain balance in terms of disbursements by region and disease coverage.

Benchmark Highlight—The Global Fund has already achieved a significantly higher ratio of funds disbursed per staff than comparable institutions.

The Global Fund emerges as highly efficient when compared to other institutions in terms of funds disbursed (or budgeted for disbursement) per staff, as documented in prior work.⁷⁶ Bilateral institutions like USAID and DfID reportedly disbursed respectively 1.3 and 1.5 million per staff; The World Bank, 2 million US\$ per staff. Citigroup—a private banking institution—disbursed 1.8 million US\$ per staff. And the two highest comparables were private foundations (Bill and Melinda Gates; and the Turner Foundation) with disbursements at respectively 4.3 and 4.4 million US\$ per staff.

With 1.3 billion US\$ disbursed in 2006 and a staff size of 257 at the end of December 2006, the Global Fund continues to disburse a very favorable of 5.1 million US\$ per staff employed. This, however, suggests two things:

On one hand, remarkable relative efficiency from the Secretariat, in terms of getting the money out (from 20% to 290% more efficient based on this simple comparison⁷⁷);

On the other hand, the Global Fund may have limited room for pushing this ratio further without incurring undue risk at its present staffing level.

Through June 2007, the Global Fund has disbursed US\$3.8 billion on a total of 428 grants to 117 countries, including 9 multi-country grants tracked by the organization's Operations unit.⁷⁸ The proportion of total disbursements by region is presented in the following table (complete details about number and amounts of grants are available in Statistical Annex 1.4). In terms of geographic distribution and balance, the Global Fund has generally respected its principles, with the notable exception of South Asia, North Africa, and the Middle East (see Table 14). The trend for South Asia seems to be correcting itself in the last several years.

⁷⁶ Radelet, S. and K. Caines. 2005. The Global Fund to Fight AIDS, TB, and Malaria: Performance and vision. Washington, DC: Center for Global Development.

⁷⁷ These are indicative only, as those ratios were not calculated again for 2006 for those institutions.

⁷⁸ Source: Global Fund Financial Unit Data.

Table 14: Proportion of Total Disbursements by Operations unit Regional Groupings

Proportion of total disbursements by regional grouping (Operations)							
Region	2002	2003	2004	2005	2006	2007	TOTAL
East Asia & Pacific	0.0%	19.7%	16.5%	13.0%	14.7%	16.5%	15.1%
Eastern Europe & Central Asia	0.0%	9.3%	9.2%	8.7%	10.8%	12.3%	10.1%
Latin America & Caribbean	0.0%	13.9%	12.6%	10.9%	8.3%	9.4%	10.2%
North Africa & Middle East	0.0%	1.0%	4.5%	5.7%	5.8%	1.8%	4.7%
South Asia	0.0%	2.6%	4.6%	2.9%	6.1%	11.4%	5.6%
East Africa	0.0%	28.0%	20.5%	24.4%	26.9%	19.5%	24.1%
Southern Africa	0.0%	16.1%	18.8%	15.9%	11.7%	11.9%	14.3%
West & Central Africa	100.0%	9.3%	13.3%	18.4%	15.7%	17.1%	15.9%

In 2006, the portfolio review identified ten countries absorbing 40 percent of Global Fund grant commitments, in line with their proportionate share in global disease burden;⁷⁹ and over the period under review, the top 20 countries accounted for almost 60 percent of the disbursements.⁸⁰

Commitments to the top 10 recipient countries in any given year were still high in 2003 (almost 60 percent) and have stabilized at over 40 percent in the following years (see Table 15 below).

Table 15: Disbursements to top 10 recipient countries⁸¹ 2003-2006

	2003	2004	2005	2006
Annual Global Fund Disbursements	\$231,200,246	\$627,505,822	\$1,052,314,014	\$1,321,828,386
Amount Disbursed to top-ten Recipient Countries	\$135,696,192	\$261,859,021	\$ 431,275,492	\$ 580,693,996
Percentage disbursement to top-ten Recipient Countries	59%	42%	41%	44%

Tracking grant disbursements by disease areas shows that (1) slightly over half of all disbursements have been for HIV/AIDS (see Table below); (2) disbursements for Malaria have increased over the past several years; and, (3) disbursements for Tuberculosis have

79 Ethiopia, Tanzania, Uganda, Zambia, Kenya, China, Thailand, the Russian Federation, Indonesia and India.

80 Based on Statistical Annex 1.4: Over five years, half of the Global Fund commitments have also gone to countries representing about half of the world population.

81 2003: Ethiopia; South Africa; China; Haiti; Zambia; Thailand; Kenya; Ukraine; Cambodia; Swaziland

2004: Zambia; Uganda; Thailand; Kenya; Malawi; China; Rwanda; Indonesia; Haiti; Mozambique

2005: Ethiopia; Tanzania; Zambia; Uganda; DR Congo; China; Angola; Rwanda; Russian Federation; South Africa

2006: Ethiopia; China; Tanzania; Russian Federation; Kenya; Rwanda; India; Nigeria; Indonesia; Sudan

proportionally declined. The TERG’s 2006 review of the Global Fund’s portfolio⁸² assessed that 55 percent of allocation has been to HIV/AIDS, 30 percent to Malaria and 15 percent to Tuberculosis, as compared to proportional shares in global disease burden of 51 percent, 28 percent and 21 percent, respectively. The data mined from Global Fund records for the Five Year Evaluation, illustrated in Table 16, reinforces the trends identified by the TERG review.

Table 16: Percentage of Annual Disbursements By Disease Area

	2003	2004	2005	2006
HIV/AIDS	52.4%	57.5%	54.9%	52.4%
Malaria	21.4%	21.6%	29.8%	31.8%
Tuberculosis	17.6%	17.1%	11.6%	13.8%
Other	8.6%	3.8%	3.7%	2.0%

The tracking of disbursements by program areas faces some challenges and is discussed in the Measurement and Results Monitoring Section.

MANAGING RISK

The Global Fund has set in place a number of measures to contain risk, some more ad hoc than systematic.

Though risk permeates each of the grant-making and implementation steps, the Global Fund's response has tended to be more ad hoc than comprehensive and systematic, at least in some areas.

In terms of grant management, the ‘no-go’s’ issued by the Global Fund, based on poor performance and/or mismanagement have sent a loud message and been debated extensively in the global arena. Recent efforts have emerged to identify poorly performing grants early and increase the likelihood of successful grant implementation by (1) formalizing the early alert and review system (EARS) and the grant information system (GIS); (2) more systematic involvement of partners in grant oversight role (e.g., UNAIDS-led pilot initiative of six countries); and, (3) investment in better communication between the LFA and CCM/PR, and between the FPM and the CCM. (At this point, SA2 has not yet documented an effective implementation of EARS in the first seven countries where CPAs have been conducted.)

Between Board meetings, the Secretariat's Operations Policy Committee (OPC) meets (usually on a monthly basis) to decide on policy issues based on the specific requests of the different units. Identification, development, and presentation of policy topics to the OPC tend to be ad hoc. The potential impact of a new or amended policy on the day-to-day operations of other units (unless the impact is glaringly obvious) is typically not discussed to any extent during OPC meetings, and the actual impacts of policy decisions are often not felt until much later after a decision has been made. There does not appear to be a single point of contact within the Secretariat with a broad, organization-wide view and perspective to identify such policy impact. While there are a number of potential topics for policy discussions by the OPC that may result in

82 The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2006. *Review of the Global Fund grant portfolio: Are we funding the right things?* Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis, and Malaria.

a new policy (e.g., closing a grant, standardizing cluster operations, filing, etc.), there appears to be a need for a broader view of the Global Fund in relation to the identification and impact of new and/or amended policies.

Efforts to develop a risk management framework for the Global Fund need to be pursued actively.

Since its inception, the Global Fund has sought to balance the need for efficient and effective responses to the targeted diseases with the need for managing the expected fiduciary and technical risks associated with its approach to grant-making. At its April 2007 meeting, the Board considered the following definition of integrated risk management: "a continuous proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective. It is about making strategic decisions that contribute to the achievement of an organization's overall corporate objectives."⁸³ The Board also considered an operational risk management framework comprising the types, sources, nature, and controllability of potential risks.

This represents a needed step forward given that, to this day, the Global Fund has not developed a risk register for its operations. The absence of such a tool limits the necessary differentiation between negligible risk areas and very high risk areas. This can contribute to a culture of excessive risk aversion and result in a continuous 'crisis management mode' of operation (referred to in the next section). As discussed in the governance section, the Evaluation expects that development of a risk register and an organization-wide risk management plan will be pursued actively as a continuation of this process, and could be part of the oversight role of the new IG.

INSTITUTIONAL ARRANGEMENTS: WORKFORCE FOCUS

Achievements to date in developing the human capacity of a new institution

The Global Fund operates on two essential resources: financial resources and human capacity. Over the past five years, it has attracted hundreds of bright and skilled individuals to carry out its mission, from a "start up level" of about 50 Secretariat staff (2002-2003) until today.

It managed a very rapid startup,⁸⁴ in part thanks to the basic human resource infrastructure provided by an ASA with WHO (still in effect in 2007), which provided and included policies and regulations on salaries, benefits, hiring, travel, legal, and contracts.

⁸³ Definition source: Treasury Board of Canada

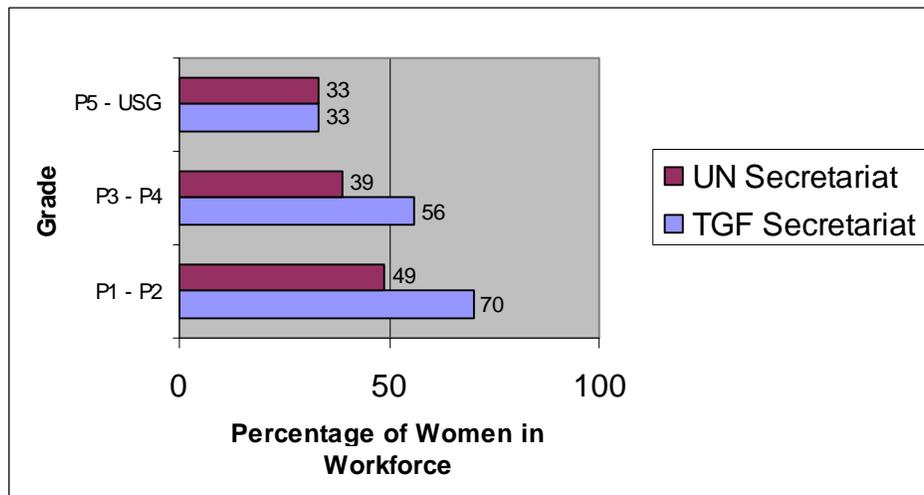
⁸⁴ For a comparison of startup delays, see The Global Fund to Fight AIDS, Tuberculosis and Malaria, Bezanson, K. A. 2005. *Replenishing the Global Fund: An independent assessment*. Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria.

Benchmark Highlight—Global Fund Compares Favorably in Terms of Representation of Women in the Secretariat

Figure 6 demonstrates that the Global Fund Secretariat is on par with the UN Secretariat in terms of gender representation at Senior Levels of the organization, and has significantly more women in grade levels between P1 and P4. Although the Global Fund is equal to the UN Secretariat in terms of women’s representation in the highest position, it should be noted that overall, the UN Secretariat reports “virtually no change” in its professional and higher categories since June 2004. The Global Fund might consider this UN trend as a caution that it should not become complacent in its own efforts to ensure balanced gender representation. In 2007, the Global Fund also benchmarked itself against the World Trade organization and the WHO in terms of the overall percentage of women in the Secretariat, and found that while women represent 49% of the workforce at WHO, and 53.9% of the workforce in WTO, they represent 60.5% of the Global Fund Secretariat Employees.

The Global Fund also ensured the diversity of its workforce by adopting recruiting/hiring goals for gender, multi-culturalism, language diversity, and applicants living with one of the three diseases.

Figure 6: Percentage of Women at Professional Grade Levels a Comparison of the Global Fund and UN Secretariats



The organization has also taken a number of steps to improve human resource management throughout its history to date:

- The Global Fund (since 2003) has conducted annual staff surveys to provide the organization with feedback from employees and managers. As a result of these surveys, a number of follow-up activities were completed.⁸⁵
- A Deputy Executive Director was hired in 2005 with responsibility for managing overall Secretariat performance and corporate strategy. Her stated goal was to “build a strong an aligned senior management team.”
- A small and focused senior management team (the EMT) was established, and executive coaching was provided to Unit Directors.
- An internal newsletter and brown bag lunches were instituted to improve internal communication between employees (still in effect in 2007).
- The Staff Council (introduced in 2005) appears to be a viable organizational structure for communication within the Global Fund, particularly with management and the Board.

Additionally, there has been an emphasis on designing and offering staff training. Since 2004, 85 training courses (e.g., language, computer, new hire orientation,) have been developed and offered to employees and managers. A Leadership & Management course is in the planning stage and should be ready by 2008.

A historical review of OD interventions in the Secretariat reveals that employees and managers have willingly participated in a number of efforts to improve operational performance (e.g., attended training sessions, participated on committees, responded to surveys, worked in revised organizational structures). The Secretariat has also established several structures to provide enhanced communication (e.g., All Staff meetings and the Senior Management Group) and improved performance (e.g., Action Framework, Performance Management System, and Role Profiling and Leveling).

The commitment of Secretariat staff to the mission of the Global Fund, despite working through and with many obstacles (e.g., complex processes, evolving requirements, time constraints, staff ceiling levels, etc.) has resulted in operational successes in disbursing grants and a general recognition for the support provided to the Board.

CRITICAL CHALLENGES IN THE GLOBAL FUND WORKFORCE FOCUS

Human Resources Management in the Global Fund needs to be Assessed Based on the Scenario for Future Growth

The Global Fund’s challenge is to ensure that its institutional arrangements and organizational systems are adequate to successfully manage the Board-mandated four to five-fold⁸⁶ increase in expected annual disbursements over the next three years. Simultaneously, while seeking to reach

⁸⁵ For example, an organization development process was established (started in 2003) and a 6-month effort diagnosed needs for a staffing model including team structures and job descriptions. Travel time for all Unit Directors was reduced to provide additional time to manage; team approaches were introduced; the development of an executive ‘dashboard’ was completed; and operational manuals were designed and developed.

⁸⁶ In 2006, the Global Fund disbursed \$1.3 billion (Annex 1.4). Therefore, disbursing \$6-8 billion represents a 4.6 to 6.2 fold increase.

disbursement levels of \$6-8 billion per year by 2010, the Secretariat is expected to keep staff size and operating expenses low in order to maintain its credibility and integrity with donors, partners, and global stakeholders. Balancing these demands will require significant improvements in the Global Fund’s traditional policies and practices for recruiting and managing human resources, and adjustment in expectations.

The overall size of the Secretariat has been constrained by fears about its absolute size, but it operates within a budget substantially below the Board-mandated ceilings.

Though staffing and budgets have increased significantly since 2002, planning for the future size, cost, composition, and management of Secretariat staff remains underdeveloped. Since 2002, the Global Fund Secretariat has grown from a core of less than 50 staff and consultants (mostly seconded from WHO and UNAIDS) with a personnel budget of less than \$3 million, to its current size--approaching 300 fixed and short-term staff and a personnel budget of more than \$30 million.

Table 17: Growth of Secretariat Staff and Associated Costs (in US\$)

Number And Cost of Secretariat Staff	2002	2003	2004	2005	2006	2007 (March)
Number Of Personnel (In Dec. Except Mar. 2007)	35	99	138	200	257	266
Fixed Term		52	77	117	156	165
Short-Term	35	47	61	83	101	101
% Increase	n/a	182%	39%	45%	29%	N/A
Total Secretariat Expenses	\$12,094,000	\$22,436,000	\$38,571,000	\$54,640,000	\$61,952,000	N/A
Personnel	\$2,753,000	\$9,793,000	\$16,854,000	\$25,054,000	\$30,632,000	N/A
Personnel As % Of Total Expenditures	23%	44%	44%	46%	49%	N/A

While growth in the absolute amount in personnel costs (from 2.7 to 30.6 million US\$) frequently raises concerns (see Table 17 above), it needs to be considered relative to the size of operations and expectations set on the Global Fund. Since the 3rd Board Meeting (October 2002), the Board has used the two ratios in the table below to define “lean and efficient,” (i.e., to provide a budgeted ceiling for operating expenses of less than 10 percent of total expenditures and less than 3 percent of active grant commitments).

Given the speed and challenges of operations discussed further but already examined in terms of Board-Secretariat relations, the fear of the Global Fund becoming a huge bureaucracy appears to be overplayed: operating expenses are currently below half of the two Board-established ceilings, and the Secretariat budget (including OIG, LFA, Board, and TRP) was under-spent by 12 percent in 2006 (see Table 18 below).

Table 18: Progression of Grant Commitments and Operating Expense Ratios

	2002	2003	2004	2005	2006
Grant Information					
Ave. No. Of Active Grants	4	68	183	275	342
Annual Grant Commitments (\$US)	\$52,019,000	\$1,063,000,000	\$861,000,000	\$1,524,000,000	\$1,826,000,000
Active Grant Commitments (\$US)	\$52,019,000	\$1,115,019,000	\$1,976,019,000	\$3,500,019,000	\$5,326,019,000
Operating Expense Ratios					
As % Of Total Expenditures	19.7%	3.0%	4.8%	3.9%	4.0%
As % Of Value Of Active Grant Commitments	24.5%	2.9%	2.2%	1.8%	1.4%
Per Grant Under Management (\$US)	\$3,192	\$479	\$237	\$226	\$224

In interviews with Board members, the consensus was that the Board should set budgetary ceilings and let Secretariat management decide how to staff within those ceilings. A few respondents remain concerned about the absolute size of the institution in and of itself, and the management challenges commensurate with an institution of 300, 400, or 600 staff-members. But again, a realignment of the principles of the Global Fund with a strategic vision should guide management decisions and operational practices. What seems clear is that, given the Board's projected disbursement goal (\$6-8 billion/year by 2010), the definition of lean and efficient will need to be revised—and budget expenditures realized—commensurate with that definition.

While some efficiency gains may be found through the review of work processes (see below) and the ongoing Management Review, these are likely to be marginal, considering the already high level of disbursements per staff documented in previous studies.⁸⁷ On the other hand, both the current workload and the future demands placed on Secretariat personnel will necessarily require increases in staff size. Only improvements in partnership arrangements and an evolution toward the funding of larger grants (an evolution facing limitations—as discussed in the Text Box “Scenarios for Programmatic Growth”) have the potential to slow the requirement for growth in the number of personnel.

An ongoing debate needing resolution: Pros and cons of the ASA with WHO for the management of Global Fund human resources

Thus far, the Secretariat budget has been entirely funded by the interest from the Global Fund's trustee account managed by the World Bank. However, because the Global Fund was intended to be a lean and efficient organization, the growth in the size of the Secretariat staff has occasioned frequent discussions between the Board, its Finance and Audit Committee, and the Secretariat, with regards to appropriate staffing levels and the appropriate size of the operating budget. Complicating the issue of Secretariat growth is the Global Fund's long-term arrangement with

⁸⁷ The Global Fund to Fight AIDS, Tuberculosis and Malaria, Bezanson, K. A. 2005. *Replenishing the Global Fund: An independent assessment*. Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria.

WHO, defined by an Administrative Services Agreement, under which the Global Fund pays WHO to provide services in the areas of finance, human resources, security and staff services, information technology, infrastructure, and logistics support.

The Global Fund's Board is currently exploring alternatives to the administrative relationship with WHO through the Transitions Option Project (TOPS), and the final decision (expected during Board Meeting 16 in November 2007) will have a significant effect on the management and further evolution of the Secretariat. With respect to financial management systems, WHO's administrative systems did provide a necessary early structure, but they have never been entirely adapted to meet the specific needs of the Global Fund (e.g., they use different accounting systems) and WHO has made special accommodations for the Global Fund's many "exceptions" to its rules.

With respect to human resources, the relationship has been somewhat more complicated. ASA has conferred valuable benefits on Global Fund staff who receive the same privileges and benefits (e.g., in terms of travel, taxes, pension) as WHO staff, and has facilitated the participation in international forums of country nationals who might otherwise experience bias if not for their "UN" status.

At the same time, ASA and the Board's attitudes on hiring have led to certain inequitable hiring practices. Some managers have used the practice of short-term hiring to avoid (1) Board-authorized ceilings on fixed-term assignments (even when a fixed-term position is the most appropriate classification); and, (2) a perceived delay in hiring a permanent staff through the ASA process.⁸⁸ However, in many reported cases (i) the uncertainties of short-term hiring (both during and at the end of the contract period); (ii) the disparity between benefits accorded to short-term and permanent staff (in comparable positions); and, (iii) the requirement that short-term employees compete for the same fixed-term position they are temporarily filling can often be detrimental to employee morale and performance. (It should be noted that WHO recently revised its policy concerning short-term staff in "Temporary Appointment Under Staff Rule 420.4." It is anticipated that this may address some of the current issues with short-term staff contracted over long periods of time.⁸⁹)

⁸⁸ Global Fund data for 2007 show that the average time between posting a position and a new staff accepting the position is 99 days, ranging from a low of 11 days for an FPA position, to a high of 214 days (each for an FPA, FPM, and PO).

⁸⁹ The Evaluation did not review this new policy.

Benchmark Highlight—Are Hiring Delays in line with the Norm?

The Global Fund's average time to fill an open position is roughly equivalent to that recently reported by WorldatWork,⁹⁰ an international association of human resource professionals that supports 30,000 members and customers in 75 countries. The average “time-to-start” (e.g, the time from when a job is posted until the new employee for that position starts work) for medium-sized organizations who participated in the survey was 83.7 days, but was calculated on a five day work week. This translates to 119 days of absolute time, which is how the Global Fund calculates its “time to fill” (the time from when the job is posted until the new employee accepts the position).

Perceived delays in recruitment at the Global Fund are consequently not validated by the facts—at least on average. However, the wide range for these delays—from 11 to 214 days—and the duplication of administrative controls may contribute to this perception by staff and managers.

The ASA issue has been debated repeatedly, both on the Board and between the Board and the Secretariat. The Evaluation observes that (1) lack of resolution of this issue forces the Secretariat to create duplicative systems (for example, information systems are being developed which can both comply with WHO's requirement and operate independently); (2) while the average recruitment delay is not out of the norm, the Global Fund's hiring and contracting procedures essentially create two layers of administrative oversight (the Global Fund's and WHO's), which puts excess stress on teams that are often already understaffed; (3) Board members from donor countries and other constituencies voice that the long-term interest of the Global Fund is to avoid becoming another UN-like structure; and, (4) while WHO's support through the ASA allowed for a rapid and successful startup, by providing the Global Fund with off-the-shelf, tested administrative systems, the need for this support is less obvious considering a mature US\$6-8 billion disbursement/year institution supposedly operating under a new and unique model.

Moreover, Senior Administrators at WHO interviewed for the Evaluation so recognize that there are differences in organizational culture between the two institutions that are sometimes at odds with the existing WHO policies and procedures.

The Board's final decision on this issue will represent a major turning point for the Global Fund, either leading to its evolution into a UN-style agency or requiring comprehensive changes in its processes for managing staff and systems that are more in line with that of a private institution.

⁹⁰ World At Work, Newline headline, Time-to-Start Metric Makes More Business Sense Than Time-to-Fill, 06/15/2007 — WorldatWork Staff.

Indicators for Staff Morale, Risk of Burnout are Poor and Fail to Improve

Though repeated staff surveys since 2003 have consistently identified similar personnel problems, staff and management have been unable to resolve these issues. Since 2003, the Secretariat has recognized the need to analyze staff performance. The basis of these efforts has been four Staff Surveys (2003, 2004, 2006, and 2007) that have consistently identified seven issues needing improvement, but which have, as of yet, not been resolved (in fact, some issues have continued to degrade). These seven problem areas are (1) promotions/advancement opportunities; (2) workload and work/life balance; stress; (3) communication and coordination between units; (4) effective processes/ methods; (5) management of performance; (6) communication (information on “what’s going on”); and, (7) consulting employees in “areas that affect them.”

In 2007, the Secretariat announced that the results of the 2007 Staff Survey would serve as the “litmus test for the effectiveness of measures put in place with a view to addressing the concerns identified in the 2006 Survey, including strengthening management and the HR subunit, as well as improving staff relations across the Secretariat.” Unfortunately, these measures have failed either to take hold or to yet be effective, because these same seven issues were identified as problems once again by staff in 2007. In fact, no mean score of three or less ever existed at the Global Fund in previous surveys until 2007, when the following issues scored a three or lower: (1) across units, work is well coordinated and planned; (2) across units, we work in a climate of trust; (3) across units, processes and work methods allow us to do work more effectively; (4) managers across the organization are “in touch” with employee concerns and issues; (5) promotion and advancement decisions at the Global Fund are fair; and, (6) work/life balance has improved in the last six months. The 2007 Staff Survey also added the following low scoring issues: (i) communication across units was rated lower than in 2006; and, (ii) trust between units has eroded or is eroding.

Benchmark Highlight—A Comparison to the World Bank Workplace Environment

It is difficult to compare results of staff surveys directly due to differences in the specific questions asked, metrics used, and differences in workplace culture across organizations. The Evaluation selected the World Bank’s Staff Surveys¹ as the most comparable to The Global Fund, and found that while some of the issues rated poorly by Global Fund staff are also concerns of World Bank employees, there are other areas that appear to be more critical at the Global Fund. Staff from both organizations, for example, rate poorly issues related to promotion and advancement, and rewards for good job performance. However, World Bank staff reported being largely satisfied with issues related to climate of trust across units, communication and coordination between units, employee input into areas that affect their work; and managers’ roles.

Staff Survey Indicators for morale and burnout in the Secretariat are poor and fail to improve. These indicators, combined with other factors identified through the organizational development assessment (poor communication, coordination, and cross-unit relations), put the organization at risk of not being able to retain qualified and motivated staff to manage and carry out key processes that are critical to its Mission. This is especially relevant in light of the projected growth of the Global Fund and its plans to add staff to its Secretariat in the future.

A review of past surveys and the recent responses to focus group and interview questions show that many staff members (especially at middle-levels) suffer from poor morale and potential burnout. Based on information collected during focus groups and interviews, especially with Secretariat employees at the P3/P4/P5 levels, there is an overwhelming perception that their workload has reached peak levels. Several employees stated that they have worked nonstop for 36 hours or more and others noted that working weekends was the norm in their group, team, or cluster. Unit Directors largely confirmed these comments (only one disagreed).

The 2006 Staff Survey further confirmed these findings of employees being overworked, as P3/P4/P5 staff (representing 46 percent of the workforce) scored 72 percent of the lowest ratings. These staff reported that their actual job descriptions, no matter how current and detailed they may be, should most accurately be described by the phrase, “other duties as assigned.” P3/P4/P5 staff believe they are ill-informed about current plans and activities throughout the Global Fund and are not “consulted on decisions that affect” them. They rate communication levels low, especially between units or other groups, although, within their own working group, communication seems to be effective. Additional negative perceptions affecting morale are reported as follows:

- Staff believes they work in a crisis mode at all times, and depend upon the whim of their supervisor to direct them to each day’s activities.
- They also believe they often work at levels higher than their pay grades and are frequently asked to “train” new hires brought in from the outside for positions higher than their own.
- This has resulted in frustration and a belief that the organization is unfair and taking advantage of them.

The relationship between these issues and staff attrition is not entirely clear to the Evaluation. Basic observation and interaction with Global Fund staff in the months during which the Evaluation was conducted gave the impression of many departures and many new arrivals, including of key personnel. The official staff attrition rates generated by the Human Resources sub-unit, however, are not alarming in and of themselves—15 percent in 2004; 8.3 percent in 2005, and 11 percent in 2006. However, these figures only began to include both fixed and short-term employees in 2006.

The main finding on staff attrition is that there is presently no system in place to track this information reliably, on a regular basis (e.g., monthly, by unit and personnel category), in a manner that can inform managers on trends and support HR decision-making.

Identified Factors Leading to Poor Morale and Poor Internal Coordination

Numerous focus groups and private interviews with Secretariat staff noted that the organizational culture of the Global Fund increasingly discourages risk-taking. They stated that risk-avoidance takes on many forms. It includes resisting change (e.g., the streamlining of a process or even attendance at a meeting), because acceptance of such a change might result in personal liability for non-compliance, conflict of interest, or fraud. Interviewees stated that risk-avoidance, at the highest levels of the Secretariat, can take the form of Unit Directors avoiding major decisions that they may have to later justify to the Board for fear of retribution. They stated that risk-

avoidance can also take the shape of mandatory attendance at endless numbers of meetings before a final decision is made because such a group effort allows managers to avoid personal accountability. Managers can say that the decision was a “group decision,” thereby reducing their personal risk.

Despite having attracted a motivated workforce judged by the majority of the Board as very productive and supportive, the Global Fund as an institution is dominated by a culture of excessive “risk mitigation,” leading to poor communication and coordination, a sense by staff of being overworked and lacking a cohesive vision for the long-term objectives of their positions, and adversarial relations between Global Fund units.

The working environment of the Secretariat has also been heavily influenced by the Board, particularly by its effect on key major operational processes, procedures, and practices. To date, the Global Fund has successfully maintained and enhanced its credibility and integrity to recipients, donors, global partners, and other stakeholders. But its risk-averse environment has slowly become entrenched throughout the organization, which has evolved into an environment of fear: the fear of making mistakes, even a minor mistake or, worse, a major mistake resulting in a scandal or a loss of Global Fund credibility. Fear, whether it is of personal job security or of sharing information (especially negative information) has replaced trust and has resulted in an increasingly adversarial organizational culture.

These long-standing problems have diverse causes, which will require extensive mediation to resolve. Among the contributing factors is the growth in the numbers of staff without a stable core left to provide institutional memory. This has undoubtedly increased the constraints to effective communication and trust over time. The Global Fund of 2007 is far different from the Global Fund of 2002 to 2004 in that (1) only nine of the original 46 staff members (as of 12/02) remain among the current 266; (2) employees no longer know each other, many are so new they barely know what they are supposed to do themselves, let alone what others are supposed to do; and, (3) communication is often limited to colleagues within their own team, group, cluster, or unit so that delays and criticism are often seen as coming from virtual strangers.

Efforts to Improve Personnel Management have not had the Desired Results

The organizational response to critical issues for the workforce has not been able to overcome the “crisis” mode of the Global Fund. The Global Fund has in fact attempted to take action and create structures to enhance communication, strengthen management, improve performance, and address the seven recurring issues identified by staff surveys within the Secretariat:

- **Action Framework:** The Secretariat has worked to plan for improvements in management accountability, role clarification, work environment, and more effective processes and systems. This effort is based on staff survey feedback, a report from the WHO Office of Internal Oversight (OIS), the Staff Council’s One-to-One Interviews Report, data from the Transitions Option Project, and discussions with Secretariat staff. A Management Action Plan (MAP) was developed to specifically address the OIS Report findings. A four point Action Framework (announced in April 2006) is underway to address performance issues.

- **Staff Council:** Established in June 2005 as a response to the results of the 2004 Staff Survey, this group appears to be a viable organizational structure for communication within the Global Fund. However, it is possibly underutilized as a channel of communication. The absence of managers in the council (although allowed by the Staff Council by-laws) or cross-over representation between the Council and the Senior Management Group probably weakens the effect of Staff Council decisions on the organization.
- **Training:** Leadership and Management Development training is currently being designed and developed and is scheduled to roll out in 2008, if not earlier.
- **Senior Management Group (SMG):** Reorganized in 2006 from an original Strategic Management Team to focus attention on communication throughout the Secretariat, this team, chaired by the Deputy Executive Director (DED), consists of managers who report directly to a Unit Director. Unfortunately, the SMG was never reconvened after its initial formation.
- **HR Efforts to track attrition:** Some efforts have been made recently to better track attrition of staff and to conduct exit interviews with departing staff. These efforts still appear to come short of the organization's need for reliable and actionable information.

A review of past reports to the Board by the ED and the DED reveals that, despite numerous management projects and programs to alleviate staff concerns (e.g., internal task forces, committees, and programs, All Staff meetings, and individual staff interviews), the Global Fund's perpetual "crisis mode" and limited resources have resulted in OD interventions that have been too fragmented, left only partially completed, and/or too easily scaled back or cancelled.

Increased Emphasis on the need to Improve Management and Supervision of Personnel has had Only Limited Impact

While attention has historically been paid to the role of employees, the role of managers has only recently generated attention. In 2004 (based mainly on the results of the 2003 Staff Survey), a number of actions were taken to support the efforts of current managers (e.g., reduction in travel time to allow for more management, executive coaching for Unit Directors, introduction of team approaches, the development of an executive "dashboard," the establishment of a Strategic Advisory Team, and the design and development of operational manuals).

In 2005, the DED was hired, with responsibility for managing overall Secretariat performance and corporate strategy, but she was temporarily assigned to manage the Operations unit, which delayed many of her planned interventions to "build a strong and aligned senior management team." In 2005, WHO's OIOS Report identified several action items to "strengthen Senior Management oversight and to streamline systems to support effective management." The Secretariat developed a MAP to address specific findings in this report. Despite this attention, the 2007 Staff Survey reported that managers continued to be viewed as not effective for (1) not being in-touch with their employees; (2) not being proactive about change or the need for change; and, (3) not providing necessary leadership. These results suggest that most senior managers continue to give highest priority to their roles as program managers and technical experts and spend only marginal time focusing on the needs of their staffs.

VARIATION IN CLUSTER MANAGEMENT AND FPM ROLES

Because FPMs are the main point of contact between the Global Fund and its “customers” at the country level, they play a critical and revealing role within the overall structure.

Management approaches vary substantially among Operation unit clusters (e.g., travel responsibilities of Fund Portfolio Managers), workloads also vary, as does the methodology to complete critical tasks (e.g., grading of grant proposals, country travel for Program Officers and Performance Update and Disbursement Review [PUDR] completion) differ between clusters.⁹¹ Rigid guidelines to address such discrepancies, however, might be ill-advised at a time when flexibility is often the key requirement within FPM job descriptions. But operational cluster Team Leaders are in difficult positions to carry out their responsibilities because (1) they have few operating guidelines and manage independently; (2) they spend 70 percent of their time conducting FPM activities⁹², and 30 percent of their time managing their cluster (approximately 10-12 member staffs); and, (3) they base many decisions on their personal knowledge of the technical and administrative capabilities of their cluster personnel.

Each FPM is responsible for approximately 10 to 15 grants, distributed over 3 to 4 countries. Based on the personal preference of their cluster Team Leader, FPMs (and selected Program Officers in some clusters) travel to each country approximately 2 to 3 times per year (one cluster uses a formula of one trip per year/per managed grant plus one) for 3 to 5 days, not counting travel.

The basic responsibilities of an FPM while on travel are comprised of (1) negotiation of new grant agreements (as a part of the current Phase 1 Grant Approval Process); (2) problem solving with an existing grant (Phase 1 or Phase 2); and, (3) miscellaneous activities (e.g., site visits, building partnerships, clarifying information for PRs, SRs, CCMs, LFAs, etc.). Though confronted by the principle of not providing Technical Assistance, the more involved an FPM is with a country (i.e., gets to know the actors, understands specific grant implementation issues, and/or comes to appreciate the value of the program), the more likely they are to provide some needed TA to their clients in spite of this principle. FPMs recognize this dilemma and resolve it in their own fashion (there is virtually no oversight on country visits). As a result, it was noted by an FPM focus group that everything “filters through FPMs’ individual values.” This situation has resulted in a somewhat subjective and not entirely transparent or consistent process.

Many employees believe that the original Secretariat structure, which stressed the support of the Operations unit, and especially FPMs, has eroded into one of many systems that:

- Encourages and/or allows the current “support units” to view FPMs as *implementers* of their policies rather than as key organizational decision-makers.

91 It should be noted that a cluster task force has recently been assembled to address the issue of a lack of consistency in cluster grading.

92 The recent Leveling Exercise called for Team Leaders to spend 60 percent of their time managing their cluster and 40 percent on FPM activities. Team Leaders of the 8 operational clusters spend up to 70 percent of their time on managing their 10- to 12-member teams.

- Adds new organizational units to the Secretariat structure only for the purpose of supporting Board needs. These units can be perceived as competing with, rather than supporting, the “operational” needs of the Secretariat.

While the Management Review will clearly establish a common understanding of how each organizational unit uniquely adds value to the Global Fund, an examination of the Operations unit and the role of the clusters is probably a good starting point.

- A primary question will be how to determine the pressure each FPM is under to provide TA to his/her clients in-country, based on the country situation and capacity.
- Secondary is establishing how much of a role should be played by FPMs in implementing a Global Fund partnership strategy. (Examination of the global partnership system is ongoing through Study Area 2 of the Five-Year Evaluation.)
- A final question concerns how much a revised FPM role should emphasize grant negotiation and quality control as part of their already existing responsibilities to quality, including (1) to review and analyze LFA country context information (received in the PUDR process) and make recommendations to the PR, LFA and/or the Finance Unit; (2) to update the Grant Performance Report (GPR) for their grants; and, (3) to lead and/or participate on Independent Review Teams (IRTs) to conduct in-country midterm reviews of grants from their non-cluster countries as part of the Global Fund monitoring and evaluation process.

Building on the Secretariat’s request (June 2004) to define the functions, responsibilities, and accountability among teams and individuals; and, the Deputy Executive Director’s call (April 2006) for “building a culture of line management accountability,” resolution is needed on the issue of inter-unit conflict between the Operations Office and the Contracts Office over roles and responsibilities for absolute contracting requirements, which appears to be worsening. Each unit brings differing views to the situation.

- For example, FPMs either do not appreciate or do not understand the absolute needs of contract composition and oversight. At times, they have unintentionally crossed the line of conflict of interest while trying to be supportive to their in-country partners and clients.
- On the other hand, Secretariat contract officers are typically not privy to technical discussions and do not appreciate nor understand the challenges faced in-country to implement grant agreements.

There is urgency for the development of a new relationship between these two important groups to fill the perceived gap between the need for in-country technical understanding and the risk-mitigating oversight of the Global Fund contracting requirements. For example, the current LFA contract represents 24 percent of the Secretariat’s operating budget (2007), yet no Secretariat group (at the time of the LFA evaluation) appeared to have clear and effective responsibility for

evaluating it. The new LFA contract may present a new opportunity for cooperative efforts between Contracts and Operations.⁹³

CONCLUSIONS AND RECOMMENDATIONS FOR IMPROVING THE GLOBAL FUND WORKFORCE FOCUS

While achievements of the Global Fund are noteworthy and have been commented on extensively in prior studies, the Evaluation identifies the resolution of human resource management issues as being critical to the success of the projected growth of the Global Fund. None of these issues can be addressed effectively without increasing the basic human resources capacity of the Secretariat.

A key starting point for strengthening the Secretariat involves the Global Fund's continuing relationship with WHO through the ASA. Whichever way the Board settles the discussions about this arrangement, it needs to be quickly decided in order to allow a needed and extensive re-working of human resource arrangements (some of which may be addressed by the ongoing Management Review), including the staff size and structure of the Global Fund.

⇒ **Priority Recommendation 13:** The Board should make a prompt and final decision on its position in relation to the ASA agreement.

- Given the decisions pending on the strengthening of the Global Fund strategy, and potential new distribution of roles between Board and Secretariat, the Management Review may have to be considered as a step in the direction of optimizing the structure of the Secretariat, rather than the final word on the question. The Evaluation further recommends—

⇒ **Priority Recommendation 14:** Based on projections for growth and the findings of the Management Review (including anticipated roles of the different units, sub-units, groups, teams, and clusters), the Board should set budgetary ceilings for the size of the Secretariat, and allow Secretariat management to staff within those ceilings. The Executive Director should prepare and negotiate a workforce plan with staffing projections based on key functions. As part of this plan—

- The capacity (size) of specific Secretariat units should be increased, in relation to functional needs over the coming three to five years.
- The Executive Director should address the fixed-term vs. short-term contract as one of his top priorities. As part of an overall policy to address this issue, the ED might establish a cross-unit management panel to justify and approve any short-term positions (i.e., approve all decisions to use and/or continue a short-term position).
- The central role of Fund Portfolio Managers (FPMs) needs clearer definition in terms of their roles, skills, and quality control responsibilities for operationalizing key strategies of the Global Fund and Board for different country profiles, including; grant

⁹³ FPMs had some responsibility for formally evaluating LFAs in the past but this was not enforced. FPM focus groups revealed that no FPM currently conducts such evaluation.

negotiation, interfacing with partners and countries, and maintaining in-country oversight.

- Altering the course of evolution of an institutional culture is a challenge and requires a systemic approach—no “silver bullet” or simple recommendation can be offered. The Global Fund has already developed cross-cutting structures and committees to facilitate cooperation between units. These do not need to be reinvented, but steps can be taken to move them closer to the original intent. The Evaluation recommends—

⇒ **Priority Recommendation 15:** The Executive Director should ensure the effective implementation of the following strategies for the purposes of improving internal communication and performance, addressing employee morale issues, and ensuring that the attention of Global Fund leadership is focused on enhancing the overall working environment of the Secretariat:

- Developing an enhanced Human Resources Development strategy that outlines how the Global Fund will operate in the future. This may address such issues as employee skill set requirements (i.e., knowledge, skills and attitudes), employee support expectations (e.g., working hours, training opportunities and equipment), recruiting and hiring practices (e.g., full time vs. short term hiring, gender and geographic representation goals, etc.), and the organizations’ expectations of management (e.g., leadership and operational focus, etc.);
- Developing an enhanced Human Resources Information system for tracking staff turnover, training, employee survey results, and recruiting and hiring; and,
- Developing a concrete plan of action for addressing the seven staff survey issues that have persisted since 2003;
- Modifying the Global Fund’s key performance indicators to better monitor organizational performance, as suggested in Table 19 below.

⇒ **Priority Recommendation 16:** To enhance the ongoing efforts to improve performance management, leadership, and staff development within the Global Fund, the following steps should be considered:

- To facilitate a progressive shift from ex ante (beforehand) control of staff performance to ex post (after the fact) monitoring of achievements and learning from both successes and failures, the Secretariat should establish incentives to encourage, recognize and reward initiative and performance at both the group and individual levels.
- The Performance Management Development System (PMDS) for all managers and future vacancy announcements for senior managers should include specific and measurable supervisory requirement(s).
- The PMDS of EMT and SMG members should reflect planning, supervision, and management skills as critical measures of success.

- A review of the performance evaluation system should be considered for the purpose of enhancing cohesion within and between units, and providing supervisors with feedback from multiple perspectives.
- Supervisors should be rewarded and promoted for demonstrating effective management and leadership skills such as meeting deadlines, completing unit/group/team goals, and efforts to follow-up on performance improvement recommendations that may emerge from an enhanced performance evaluation process.

Unit Directors and Senior Managers’ performance should be evaluated partly on whether they have completed new training courses offered as part of the leadership and management training program.

The table below suggests new or revised Key Performance Indicators, to be adapted by the Global Fund, in order to provide itself with a more accurate annual assessment of its performance:

Table 19: Proposed Additions or Revisions to the KPIs

Indicator	Purpose
Voluntary employee turnover (Number, Proportion, and Reasons. Globally and Per Unit).	This identifies potential morale problems by tracking and categorizing the reasons employees leave the organization.
Revised question on the staff survey: “The working environment at the Global Fund enables me to make a worthwhile and personally satisfying contribution to the organization’s mission.”	This revised staff survey question provides direct feedback from employees that may reveal a number of potential problems (e.g., communication, culture, policies, processes, others).
Number of training hours received by each employee.	This demonstrates the organization’s commitment to employee development, and helps to distinguish between “training offered to” and “training attended by” employees.
Reduction in the overall cycle time from the receipt of a new grant proposal to the PR receiving first disbursement.	Cycle time measures can identify a variety of potential performance problems such as employee role definition and training, customer satisfaction, and bottlenecks in major processes.

PROCESS MANAGEMENT AND CUSTOMER FOCUS

Through the OD assessment analysis of portfolio data, the Evaluation examined achievements and limitations around three key processes; (a) Key Process 1: the process and sub-processes from the call for proposals, review, approval, and signature; (b) Key Process 2: disbursement based on performance, financial management, and auditing; and, (c) Key Process 3: the different mechanisms for grant renewal. This complements the examination of processes involving the Board and the Secretariat already discussed in the relevant sections (i.e., Governance and Resource Mobilization).

The TRP is a structure independent from the Secretariat of the Global Fund. It is the structure fundamentally responsible for recommending grants for funding to the Board, and could be appropriately considered an ancillary structure of governance of the Global Fund. It is considered here in relation to its central role in the first process under review (grant review and approval).

Recommendations are made based on the examination of all these processes as a whole.

TECHNICAL REVIEW PANEL

The TRP is the mechanism through which the Global Fund carries out its founding principle to “solicit (but not shape) proposals and make decisions on funding with independent review processes according to transparent criteria”.

The TRP is governed by publicly posted TOR that define: TRP membership; the composition of the TRP; the process for identifying TRP members; the Scope of Work of the TRP; the Proposal Clarifications and Adjustments Process; and logistics issues related to participation in the TRP. These TOR also include the Proposal Review Criteria; descriptions of recommendation categories relevant to Rounds-based channel proposals; Rolling Continuation Channel Proposals; and the Phase 2 Revised Go Request Review Process.

Through Round 6, the TRP reviewed 1,185 proposals and recommended 447 grants for approval by the Board. It has demonstrated itself to be a self-critical body committed to continuous improvement, as evidenced in the detailed TRP reports submitted after each round to the Global Fund Board. These reports go considerably farther than recommending applications to be considered for funding, by including detailed observations and recommendations for improving the overall application and review process. Board responses to these reports suggest that the Board takes the TRP's recommendations seriously and seeks to integrate many of them into the next round.

The Technical Review Panel is a robust mechanism for carrying out the Global Fund principle to “solicit (but not shape) proposals and make decisions on funding with independent review processes according to transparent criteria.”

The Round 6 Report included a summary of actions taken in response to the TERG-commissioned Assessment of the Proposal Development and Review Process that was completed in February 2006.⁹⁴ Because this assessment addressed the issues of screening, clarification and technical review, the Five-Year Evaluation focused principally on two additional issues: (Annex 5 summarizes the TRP response to the recommendations from this report.)

The extent to which the TRP process has satisfied the condition of independence as outlined in the founding principles.

⁹⁴ Euro Health Group. 2006. *Assessment of the proposal development and review process of the Global Fund to fight AIDS, Tuberculosis and Malaria*. Geneva, Switzerland: The Global Fund to fight AIDS, Tuberculosis and Malaria. The TERG considers this assessment as part of the overall Five-Year Evaluation of the Global Fund, and the Five-Year Evaluation was meant to complement the previous assessment.

The implications of the Global Fund’s projected financial growth on the TRP’s capacity to carry out the proposal review process.

INDEPENDENCE OF THE TRP

The TRP was designed to be an independent technical group selected and based on an individual’s technical expertise and geographic experience. The TRP is composed of HIV, TB, and malaria experts and cross-cutting issues specialists, some of whom are also disease specialists. There is an attempt at achieving balance between male and female experts. The core TRP members are identified through an international nomination process and are approved by the Board and the Secretariat, with each member serving a term of four rounds of TRP reviews. There are alternates for TRP in case the core TRP members are unavailable for a particular round of review.

Factors that Facilitate the Independence of the TRP

Interviews with TRP members and the TRP Support Team within the Secretariat indicate a number of factors that facilitate the independence of the TRP:

- The placement of the TRP within the Global Fund Architecture has resulted in what one TRP Chair referred to as a “culture of independence,” through which the TRP is responsible only to the Board—not to the Secretariat, nor to countries, or partners. This culture is reinforced by the fact that the TRP meetings are always held off-site, outside of the Global Fund’s Offices.
- Policies and procedures are in place to protect the independence of the TRP, including clear guidance on confidentiality and conflict of interest (see text box below). TRP members are instructed that “the firm and consistent application of all of these principles is critically dependent on the active co-operation and judgments of each individual member of the TRP, as the Chair and Vice Chair cannot be aware of all possible conflicts or potential conflicts of interest to which individual members may be exposed. We (The Global Fund) therefore rely on each of you to be highly alert to such conflicts, to alert us to their existence, and to act in the appropriate way in all circumstances.”
- Beginning in Round 6, the Proposal Advisory Services Unit within the Secretariat took on the role of being the intermediary between the TRP and FPMs. Prior to Round 6, FPMs would work directly with TRP members to provide clarifications to questions, which some felt provided a window for FPMs to advocate for their countries. In the revised structure, a representative from the Proposal Advisory Services Unit takes questions and responses back and forth between TRP members and FPMs.
- The Proposal Advisory Services Unit also plays an active role as gatekeeper for any other individuals from the Secretariat or from other institutions who wish to observe TRP meetings, for the purpose of minimizing potential external influences on the process.
- Review results are always attributed to the TRP, as opposed to individual TRP members who reviewed a proposal. The identity of specific reviewers for proposals are kept as confidential as possible (e.g., FPMs know who the TRP reviewers are, but protect

confidentiality. The Board doesn't know who reviewed which proposal.) Reviewers of proposals not recommended for funding are not revealed. The Chair of the TRP or vice chair signs-off on clarification processes, and individuals are not identified. Technical partners do not know who reviewed proposals, and so cannot put pressure on individuals.

A number of quality controls have been put in place for the TRP process that also serve to protect any challenges to the independence of the TRP that might arise from those who would question the quality of reviews

- Beginning in Round 7, TRP members (both existing and new) have received a standard orientation to establish a common understanding of the Global Fund's principles, the TRP's role and review criteria, and the expected ethical standards and confidentiality. Based on TRP member feedback on this orientation, the Global Fund plans to integrate this into the process in the future. Part of the orientation also featured a mock review of a borderline Round 6 proposal so that new TRP members could gain exposure to the process and nature of review comments and discussions.
- Also in Round 7, a mentoring process that had occurred on an ad hoc basis in earlier rounds was formalized. Through this process, seasoned TRP members work with newcomers to ensure consistency in reviews over the first three days of TRP meetings.
- There has always been a process for re-reviewing applications for which there was no clear recommendation after the first review. New reviewers are assigned to the application for the purpose of re-review and clarification of areas that the original team was unsure of. However, that process often included re-taking the discussion of the given application at the end of the TRP meetings. In Round 7, a process was institutionalized by which the application in question would be re-reviewed the following day, to ensure that the key issues discussed remain fresh for TRP members in the plenary session.
- The role of the TRP Chair and Vice-Chair is to ensure that all voices are heard and to pay attention to interpersonal dynamics among team members that may unduly influence the focus of the review (e.g., personality clashes). The Chair and Vice-Chair also play an important role in helping the larger group to spot inconsistencies in the application of standards for review.
- The Plenary process serves as an important input to the work and conclusions of the smaller review teams, in that it provides other TRP members an opportunity to ask questions based on their own technical area of expertise, and also allows the group as a whole to monitor the consistency in its decisions.
- Beginning in Round 8, the TRP TOR were amended to exclude participation on the TRP of WHO or UN employed staff, to further avoid the possibility of bias or conflict of interest.

TRP Conflict of Interest Principles

- ⇒ No TRP member should at any stage during his/her membership on the TRP provide any support or assistance (either direct or indirect) to any CCM, country, or other organization in the preparation of an application to the Global Fund. Such support would include direct advice on an application to a Global Fund Round, and such indirect activities as organizing or speaking at meetings/workshops, and the like, at which Global Fund applications are discussed.
- ⇒ A similar restriction applies to TRP members for a period of 12 months after they have left the TRP. This is a principle which was agreed upon during Round 4, and has remained in place.
- ⇒ Any serving TRP Alternate member should be subject to the same restrictions as TRP members, since they may be requested to serve on the TRP.
- ⇒ At the start of a TRP meeting, all TRP members are requested to declare their organizational involvements and any such ways which they believe might give rise to potential conflicts of interest. These are lodged with the Ethics Committee of the Board of Global Fund.
- ⇒ During the TRP reviews, nationals of countries which have applied are never involved in the review of the applications from their country/ies. These individuals are also recused from the plenary discussions when those applications are discussed. In practice, the Global Fund has also applied this principle to TRP members who may not be nationals of a country, but have some significant involvement with the applying country, perhaps because they lived there for some time, are living there at present, or are employed by an organization which is involved in the particular application.

Diversity in Experience

Diversity in experience on the TRP ensures independence by ensuring the availability of a wide variety of qualified individuals who have limited or no conflicts of interest to review a proposal. TRP members for each round are approved by the Board, after the Executive Director and the Portfolio Committee make a recommendation, based on a formal pre-selection process undertaken by the Portfolio Committee with partner involvement. The selection process, from the first round on, has been managed through the Board and its committees to ensure the greatest independence in the overall process. The selection process has since evolved to include support from an independent organization contracted to ensure the widest possible international selection process, with the Board providing ultimate approval of the TRP pool.

Initially, the TRP members were heavily represented by the diseases specialists who sometimes did not have competence in appraising cross-cutting issues such as procurement, finance, logistics management and health systems.

In the context of the policies and guidelines for confidentiality that are in place, the TRP seeks to ensure diversity of experience among its members so that each proposal is reviewed within the appropriate context of its disease focus and national context.

Given the process through which TRP members are selected prior to the receipt of applications for a given round,⁹⁵ the TRP has managed to maintain a relatively appropriate distribution of

⁹⁵ Given the logistical challenge of identifying reviewer panel members in response to the applications received, it is not feasible for the Global Fund to match components received precisely with reviewers who have the relevant disease and geographic experience.

membership in terms of individuals with disease expertise, cross-cutting capabilities, and geographic experience in the regions from which applications are submitted.

The diversity in TRP panels has generally reflected the diversity of proposals submitted in terms of both disease expertise and disease focus. Figure 7 (below) presents the distribution of disease experience on the TRP compared with the distribution of disease focus of components submitted.

Figure 7: Distribution of Disease Experience vs. Components

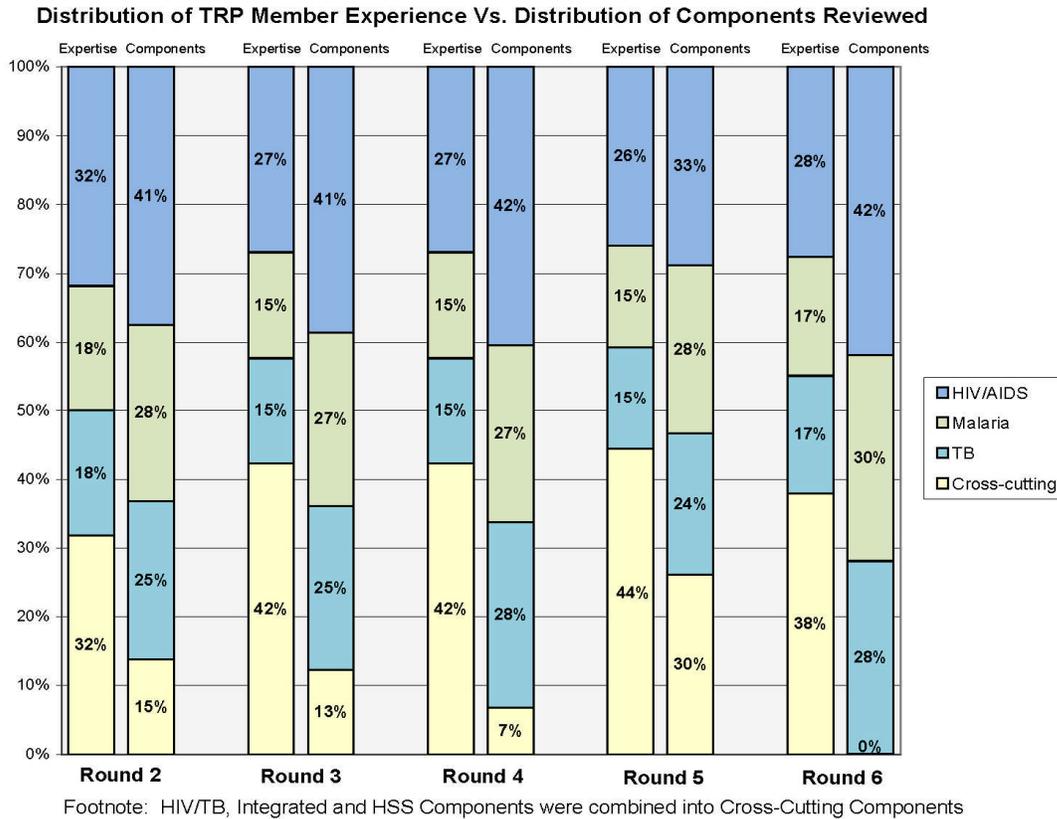


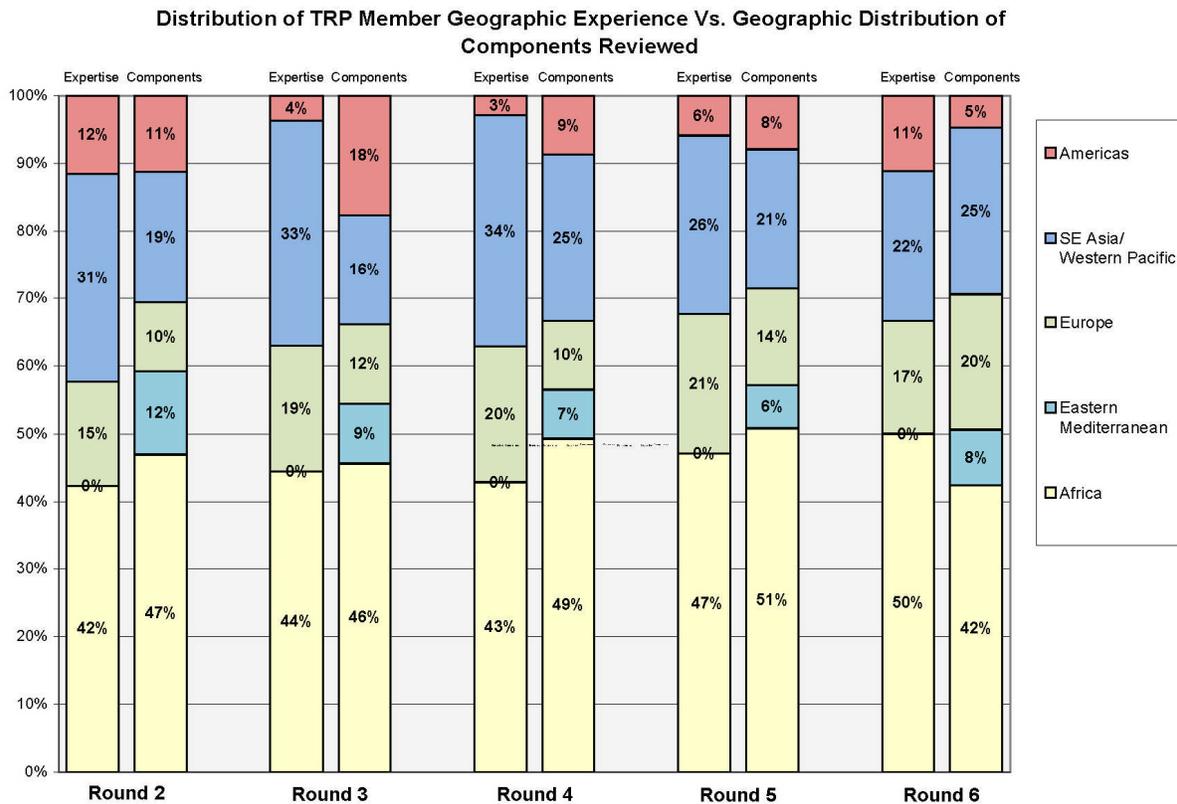
Figure 7 shows that the proportion of disease-specific reviewers is consistently lower, by disease, than the proportion of components submitted. In other words, no one disease is “better represented” in comparison to the distribution of the components reviewed by round. With the high proportion of cross-cutting members in each round, these findings suggest that there is an appropriate balance in terms of disease-specific experience on the TRP.

Figure 8 illustrates how geographic experience of the TRP has evolved from Round 1, taking into consideration any geographic expertise noted on the CVs of TRP members. Only the Eastern Mediterranean⁹⁶ region has lacked consistent representation and experience across rounds. Based on the Evaluation Team’s review of CVs of TRP members between Rounds 2 and 6—the only rounds for which the component breakdown by region was available—no TRP member had

⁹⁶ This region, according to WHO country groupings, includes Afghanistan, Baharain, Djibouti, Egypt, Iran (Islamic Republic of), Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, and Yemen.

previous experience in the Eastern Mediterranean Region. Round 7 component breakdowns by region were not yet available at the time of this report; however, we did identify 1 of the 35 TRP members with experience in this region.

Figure 8: Geographic Experience



Challenges to Independent Review

Overall, there has been continuous learning from one round to the next and improvement in the organization of information. At the same time, there are areas for improvement to be considered as this learning process continues. Based on secretariat documentation and initial findings from the country partnership assessments conducted under SA2, the greatest challenges to the “independence” of the review process appear to be related to: opportunities to influence independence within the present architecture, perceived clarity and consistency of TRP comments at the country level, and potential changes to the TRP process in light of the Global Fund’s projected growth that might open it up to more external influence.

Challenges to independence inherent in the present architecture of the Global Fund

While the positioning of the TRP within the Global Fund Architecture, as mentioned above, is one of the factors that facilitates independence of reviews, there are other inherent threats within the present architecture that will be important for the organization to consider. For each of the challenges outlined below, there seems to be an appropriate counter-balance at present, but it will be important for the Global Fund to be mindful of these challenges as it moves toward the future.

- The Proposal Advisory Services unit is housed within the Operation Unit structure of the Global Fund. The Operations Unit, by nature of its role, is motivated to have the most possible grants approved and signed, and as a result can put pressure on the Proposal Advisory Services group to release information on TRP results quickly, or provide preliminary results before the TRP process is finalized.
- In preparation for Board meetings in which the Board rules on TRP recommendations, the Proposal Advisory Services Unit sends the preliminary TRP report to all Board delegations. As Board members share this information with their constituencies to discuss their potential approval decisions, countries invariably learn of the “results” early and have an opportunity to put pressure on Board members.
- At the April 2007 Board meeting, the United States delegation publicly disclosed that it had conducted a parallel review of proposals to the TRP process, and that it stood 100 percent behind the TRP recommendations. In this instance, the parallel review could be seen as an important check to reinforce the quality and independence of TRP findings. However, the existence of parallel processes in general raises the prospect that the TRP’s independence could be called into question by a delegation or group that did not agree with some specific decisions made by the TRP.
- The orientation for TRP members that was introduced in Round 7, while felt to be a value-added process overall, also provided a window through which technical partners leading briefing sessions could advocate for the TRP to focus on specific issues. The TRP included its own process after the briefings this year in which it reviewed the information provided and discussed how it would apply these inputs in a standardized manner.

Perceived Clarity and Consistency of TRP Comments at Country Level

Both the evaluation of the proposal review process and the first CPAs conducted by SA2 find that the clarity and consistency of TRP comments from the country perspective remains a critical weakness. CCMs are not always sure why their proposal was rejected; leading to a multiplication of theories about a ‘hidden agenda’ or regional politics of the Global Fund. Feedback from TRP members suggests that there is inconsistency in the clarity of TRP comments, and that countries are sometimes not sure how to address the recommendations made by the TRP, in spite of efforts made by the TRP and Secretariat to address this known issue:

- Through the clarifications’ process, CCMs can respond to comments and go back and forth with the clarifications panel to ensure that they are addressing the issue properly.
- In addition, the Proposal Advisory Services group has taken on the role of reviewing TRP comments for clarity, and providing feedback on where specific points could be made clearer so that applicants could better respond to the comments.

TRP members interviewed for the Five-Year Evaluation also suggested that the Global Fund provide additional guidance for TRP members on the “back and forth between the CCM and TRP” during the clarification process, in order to clarify what the expected steps and roles and responsibilities of each party are.

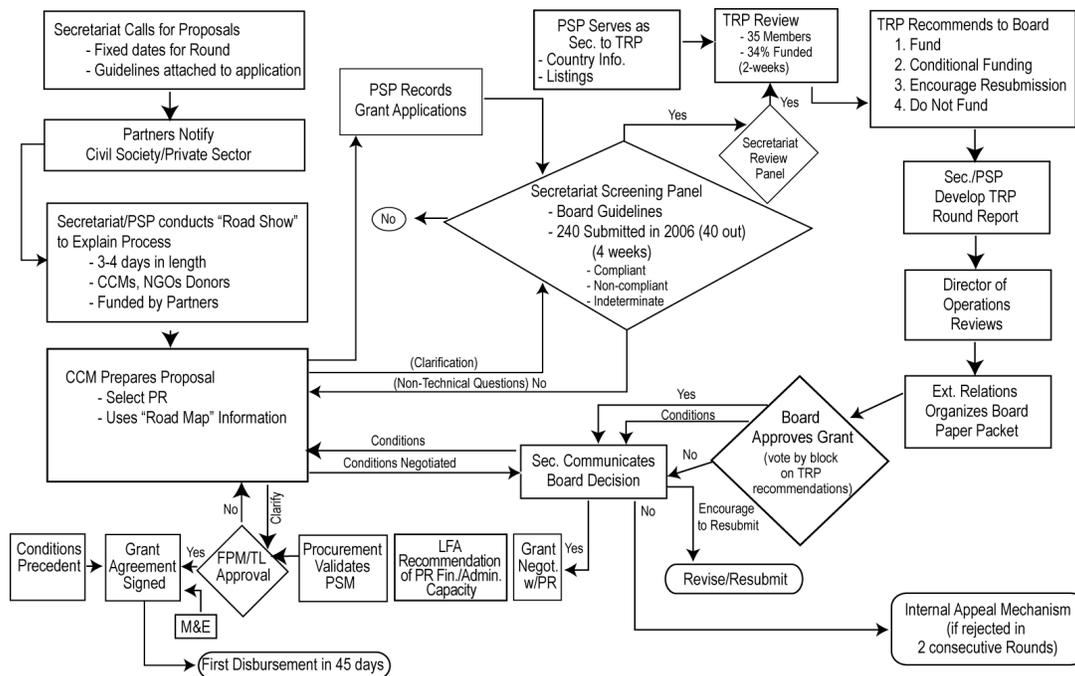
KEY PROCESS 1: THE PHASE 1 GRANT APPROVAL PROCESS

An evaluation of the proposal development and review process was conducted prior to this exercise but still as part of the Five-Year Evaluation.⁹⁷ It recommended four main categories of improvements: (1) improving communication between the Global Fund and the CCMs, as between the CCMs and in-country stakeholders; (2) improving alignment with national systems, harmonization and ultimately country ownership; (3) strengthening of the technical review process; and, (4) increasing Technical Assistance (TA) to countries to improve the quality of the proposals.

The Evaluation built on this study and—after consideration of the TRP as an reviewed the grant approval process, ranging from the call for proposals to the first disbursement of awards to grantees. The flowchart represented in Figure 9, outlines the overall process, as described to the evaluation team through process mapping activities conducted with Secretariat staff.

Findings from the Evaluation are presented below in relation to key aspects of this process where there appear to be opportunities for increased efficiencies, including: the call for proposals; pre-screening; technical review; clarification; and appeal. Board approval, grant signature, and initial disbursement are then examined as a second key process.

Figure 9: Phase 1 Grant Approval Process



⁹⁷ Euro Health Group. 2006. *Assessment of the proposal development and review process of the Global Fund to fight AIDS, Tuberculosis and Malaria*. Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria.

The overall process for proposal review, Board approval, and grant signature involves Secretariat staff from 10 different units, teams, and groups, as indicated below, requiring a high degree of coordination and communication between units (see Table 20 below).

Table 20: Overview of the Steps and Responsibilities in the Grant Approval Process

	BOARD	DED	PSP	FPM	CLUSTER TL	DO	DDO	LFA	LEGAL	CONTRACTS	PROCUREMENT	PSP/FINANCE	CFO	EMT Rep	PEP	DPEP	M&E
Grant Approval Process																	
Call for Proposals			X														
Eligibility Review			X														
TRP Review			X														
Board Approval Process	X		X														
Grant Negotiation			X	X				X	X		X	X					X
LFA Contract Rendered				X	X			X		X	X						
PR Capacity Review								X			X	X					
Procurement Validation											X						
FPM Approval				X	X												
Conditions Precedent				X	X			X	X		X	X					X
Grant Signed			X		X				X								X
Internal Appeal Mechanism	X				X	X			X			X					

All proposals recommended for approval by the TRP are accepted through a single vote by the Global Fund Board. After Board approval, the Secretariat starts the negotiation process for all proposals. Given that future growth will rely both on larger grants and an increased number of grants, this has the potential for creating a substantial bottleneck through a ‘dam effect.’ Moving away from a Round-based application process has been discussed before, and so far rejected. This does not, however, prevent consideration of other mechanisms for reducing this ‘dam effect,’ by allowing an early start of grant negotiations within certain conditions.

Call for Proposals

The evolution of the application guidelines distributed for each round of the Global Fund are consistent with the rapid pace at which the organization in general has progressed. Initial rounds focused on disease-specific applications, with slight changes based on the experience of grants received each year. In Round 5, the health systems strengthening component was solicited as a separate component, but the quality of the proposals were uniformly low (3 of 30 were recommended). By Round 6, in an effort to improve Health System Strengthening (HSS)

components, the guidelines were changed to imbed HSS into one of the disease components for submission.

Initial feedback from CPAs and interviews with TRP members suggest that the rapid changes in the guidelines have made it challenging to maintain consistent standards in reviews, and have left countries confused and unsure of how to most effectively submit their applications.

Pre-Screening

During pre-screening, the objective is to check the completeness of the application, the endorsements by the CCM, and other factors based on the Global Fund eligibility criteria. The 10-18 screeners, employed by the Global Fund Secretariat do not make technical judgments on the proposals.

Pre-screening has been improved constantly from round to round, based on feedback from TRP members. From Round 6, the Global Fund Secretariat has conducted a formal two-week training curriculum for the screening team. There is pre- and post-training evaluation by the screeners on the training provided.

Overall, there were no major complaints by countries on the pre-screening process. Some countries expressed appreciation for having an opportunity to improve the completeness of their submitted proposals. TRP members appreciated the pre-screening, which saved them time from reviewing ineligible or incomplete proposals.

However, the trends in pre-screening raise interesting questions about the role the Global Fund might play in helping to ensure that countries with high disease burdens have the capacity necessary to successfully submit applications for funding.

Between Rounds 4-6, the percentage of proposals that were screened out ranged from 20 to 35 percent. The two main reasons for excluding these proposals from consideration by the TRP were that—

- The proposal did not comply with the minimum requirements for a non-CCM application, despite of the eligibility clarification process.
- There was no evidence that the CCM was contacted for the proposal, nor clear justification for applying outside of the CCM.
- This suggests that as the Global Fund continues to clarify its guidelines, these two areas represent straightforward issues that could easily be addressed by countries to decrease the percentage of proposals that are screened out.

Clarification

Post TRP, the clarification process requests CCMs to respond to TRP needs to clarify certain elements of proposals recommended by TRP as Category 1 and 2 for funding in order to advance to the next step of the proposal approval process. The process and length of time allowed for clarifications have improved, and most CCMs were able to satisfactorily comply with TRP's

concerns. Only a few proposals were down-graded to a Category 3 (not recommended for funding at this round but encouraged to resubmit with improvements) as a consequence of the clarifications.

Appeal

The appeal mechanism has been in place since Round 2 and usually comprises five experts, three of whom are designated by WHO, UNAIDS, and the World Bank, and two of whom are TRP members. The appeal is not intended to reappraise the technical merit of a proposal; rather it provides an independent review on whether the TRP made an error in its review. A country is eligible to appeal if its proposal has not been recommended in its current form (category 3) and/or rejected (category 4) by the Global Fund Board twice in consecutive Rounds. Between Rounds 3 to 6, 224 proposals became eligible for appeal. Fifty-six (56) appealed with an overall success rate of appeal of one in five (12/56).⁹⁸ This process provides a recourse and possibly a quality check on TRP decisions.⁹⁹

THE TRP AND THE PROPOSAL REVIEW PROCESS IN A SCALED UP GLOBAL FUND

Different options exist about how the TRP might function in a scaled up Global Fund; some involving expansion of the pool of experts so that fewer people meet more periodically (instead of once a year), others requiring reviews to be submitted electronically from remote locations in order to facilitate participation of TRP members who cannot travel to a central meeting. While these are innovative ideas, interviews conducted for the Five-Year Evaluation suggest that these options would present challenges to the independence of the process by providing increased opportunities for external influence on reviewers.

⁹⁸ Estimates based on available Global Fund data.

⁹⁹ Further study of this question for the sake of quality improvement could focus on (1) the large proportion of proposals eligible for appeal, which do not use this recourse (Are the reasons for rejection clearer to the applicants or are the applicants less knowledgeable about Global Fund procedures? What prevented a successful second (or third) application after feedback was provided on a first rejection?); and, (2) ongoing monitoring by the TRP of reversal decisions through the appeal process to try and identify emerging trends in these reversals.

The TRP has consistently expanded its membership to accommodate an increasing number of components in need of review from Rounds 1 through 6. TRP members have increased from 17 in the first round, to 35 in Round 7 to lower the burden on reviewers who are required to review two proposals instead of three to four, as they had in previous years. Feedback from this year’s TRP process suggests that the TRP has reached an optimal number, and that expanding the group to an even larger number would have implications for quality control as discussed above.

In this context, the question of what a “scaled up Global Fund” would look like presents an interesting challenge to the TRP process.

An examination in trends regarding grants recommended for funding provides one possible window of opportunity for considering the role of the TRP in a scaled up Global Fund within its present size and structure.

The grant approval process is characterized by significant attrition rates at both the pre-screening and the recommendation stage. As the table below shows, more than a quarter of all components were deemed ineligible at pre-screening. Of those components deemed eligible, less than 40 percent were eventually recommended for approval by the TRP. Overall, for Rounds 3-6, where comparable data exist, less than 30 percent (287 of 1,022 components) of components submitted are recommended for approval. (See Table 21).

Benchmark Highlight: What do trends in Grant Approval Ratings Tell Us?

Is the TRP average approval rating of 40 percent over the first six rounds an indicator of a flaw in the TRP process or a reflection of the quality of proposals submitted? Benchmarking the TRP approval rating against other rigorous processes suggests that the TRP average is not out of the ordinary. The average approval rate for GAVI stands at 46% over three rounds. The United States National Institutes of Health (NIH), renown for its rigorous peer review process for research grants, claims a 20 percent approval rating for the 45,688 grant applications it received in 2006 across its 24 separate Institutes. NIH approval ratings from 2002-2005 range from 22.3 percent to 31.2 percent. This suggests that the TRP approval ratings are driven more by the quality of the proposals received than by any key gaps in the quality of the TRP process itself.

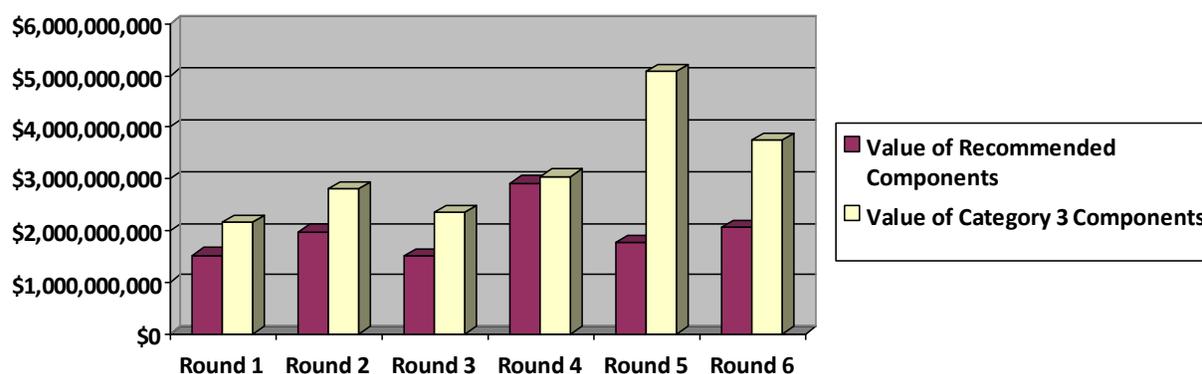
The critical issue is however not one of numbers but one of mission. While the NIH’s role is to fund state of the art research, regardless of the number of applicants, the TRP’s pool of applicants (low-income countries affected by HIV/AIDS, TB and Malaria) is not infinite. Additionally, the mandate of the Global Fund is not just to fund the best applications, but to achieve impact against three world pandemics. This overall mandate and the prospect for meeting it in the future defines the Evaluation’s concerns.

Table 21: Results of the Proposal Review for Rounds 3-6

Round	No. of components (submissions)	No. Eligible (%)	No. Recommended for approval by TRP— Categories 1 & 2 (%)
3	240	180 (75%)	70 (39%)
4	217	173 (80%)	69 (40%)
5	312	202 (65%)	63 (31%)
6	253	196 (77%)	85 (43%)

While this attrition represents a significant cost in time and money for the submitting countries, it also constitutes a cost for the Global Fund, since the value of the components reviewed and rejected is considerable. As Figure 10 shows, of the approximate total five-year value of US\$33.4 billion for the eligible components, US\$19.2 billion (or 57 percent) was not approved.

Figure 10: Value of Components By Round



The Global Fund encourages the resubmission of Category 3 proposals, but the eventual likelihood of their success is not guaranteed. The Following Table shows an increase in the approval rate in each round, for re-submissions. More detailed information provided to the Evaluation tracking approval after one, two or more re-submissions was incomplete, but suggested that approval rates do not increase for eventual subsequent re-submissions.

Table 22: Comparing Approval Rates of First Applications vs. Re-Applications after Prior Submissions¹⁰⁰

	Round 2	Round 3	Round 4	Round 5
First Application	35%	36%	23%	18%
Re-Application after Prior Submission(s)	55%	69%	45%	39%

The TRP argues that proposal quality improves with resubmission, presumably as a result of taking into account the comments provided by the TRP and of improved technical support from WHO, UNAIDS, and other partners contributing technical assistance during the proposal development phase.⁹⁹ Given the substantial changes in guidelines between each Round, countries with limited capacity (and sometimes limited partner presence) struggle between conflicting messages about what the Global Fund "is looking for". Early SA2 findings suggest that the complexity of the proposals requiring highly skilled technical writers also means that the institutional memory of the proposal might in some cases disappear with the TA consultant provided for its writing.

¹⁰⁰ Source: Global Fund Secretariat.

Technical Assistance from Key Partners in Proposal Development has Shown Promising Results in Terms of Overall Proposal Success:

- ⇒ **UNAIDS has calculated from Round 3 that a country is 4 times more likely to get Global Fund funding if UNAIDS provided support to proposal development. In rounds 5 and 6, 85% of all successful HIV/AIDS grants received UN/WHO support¹⁰¹.**
- ⇒ **For TB, proposal success has been increasing overall since round 3 (39% to 64%); in Round 6, all 35 successful TB grants had received TBTEAM support¹⁰².**
- ⇒ **For malaria, in Round 6, eight of the 14 (57%) proposals submitted by countries that attended one of the RBM regional workshops or received TA were approved for funding¹⁰³.**

In its two most recent reports to the Board, the TRP discussed the problem of weak proposals and has expressed its concern over the persistent pattern of failure of some countries in their submissions to the Global Fund.¹⁰⁴ The TRP concludes that "directly and comprehensively addressing the problems identified in a prior unsuccessful proposal is perhaps the most effective approach to ensuring a successful new application," and recommends that "the Secretariat work closely with WHO, UNAIDS, and other technical partners to help the technical partners better identify and assist this important sub-set of applicants". The observation has fed into the Evaluation's recommendation to map out countries based on need, and to adjust partnership arrangements accordingly.

A review of TRP comments on proposals indicates that their observations fall into common categories which could be the grounds for guidance to countries on how to improve future submissions, according to (1) strategic issues (goals, objectives, activities and targets, political commitment, presence of and alignment with national strategy); (2) financial gap analysis, co-financing between partners and national governments; (3) involvement of national partners, private sector; (4) situation analysis; (5) M&E; (6) budget and budget line; (7) co-morbidity among the three diseases; (8) health system strengthening; and, (9) strength and weakness of proposal.

In the context of the Global Fund's anticipated growth, the problem has become even more acute since Category 3 proposals constitute a reservoir of demand to absorb the increased resources anticipated by the Global Fund. In other words, The Global Fund could grow the current portfolio sufficiently over the next several years by focusing on improving the quality of the

¹⁰¹ Unpublished data, UNAIDS; personal communication on 18 July 2007.

¹⁰² Stop TB Partnership: "Support to countries for TB proposal development for the Global Fund to fight AIDS, TB, and Malaria (rounds 1-6)", unpublished document shared 13 July 2007.

¹⁰³ Unpublished data, RBM: "RBM Support to Global Fund Round 6 Malaria Proposal Development"

¹⁰⁴ Ibid. The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2006. *Report of the Technical Review Panel and the Secretariat on Round 6 Proposals*. (GF/B14/10). Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis, and Malaria.(13). The TRP states that "in some of these cases, for reasons the TRP cannot comprehend, the applicants appear to repeatedly ignore the TRP's advice and comments on prior applications. In others, there appears to be an ongoing problem of lack of sufficient technical support of adequate quality for these countries."

previously unfunded components. (Recommendations are made after review of all key processes.)

BOARD APPROVAL, GRANT SIGNATURE, AND INITIAL DISBURSEMENT

Delays between Grant Approval and Disbursement are only slowly progressing toward the Global Fund objective of 8 months, but remain high and highly variable.

There is enormous urgency to approve proposals, with clusters reporting great pressure to increase the number and amounts of grants signed and with some FPMs noting performance measures related to these objectives. At the same time, the essential risk mitigation steps after Board approval and before initial disbursement have proven to be time-consuming and relatively intractable. The review of key Global Fund performance indicators for 2005 and 2006 shows that the duration between grant approval and initial disbursement has been reduced from 14.8 months (Round 2) to 11.4 months (Round 5),¹⁰⁵ with an objective of 8 months for 2007 (Table 23).

**Table 23: Time between Board Approval and First Disbursement in Days
(and Equivalent in Months)**

	N	Average Time	Minimum	Maximum
Round 1	73	447 (14.7)	240 (7.9)	1463 (48.1)
Round 2	109	450 (14.8)	85 (2.8)	1561 (51.3)
Round 3	77	423 (13.9)	164 (5.4)	1156 (38.0)
Round 4	87	356 (11.7)	131 (4.3)	675 (22.2)
Round 5	71	347 (11.4)	82 (2.7)	621 (20.4)

Source: Annex 1.3a

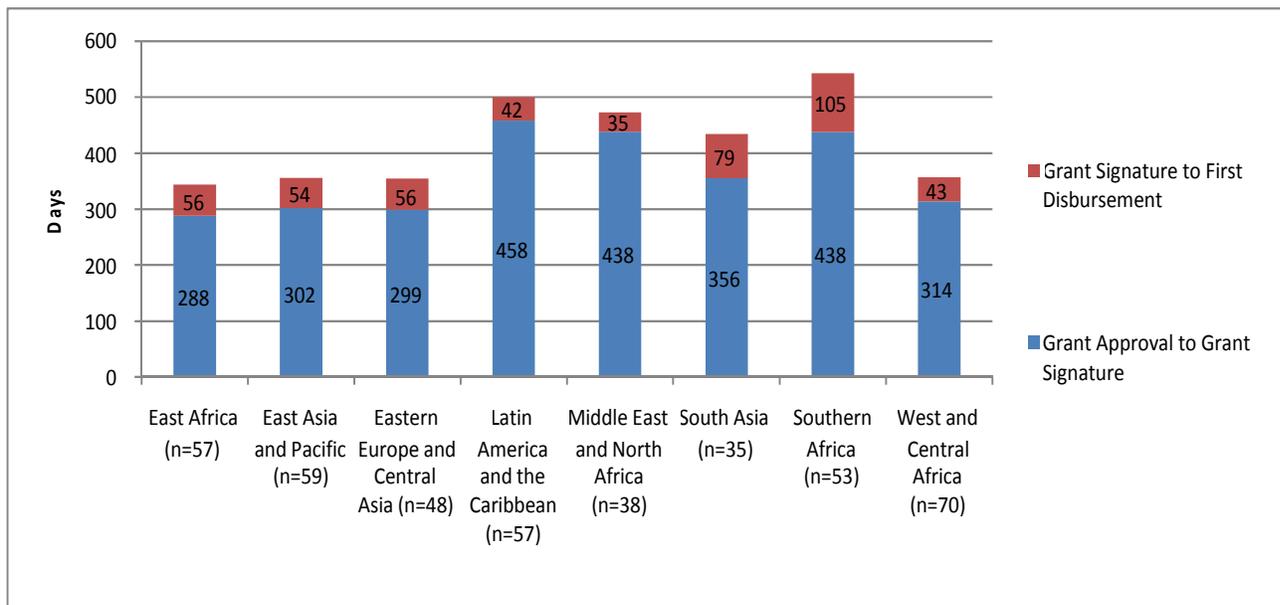
Application of the risk-mitigation and compliance measures by the Secretariat and the LFAs results in major delays at each phase: grant negotiations, baseline LFA assessments, and Procurement and Supply Management (PSM) issues (as noted previously in the grant approval work flow chart). In particular, the development of appropriate “Conditions Precedent” for grant agreements, one of the final steps in the Grant Approval Process, is time-consuming and often frustrating for FPMs because of the complexities in the agreement language and the delays introduced in the signature process. FPMs, who rarely have legal or contracting backgrounds, frequently experience difficulties and express frustration in developing appropriate Conditions Precedent for grant agreements due to required contract language and legal terminology.

Annex 1.3a provides data on the durations between grant approval and initial disbursement for the portfolio as a whole. An analysis of these data shows tremendous variation. Figure 11 below summarizes some of the observations:

¹⁰⁵ Analysis of Round 6 is not yet possible, as only the early grant signatures and disbursements had taken place at the time of analysis.

- The problem is significant with average time lapse from approval to disbursement per region ranging from almost 1 year (334 days) to about 1.5 years (537 days). Four regions (Eastern Africa, East Asia and Pacific, Eastern Europe and Central Asia, and West and Central Africa) have average delays from 300 to 400 days; and the four others range from 400 to over 500 days.
- Variation in delays observed between regions has a 1.6- to 2-fold range respectively for approval-to-signature or signature-to-disbursement time lapses. Two regions in particular (South Asia and Southern Africa) have higher delays in the signature-to-disbursement period.

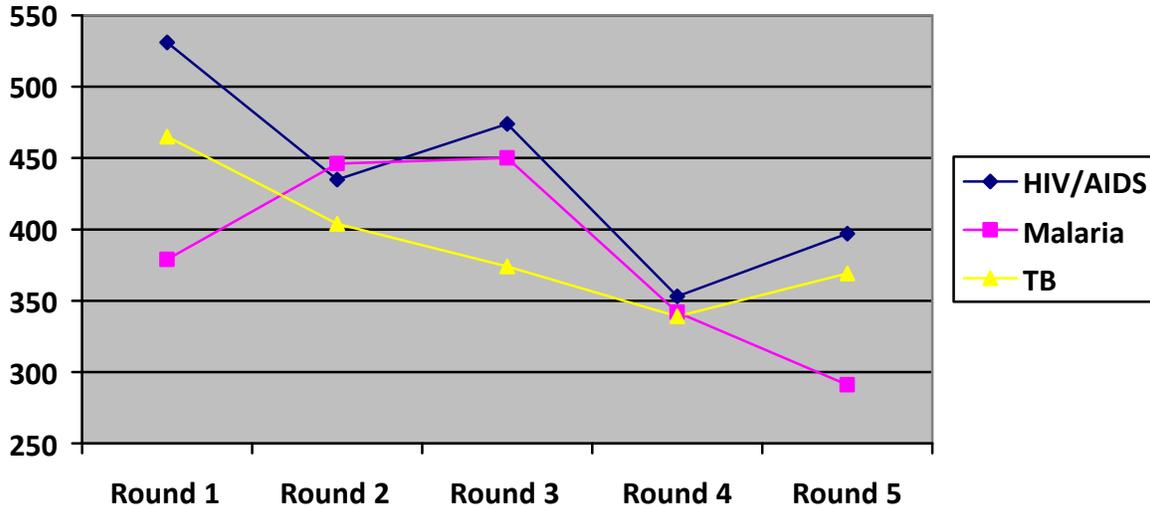
Figure 11: Average Total Time between Grant Approval and First Disbursement¹⁰⁶



Broken down by disease area, delays are particularly acute with respect to HIV/AIDS grants, which average 440 days from approval to initial disbursement, while Malaria and TB grants average about 390 days over five rounds. Delays were reduced by 21 to 25 percent over five rounds for the three diseases (see Figure 12). By Round 5, average time from approval to disbursement was 291 days for Malaria, 369 days for TB, and 397 days for HIV/AIDS grants.

¹⁰⁶ Only grants for which a first disbursement had not completed at the time of analysis are included. Not enough Round 6 grants were available to be included in the analysis.

Figure 12: Average Length of Time between Grant Approval and First Disbursement by Disease¹⁰⁷



The most notable gain in efficiency in processing time is observed between Rounds 3 and 4 (see Table 23), with a decrease of 16 percent, 20 percent, and 42 percent respectively in terms of average, minimum, and maximum observed delay. On average, Round 5 proved 22 percent more efficient taken as internal benchmarks than Rounds 1 or 2, with a minimum of 2.7 months delay between approval and disbursement, and a maximum still reaching over 20 months.

The nature and role of condition precedents and their implementation in affecting initial disbursement delays is being investigated by the Global Fund

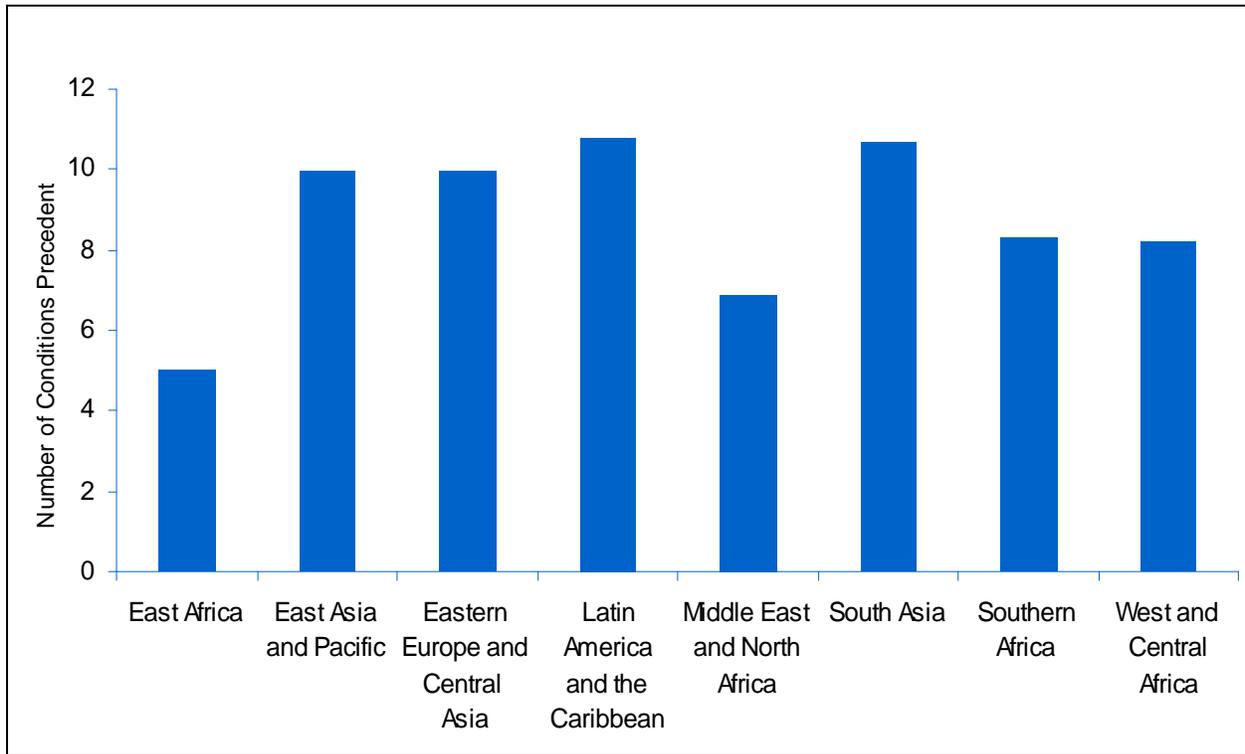
Currently, the Global Fund is studying the possible linkages between the conditions contained in the grant agreement, recorded delays in disbursement, and possible improvement in eventual grant performance; the results of this study were not yet available at the date of this report. A review of the portfolio as a whole from the perspective of the number of conditions precedent and special conditions is presented in Annex 1.3b.

An analysis of these data show regional variations with the average number of condition precedents ranging from a minimum of about 5 in East Africa, to about 11 in South Asia, Latin America, and the Caribbean (see Figure 13 below).

The number of conditions is somewhat higher for HIV/AIDS grants, which average about 10 conditions, than for Malaria and TB grants, which average about 4.

¹⁰⁷ Number of grants—HIV/AIDS: N [38; 51; 35; 34; 31]; Malaria: N [15; 30; 21; 30; 14]; TB: N [15; 26; 19; 23; 24].

Figure 13: Average Number of Grant Condition Precedents by Region



In countries with grants in more than four rounds, the total number of condition precedents per grant has also remained stable between 6 and 8, with outliers as high as 16 per grant (for HIV/AIDS in Round 3), and 12 for HIV/TB grants (in Round 5).

A more detailed review of Condition Precedents (CPs) from selected countries points to potential inconsistencies related to CPs. While some grants, such as in Yemen and Peru¹⁰⁸ take CPs into account for funding disbursements, it appears that others do not.¹⁰⁹ In some grants, the GPR doesn't even note that there were CPs, not to mention the completion of them.¹¹⁰

There is also a problem in determining the number of CPs in Grant Agreement and agreeing with the number of CPs being referenced in GPR.

KEY PROCESS 2: DISBURSEMENT BASED ON PERFORMANCE, FINANCIAL MANAGEMENT, AND AUDITING

Grant implementation at the country level relies on a performance-based funding system linking periodic grant disbursements to (1) the achievement of planned results, and, (2) the submission of financial accounting information relating expenditures to programmatic progress. Performance-based funding is the cornerstone of transparency and accountability for the Global Fund, requiring that (1) quarterly (but in some cases semi-annual) disbursements be subject to multiple layers of financial and technical oversight for each grant during both Phases 1 and 2,

¹⁰⁸ See grants; YEM-305-G02-H; YEM-305-G03-H; and PER-202-G01-H-00

¹⁰⁹ See; KEN-506-G07-T

¹¹⁰ See for example; ETH-202-G02-M-00; KEN-202-G05-M-00 and KEN-202-G04-T-00

and, (2) that report cards be issued certifying that targets are being met and that funds are being appropriately spent.

This section examines the overall results for disbursement (and the performance-based funding mechanism) as they relate to the operations of the Secretariat, while SA 2 will provide country-level details.

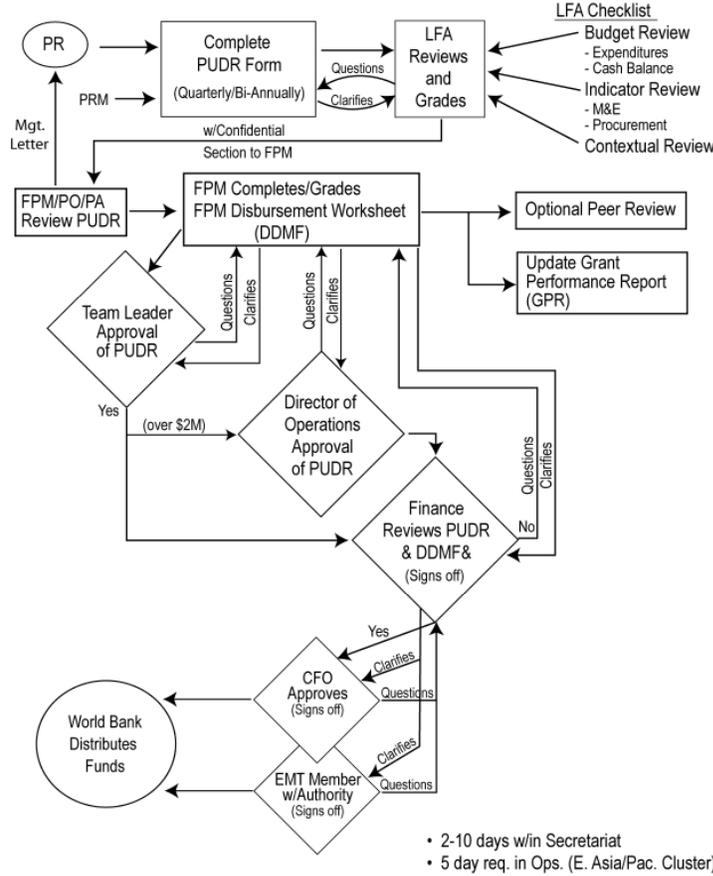
The Performance Update and Disbursement Review (PUDR) Process has become overly complicated and time-consuming

The PUDR process involves the LFAs, as well as Operations (Director of Operations, FPM, and FPM Team Leader (TL)), Finance (and the Chief Financial Officer), and the Executive Management Team. In addition, Legal and Procurement may become involved as needed to address certain issues (e.g., fulfillment of the conditions precedent). The different steps in the PUDR process are presented in the flow chart below.

As shown in Figure 14, the LFA has the primary responsibility in-country to review budgets, expenditures, and cash levels for each grant, and the technical review of program accomplishments. LFAs, for the most part, have strong financial management and accounting backgrounds, but they have traditionally lacked expertise in public health (though this deficiency has been somewhat rectified and will be further improved upon with the next tender).

Once the PUDR is completed, it is transmitted to the FPM to complete the grading process and the disbursement worksheet (including an optional peer review and updating of the GPR). At the Secretariat level, the Operations unit (mainly FPMs, although FPAs play varying roles in each cluster) oversees the performance and financial reviews of the LFA. Then commences a series of questions and clarifications, internally, with reviews by the Team Leader (who approves all disbursements under \$2 million), the Director of Operations (who approves disbursements in excess of \$2 million) and Finance, before the CFO approves and co-signs (with the authorized EMT member) the request to the World Bank to disburse the funds. In this process, the FPM's role is only to make recommendations.

Figure 14: Performance Based Funding Process



The close links between the PUDR process and the Operations unit result from the historical reliance on the FPM, who has traditionally been considered the only person who actually knew what was going on in the field. The LFA provides the financial expertise in analyzing the expenditures in the field and comparing them to the budgets, while the FPM supervises this function. However, FPMs have created individual methodologies and systems to check the submitted figures.

The Global Fund relies heavily on the LFAs for the quality of data for decision-making, but analyses of LFA as well as PR performance in this area leaves room for improvement.¹¹¹ The Finance Unit has taken note of the recurring problems (e.g. forecasting, incorrect bank details, etc.) and is working to address them notably through Operations unit-led LFA workshops and regional disbursements workshops for PRs with LFAs in attendance.

At the Secretariat level, the involvement of multiple staff in the PUDR review process has led to (1) dubious material contributions to the quality of the performance reviews, and, (2) potential

¹¹¹ United States Government Accountability Office. 2007. The Global Fund to Fight AIDS, Tuberculosis and Malaria has improved its documentation of its funding decisions but needs standardized oversight expectations and assessments. GAO-07-627 (May 7). Washington, DC: United States Government Accountability Office; United States Government Accountability Office. 2005. The Global Fund to Fight AIDS, TB and Malaria Is Responding to Challenges but Needs Better Information and Documentation for Performance-Based Funding. GAO-05-639 (June 10), 25-26. Washington, DC: United States Government Accountability Office.

delays in the approval process between the PR and the Global Fund. The Five-Year Evaluation reviewed (i) the performance ratings for all disbursements in the portfolio since 2002, and, (ii) the time elapsed between submission of the PUDR by the PR and the actual disbursement by the Global Fund.

The Validity of the Ratings Generated by the PUDR Process is not Entirely Clear

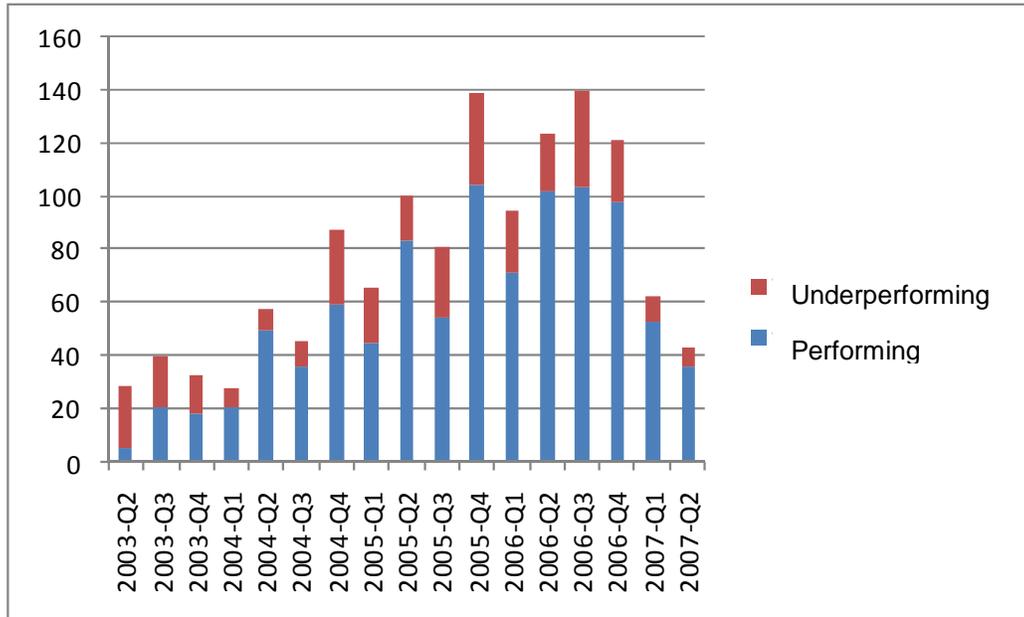
The initial all-numeric PUDR rating scale used by the Global Fund comprised six categories, all subsequently reduced to four alpha-numeric categories as described in Table 24. To allow a portfolio-wide analysis across the two scale systems, the following numeric values were given to the new scale ratings: A=5; B1=3; B2=2; C=0. In this analysis, the "overall grant score" is the average of all quarterly disbursement ratings received by a given grant.

Table 24: Grant scoring by the Global Fund under the past and the current scale.

Old Scale		New Scale	
Rating	Description	Rating	Description
5	Exceptional	A	Expected or exceeding expectations
4	Expected		
3	Minor adjustments needed	B1	Adequate
2	Major adjustments needed	B2	Inadequate but potential demonstrated
1	Little progress made		
0	Major program issues	C	Unacceptable

Using this convention, a review of the entire grant portfolio shows that the ratings consistently fall in the B1 category, with approximately 60 percent of the overall grant scores within the 2.6 to 3.4 range. Given this bell-shaped distribution of scores, the evaluation also examined the distribution of scores on a dichotomous performing/underperforming scale (Figure 15, underperforming is defined as any quarterly disbursement rated 0-2 under the old scale, or rated B2 or C under the new scale).

Figure 15: Global Distribution of Quarterly Grant Ratings



Disaggregated by region, the proportion of grants that scored as underperforming follow different profiles:

- The proportion of underperforming grants decreases over time in East Asia and Pacific, while in the Eastern European region, regardless of time period, very few grants score as underperforming.
- The proportions of distributions do not reveal any defined trends within any of the other regions. Additionally, once disaggregated by region, the small number of grants makes trend analysis difficult.

It is reasonable to expect that performance ratings would improve over time in countries with multiple grants. The distribution and evolution in the proportion of grants scored as underperforming in this subset of countries is, however, comparable to that of the full portfolio.

The overall modest but apparent increase in the proportion of grants that scored as performing (all grants considered) is likely linked, in part, to improvements in grant management based on experience and learning. This, however, is put in question by the great variability and subjectivity in how scores are produced. Preliminary findings of a review of 93 grants awarded to the 16 countries included in the Study Area 2 CPAs¹¹² reveals tremendous variability in how grades are produced and written. In this review, factors affecting Grant Scorecards (GSCs) scores are not always obvious, such as the way “contextual factors” are taken into consideration is not always clear. In grants from two different countries with similar performance on their indicators, one may be given a B1 score, while the other is given a B2.

¹¹² The review is based on analyzing grant agreements, Grant Performance Reports, Grant Scorecards, and in some cases, individual Performance Updates and Distribution Requests.

Furthermore, an analysis of *AIDSPAN's* evaluation of grant performance suggests that Global Fund ratings may be somewhat generous. As of mid-June 2007, more than 40 countries (and 143 grants) were listed as 6 or more months behind schedule for implementation, and the average implementation delay for all 450 grants was 5.8 months. It would be reasonable to expect that this would correlate with lower grant performance scores than has been generally observed, particularly for the majority of grants with PUDR scores falling in the mid-range.

While PUDR ratings may provide a dynamic way of interacting with country recipients and managing performance, portfolio-level analyses cannot conclude on the validity of B1 or B2 scores as a means of discriminating and accurately gauging performance levels between different grants.

The PUDR Process Leads To a Time Lapse of Almost Two Months between Request and Disbursement

In addition to its somewhat limited usefulness as a rating instrument, the PUDR process has become longer than initially intended. Preliminary data collection measures the elapsed time from the date the PUDR is submitted by the PR to the date the disbursement is registered at the Global Fund. On the basis of some 725 disbursement requests, the median elapsed time from submission to disbursement is 50 days (57 days on average; 53 days for grants rated four or better; and 76 days for grants rated two or less).

The evaluation was unable to establish the time from the submission by the PR to the submission by the LFA and from the submission by the LFA to the disbursement by the Global Fund.

Contribution of in-Country Processes to Disbursement Delays

While there are significant pressures built into the culture at the Secretariat level for FPMs to move money quickly to PRs, similar norms at country level to move money from the PR to the SRs (and SSRs) are more variable. SRs are responsible for a significant amount of grant implementation, both in terms of grant funds and activities, and PR arrangements with SRs vary by grant (although some arrangements are observed across countries).

At country level, the proliferation of sub-recipients (and sub-sub-recipients) could be expected to exacerbate already cumbersome systems and constitute bottlenecks for financial flows. Early findings from SA2 provide a mixed picture:

- Preliminary findings from the seven completed CPAs indicate that delays at the country level are a problem and impede program implementation. Reasons for these delays range from PRs' bureaucratic procedures for payment approval, to PR cash flow problems, to SRs' incomplete report submission. These delays may also signal mismanagement or corruption, although the evaluation to date has found no verifiable evidence of corruption.
- However, closer analysis of data from three of the CPAs suggests that disbursements can occur relatively quickly. For almost 200 disbursements in three countries comprising and a total of 12 grants, the average delay was about 12 days (with wide variation by country and by disease). The median delay in disbursements for a given grant ranged from 2 to 4 days in 8 of the 12 grants, but was substantially higher in the remaining four grants.

Results from the completed CPAs will provide a more robust picture of how PR-SR disbursement delays impact grant performance. In particular, the analysis will focus on—

- The possibility that there appear to be fewer incentives for PRs to move money quickly to SRs, and no real consequences for PRs who delay disbursement to SRs as long as grant performance indicators are met.
- The relative absence of leverage by either Secretariat or LFA (until now) to monitor disbursement from PR to SR, given that this is considered part of the PR's responsibility (see below); and the role, if any, taken by CCMs in this regard.

Tracking of Funds Disbursed Faces Significant Information Gaps

The Global Fund does not collect sufficiently detailed data to monitor PR to SR flows and thus cannot examine these flows (estimated by some as roughly 50 percent¹¹³) as part of the grant oversight function exercised through the LFA, leaving a significant percentage of grant funds and activities at risk of delays or mismanagement. Unless there is a real concern of fraud/abuse or blockages in implementation, the SRs are left to be managed by the PR.

Financial audits are done for each grant once per year (with the maximum un-audited period being 18 months), with the auditor chosen (according to the grant agreement) by the PR. The Global Fund accepts NGO or other organizations' audits as well. The FPM first receives the audit report from the LFA after its own review. If the Secretariat identifies inconsistencies in the PR audit, FPMs can take up the matter as part of the Phase 2 review, but this is not conducted routinely. In addition, the Global Fund does not routinely receive the auditor's Management Letter, which goes directly to the PR. Interviews with Global Fund Staff suggest that the organization "isn't following up well" on these audits, and only if the FPM sees something of concern will he/she go to Financial Advisory Services to discuss it with them. Any indication of fraud or abuse is referred to the IG's office.

KEY PROCESS 3: GRANT RENEWAL, PHASE 2, ROLLING CONTINUATION, CONTINUITY OF SERVICES

Grant renewal involves three possibilities: (1) A review and assessment of performance during Phase 1 to determine appropriate funding during Phase 2; (2) in the case of well-performing grants, continuity of funding beyond the initial 5-year term for a further six years; or (3) in the case of grant termination, funding for continuation of life-saving services until other funding can be found to continue these services, up to a maximum of two years.

Phase 2 Renewal

The Phase 2 process is complex and intensive, but fails to provide key elements of information

This 9-month process currently requires 15 Global Fund units and/or individuals (See Table 25). Additionally, when there are changes from the original grant, a Technical Review Panel must

¹¹³ Source: Estimate based on PR budget allocation; CPA Peru.

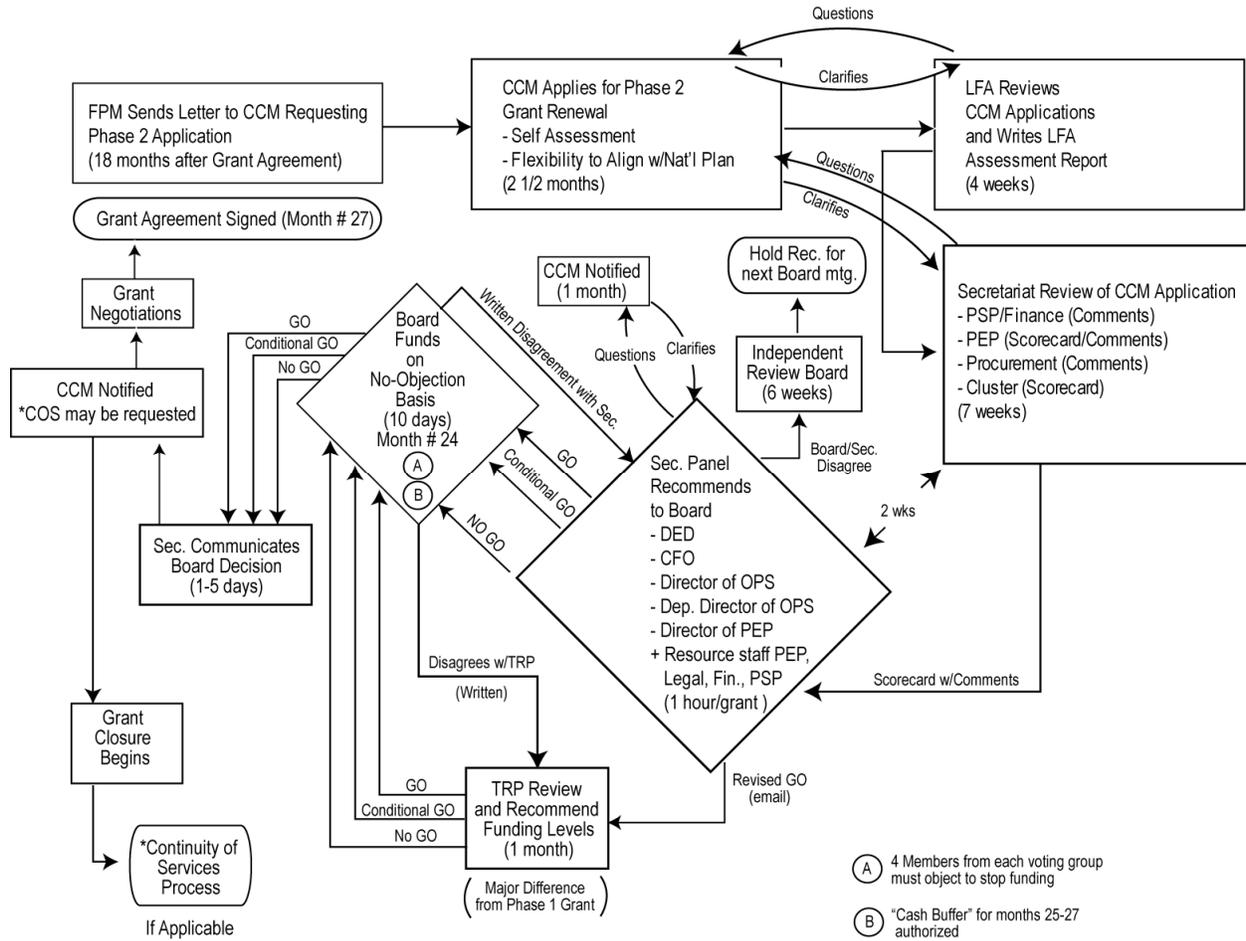
evaluate the validity of a grant that is 18 months into implementation. The CCM and LFA are also required to assess the PR's request for additional funds. In fact, to prepare for the Phase 2 Grant Renewal Process, a PR must start preparing before month 18 in order to begin the process on time, which may impinge on the implementation of Phase 1 grant activities.

**Table 25: Grant Renewal Process
Overview of the Steps and Responsibilities in the Phase 2 Renewal/RCC Processes**

	BOARD	DED	PSP	FPM	CLUSTER TL	DO	DDO	LFA	LEGAL	CONTRACTS	PROCUREMENT	PSP/FINANCE	CFO	EMT Rep	PEP	DPEP
Renewal Process																
Letter to CCM				X	X											
Assessment of CCM Request				X				X								
Secretariat Review		X	X	X	X	X	X				X	X	X		X	X
Review Resource Team			X						X		X	X			X	
Funding Approved	X															
CCM Notification				X	X											
RCC Process																
Determination of Qualifications		X				X	X						X			X
TRP Review			X													
Board Approval	X															

The major steps in the Phase 2 grant renewal process are presented in Figure 16.

Figure 16: Phase 2 Grant Renewal Process



Successful renewal for Phase 2 depends on the independent review by Secretariat units, outside of the operational clusters (e.g., PEP, PSP/Finance, and Procurement/Business Services), thereby providing a more objective assessment of the grant because, as was noted, FPMs virtually never recommend a “no go” for grants requesting Phase 2 funding.

The Board’s involvement in the Phase 2 process is limited to casting its approval for renewal on a non-objection basis within a 10-day period. The participation of the Board in approving additional funds for grants that have been thoroughly reviewed, evaluated, and graded over six quarters, appears to be risk-mitigation “overkill.”

Despite the great number of steps, Phase 2 information is limited in that (1) it does not include a detailed budget variance analysis, meaning that “you have little to go on, on the financial side”; (2) the CCM does not report on budget variances, and so this analysis is “pushed off to the LFA”; and, (3) the LFA provides only basic information (e.g., why the PR is behind in spending,

what has been spent, where, and why) in a template form, which is too vague and inconsistently completed.¹¹⁴

The Phase 2 Review has Served to Emphasize the Global Fund's Commitment to Performance

More than 95 percent of Phase 2 grants have been approved, with only about 10 “no goes” at Phase 2 stage leading to grant closure: Nigeria (2), Pakistan, Senegal, South Africa, Uganda (2), Bolivia, East Timor, and Sierra Leone. When there is disagreement from Board constituencies with a Secretariat recommendation of a “no go” decision at Phase 2, it can go to an independent review board for further discussion (approximately 10 have done this). This process can lead to a reversal and a “conditional go.” Standard Operating Procedures (SOPs) may exist for such tasks as grant closures, closing out bank balances, and closure audits; however, they are not currently being implemented.

There can be significant reductions in grant amounts if performance is low, and a number of countries have received reduced funding at Phase 2 (on average 15 percent less).¹¹⁵ The Grant Renewals Manager prepares a monthly Phase 2 report indicating reductions in requested grant monies. If countries indicate decreased needs prior to the Phase 2 application, a “revised go” can then be presented to the Phase 2 panel (e.g., Thailand HIV). A PR can also request a revision of a grant at any time. Such a request is considered by the TRP and may lead to a budget cut.

The Rolling Continuation Channel (RCC) Process appears more Complex than Required

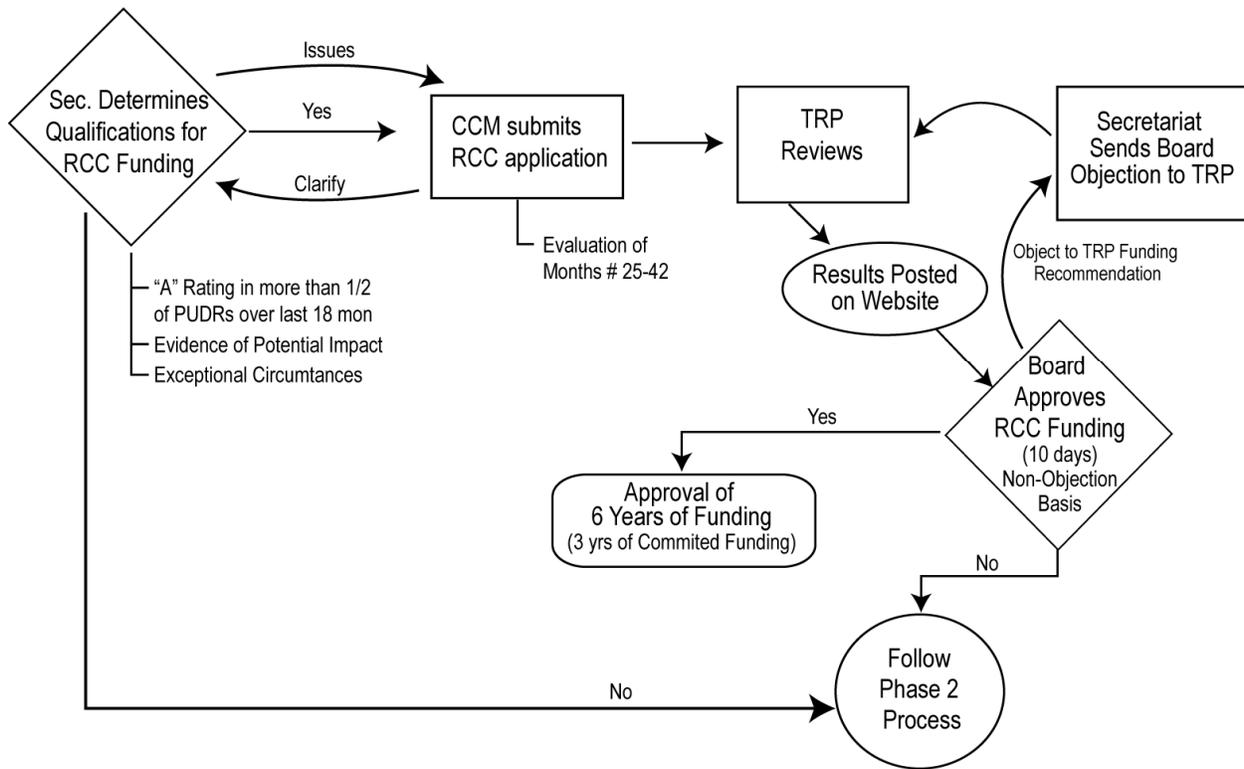
Established at the 14th Board Meeting (November 2006) so as to rapidly address a number of expiring grants, a workable process was developed by the Secretariat, providing a streamlined funding mechanism for those highly rated grants (rated A in more than half of their PUDRs in the last 18 months). This allowed them to continue their work for another six years (with a Mid-Term Review).

The RCC process requires CCMs to apply for RCC funding after the Secretariat has determined eligibility. The major steps in the RCC process include a TRP review and Board approval. They are presented in Figure 17.

¹¹⁴ The TERG-mandated evaluation of the LFA model observed that “for the LFAs and PRs in the country study, Phase 2 reviews were mainly a continuation of the PUDR process.”

¹¹⁵ The Global Fund to Fight AIDS, Tuberculosis and Malaria. 2006. *Partners in Impact Results Report*. Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria.

Figure 17: Rolling Continuation Channel Proposal Process



Given that the purpose of this process is to “fast track” those highly performing grants through the existing grant approval process, involvement by the TRP and the Board on each RCC grant probably adds unnecessary bureaucracy to the process.

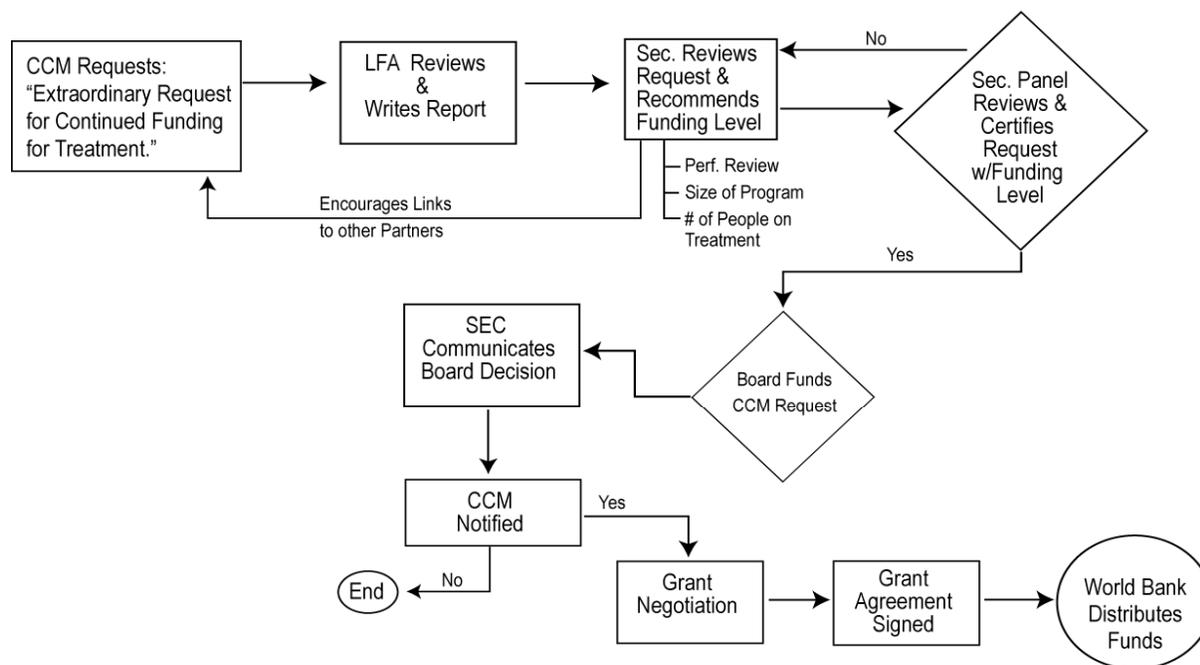
Additionally, given that nearly five years of quarterly report cards are available through the PUDR system and, when available, information from the Early Alert and Response System for identifying problem grants, there should be a sufficient informational basis for allowing the Secretariat to pre-approve RCC grants, with referral to the TRP only when significant changes are proposed, with post hoc monitoring by the Board.

The Continuity of Services Process is a responsive step taken by the Global Fund to address a substantial long-term risk

The Continuity of Services Policy allows treatment programs to continue for up to two years following the end of a grant, while alternate funding is being sought by the CCM/PR. This process is of utmost importance to people benefiting from ongoing courses of treatment,¹¹⁶ provided through a Global Fund grant, for which funding will be terminated. The different steps in the process are presented in Figure 18.

¹¹⁶ The 13th BM recognized ongoing treatment as being both treatment of limited duration (i.e. tuberculosis) and lifelong treatment (anti-retroviral therapy). The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2006. *Options paper on the strategic positioning of the Global Fund.* (GF/B13/7 Attachment 1). Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis, and Malaria.

Figure 18: Continuity of Services Process



* Funding is needed for Treatment after Grant ends (e.g., suspension; force majeure; No Phase 2)

The process mapped above appears reasonably simple; the policy is a proactive step by the Board, illustrating how mitigating the impact of the three diseases and avoiding discontinuation of treatment are key responsibilities (even if leading to an apparent conflict with the principles of financing-only and funding based on performance).

The first implementation of this policy in Togo involved 2,300 patients on ART. This was related to the non-signature of a one-year Phase 2 grant after data verification of the application. The weaknesses having led to the non-signature are illustrative of the kinds of risk which the Global Fund has and will have to manage; such as weaknesses in PSM by the PR (in this case an international partner agency), data quality, and SR management issues; within a context of weak partner involvement in-country. A thorough LFA and Secretariat review allowed continuation of drug supply until September 2008, after bridge coverage by a bilateral partner and the government, and despite the absence of the required sustainability plan.

A second application for Continuity of Services is underway following a no-go on an HIV grant for Nigeria in May 2006. This application involves 21,000 HIV patients.

The Evaluation heard of at least one other grant ending and requiring urgent intervention of partners to ensure continuity of treatment.¹¹⁷ It is of considerable importance that the Board

¹¹⁷ Occurrences have been reported (but not investigated by the evaluation team) for Togo and Burkina-Faso, through interviews with Board members and initial SA2 findings.

remains involved in this process, as a first measure to ensure awareness of the importance of this issue for the future of the Global Fund.

The sustainability of funding for treatment is least likely in countries which are led to apply for Continuity of Services funding. Unless countries develop capacity in oversight, problem resolution, and accountability as grant sizes increase, this issue could potentially come to loom larger on the horizon for the entire global health community, including the Global Fund as a principal financial contributor to treatment.

RECOMMENDATIONS FOR THE IMPROVEMENT OF EFFICIENCY OF KEY GLOBAL FUND PROCESSES

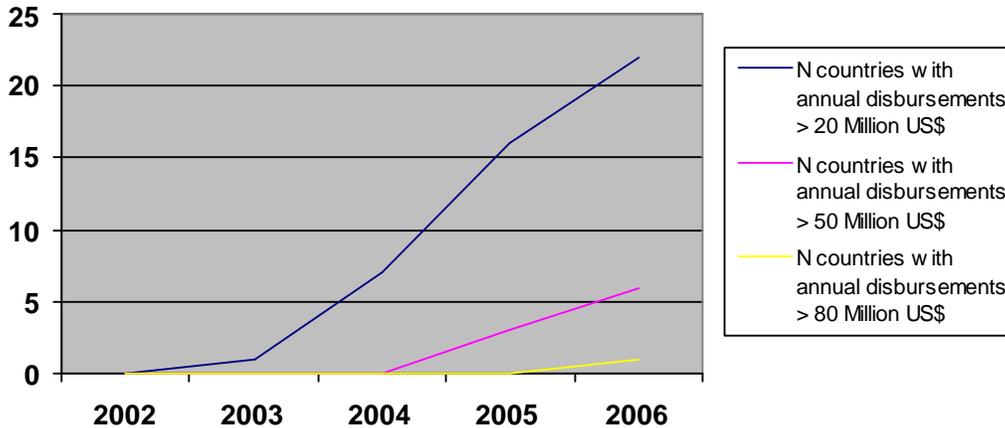
The Evaluation identifies a number of existing work processes which have become increasingly complex and time-consuming and which may prove to be significant bottlenecks as the Global Fund increases its scale of operations.

The Global Fund needs to improve the quality, success rate, and predictability of the Grant Application Process if it is to reach US\$6-8 billion with quality proposals. The Global Fund also needs to find strategic ways to move from the focus and transaction costs of handling a majority of small grants, to more consolidated, program-based approaches. This may include more funding for national plans and strategies, developing the performance-based funding model to accelerate and increase funding to certain grants, and reducing internal transaction costs. It will also require keeping the balanced approach mandated by the Framework Document. The following Box (Scenarios for Programmatic Growth) offers an illustration of directions that align with Priority Recommendations 1 and 2 of this report.

Scenarios for Programmatic Growth

Based on the 2006 disbursement figures (Annex 1.4), the Global Fund disbursed US\$12 million on average to 113 countries, for a total amount of US\$1.3 billion.

Over the first five years, the number of countries having achieved annual disbursements of US\$20 million or more has increased (22 in 2006), but the number of countries with disbursements over US\$50 million, for example, remains small (6 in 2006). This is reflected in the figure below:



To achieve a five- to six-fold increase in disbursements under an evolution of current grant making delivery modalities, simple scenarios can be rapidly considered (and most can thus be eliminated):

Scenario 1: Keeping the average grant size constant and multiplying the number of grants per country would require an unrealistic management burden of 600-650 grants by the Global Fund with five to six grants per country. (This also reflects a high burden for countries, although the dual PR grants—as approved by BM15—may be a required step for country partners to work out their internal arrangements.)

Scenario 2: By increasing the size of grants (for example through SWAPs or NSAs), it is unreasonable to expect that 110-130 countries would each be able to effectively disburse over US\$70 million annually. Likewise, focusing on large ‘mega’ grants only in countries with proven capacity would leave a large number of countries (and beneficiaries) out, something which runs contrary to a founding principle of the Global Fund.

Scenario 3: The only viable remaining scenario is to have a tiered approach, based on country capacity and burden of disease. Under this scenario, the number of grants would only increase marginally, but the size would increase progressively under different modalities. The table below provides a simplified theoretical model for such an approach. (The last column of the table merely illustrates the fact that the Global Fund would effectively acknowledge a different programmatic reality in the operationalization of its fundamental principles.)

At the lower end, countries would manage smaller grants and require more implementing partners (i.e., more grants per country) to build capacity and work out in-country partner comparative advantages.

As the size of grants increases, the number of grants would decrease as in-country oversight capacity increases, along with coherence among different types of partners. Progression toward larger grants would occur for those countries able to manage it, through:

- Expansion in timeframes and scale of grant continuation mechanisms (i.e., RCC)
- Integration of new components or new geographic areas for successful grants
- Increased contribution through consolidated national strategies.

Burden of Disease Profile Type:						
Country Profile	Number of countries	Grants	Secretariat Level of Effort (FPMs, others)	Technical Partnership Arrangements	PSM effort	Operationalization of the Principles
Low Capacity – Limited Partner Presence	90-110	Smaller (US\$ 8-15 million)	Higher: develop country capacity (CCM-PR; partnership; promote dual PRs); develop technical partner arrangements; introduce PBF	In development; supported by FPMs and Global Fund Units.	High vigilance and support. Pooled procurement.	"Financing Plus"
		Medium (US\$ 20-30 million)	Moderate: (support disease control oversight capacity; emphasize quality control; cohesion of stakeholders)	Main approach: explicit and results-based. (building national oversight capacity; public-CSO-private linkages)	Based on partnership arrangements.	
High Capacity	10-30	'Mega grants' (US\$ 50-100 million) 1-2/ country	Minimum: National strategy level. Support 'sustainable CCM alternatives' only.	Aligned under strong national leadership.	Joint funding of innovative sustainable systems.	

⇒ **Priority Recommendation 17:** The Global Fund should consider, through proactive steps in mobilizing its partners, strategies for increasing country capacity to prepare successful applications, particularly in high burden of disease countries which have repeatedly applied for funding. This should build on efforts initiated with the STOP TB Partnership and UNAIDS, and more recently with RBM.

- This holds promise for helping the Global Fund to maintain the same level of effort for the TRP while not significantly increasing the scope of the TRP. Other partnership strategies to support the better integration of disease control proposals within national plans should also be considered and might involve an array of valuable technical partners.

- As the Global Fund considers implications for the TRP on any modifications to its application categories and/or guidelines for submitting proposals, it should seek to maintain the factors outlined in this report that facilitate independence and protect the review process against potential threats to its independence. If the organization contemplates changes in structure to the TRP to accommodate any new directions the organization may pursue, it should consult closely with the TRP regarding potential impact on independence.
- **Additional Recommendation:** The TRP should continue to strive for the best possible diversity in terms of disease specific and geographic experience, focusing specifically on increasing participation of individuals with experience in the Eastern Mediterranean Region.

In anticipation of the Global Fund reaching a disbursement level of US \$6-8 billion/year, there is a concern that a widening gap may develop between banked donations and monies disbursed. An expanding gap may jeopardize future donations.

⇒ **Priority Recommendation 18:** In order to reduce a potential gap between banked donations and monies disbursed, the Board should consider amending its Comprehensive Funding Policy to allow for mechanisms that will streamline the grant management process and reduce the time between Board Approval and the first disbursement of funds. These mechanisms may include:

- Amending the Comprehensive Funding Policy to commit Global Funds for a longer period of time on new grants and eligible RCC grants;
- Authorizing the Secretariat to proceed with due diligence (prior to Board approval) on those new grants recommended “Fund” and/or “Conditionally Fund” by the TRP;
- Modifying Phase 2 to make funding decisions based on existing grant performance data (i.e., GPR, EARS, PUDR, country context, etc.), and the recommendations of an Internal Review Team composed of members from Operations, Finance and PEP.
- Ensuring the participation of FPMs on Internal Review Teams (IRTs) by streamlining the current PUDR process. This may include requiring the LFA to provide: (1) financial documents (including the scorecard) directly to the Finance Unit for processing according to current oversight procedures and practices; and, (2) a confidential report, when necessary, to the FPM for review, analysis and recommendations. This will refocus the efforts of the FPM on quality control, and free him/her for IRT service while reducing some of financial oversight currently provided.
- Modifying Phase 2 to establish a “fast track” for approvals of new grants (and eligible RCC grants) that are assessed as high performing through the PUDR process; and,
- Exploring ways to utilize the PBF system to provide incentives, by enabling “highly performing” new grants and RCC grants to be extended in length and increased in amount without going through the TRP unless there are significant changes in grant mission and goals.

- ⇒ **Priority Recommendation 19:** The Global Fund partnership as a whole should consider the Continuity of Services policy as merely a first and urgent step in dealing with a significant potential threat to the ongoing treatment of patients and the global management of drug resistance. Efforts should be made by the Board to assess the risk of massive treatment discontinuation in different countries and to monitor how responsive the Continuity of Services process is to this risk.

MEASUREMENT, INFORMATION AND KNOWLEDGE MANAGEMENT

Knowledge Management (KM) comprises a range of practices used by organizations to identify, create, represent, and distribute knowledge for reuse, awareness, and learning. While issues of knowledge management clearly cut across all aspects of the organization, The Five-Year Evaluation examined this issue specifically from the perspective of measurement and results reporting at the institutional level, and the information systems that have been developed provide staff and stakeholders at all levels access to critical information generated about the organization.

Measurement and Results Monitoring

The Global Fund has Taken Steps to Monitor Corporate Performance

The Global Fund has developed indicators for both its overall performance and its corporate performance through a set of Key Performance Indicators. Results over time are presented in Annexes 1.7a and 1.7b.

Some of the Key Performance Indicators (KPIs) would benefit from re-examination in the aftermath of the Management Review, notably as they relate to workforce focus and supervisory skills. Recommendations for improvement are made in the relevant section of this report.

In spite of its focus on measurement and performance-based funding, the Global Fund still has only limited information on key service indicators for its portfolio of grants

In adopting its monitoring and evaluation strategy in 2003,¹¹⁸ the Global Fund established ambitious objectives for collecting and analyzing strategic information at program, country, and global levels. While SA2 examines progress with respect to the program and country levels, SA1 has emphasized the global level, specifically focusing on the portfolio of grants as a whole and on what the monitoring and evaluation strategy identifies as "areas related to the performance of the Fund as a financing mechanism as well as the performance of the Fund's Secretariat."¹¹⁹

With respect to the performance of the Global Fund as a financing mechanism, the monitoring and evaluation strategy outlines three kinds of information: (1) grant progress, including levels of disbursements per grant recipient; (2) grant tracking by country, targeted disease, recipient constituency, and program area; and, (3) grant results achieved by recipients.¹²⁰

¹¹⁸ The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2003. *Monitoring and evaluation strategy*. (GF/B6/11). Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis, and Malaria.

¹¹⁹ *Ibid.*, GF/B6/11, p. 22 (Para. 72).

¹²⁰ *Ibid.*, GF/B6/11, pp. 22-23 (Paras. 73-75).

Although the Global Fund has showed a certain balance in terms of disbursements by region and disease coverage, balance in terms of support for complementary interventions and service delivery activities is more difficult to determine.

With respect to grant tracking by program area, the existing data do not permit an analysis by grant recipient. However, by using information on the nature of the indicators included in the grants agreement, it is possible to approximate the kinds of programmatic interventions planned for by round (Table 22). Further details on service delivery activities may be found in Annex 1.6a, b, and c.

To compile this annex, the evaluation team and Global Fund staff spent a substantial amount of time researching and reviewing grant report and spreadsheet data from the Global Fund public web site and intranet, to obtain aggregate key service delivery indicator information. Data was often present, but in formats that made analysis at the portfolio level time consuming and challenging. For example, the information used to create Table 26 involved defining three programmatic intervention categories (Prevention, Treatment and Care & Support) for each of the three diseases, based on relevant service delivery areas.

Table 26: Distribution of Grants Effort by Programmatic Intervention Based on the Grant Agreement¹²¹

	Round 1	Round 2	Round 3	Round 4	Round 5
HIV	N=41	N=60	N=41	N=42	N=48
Prevention	90%	93%	95%	79%	90%
Treatment	66%	73%	80%	62%	50%
Care & Support	59%	52%	56%	52%	40%
TB	N=19	N=29	N=25	N=27	N=33
Prevention	21%	21%	16%	19%	24%
Treatment	89%	97%	100%	100%	97%
Care & Support	11%	10%	16%	26%	27%
Malaria	N=15	N=30	N=19	N=27	N=14
Prevention	93%	100%	100%	81%	79%
Treatment	73%	80%	74%	74%	79%

Overall, the distribution of effort planned in grant agreements between treatment, prevention and care and support remains stable over time. This sort of aggregated examination does not reflect the level of thoroughness of TRP reviews carried out for each grant, but there appears to be a reasonable balance of planned activities between the programmatic interventions. Only more rigorous evaluation of grant activities would confirm if this balance is maintained in actual implementation.

¹²¹ Percentages exceed 100% as grants have more than one service delivery activity. Round 6 percentages are not reported as the low number of grants signed at the time of this evaluation can lead to misleading impressions.

Organization of service delivery areas by disease component (as grouped by the Evaluation Team for purposes of further analysis)
<p>HIV/AIDS</p> <ul style="list-style-type: none"> • PREVENTION <ul style="list-style-type: none"> ○ Condoms Distributed ○ People Exposed to Community Outreach Prevention (BCC) ○ People Reached with HIV Counseling & Testing ○ People reached with PMTCT • TREATMENT <ul style="list-style-type: none"> ○ People Receiving Treatment for STIs ○ People on ARVs • CARE & SUPPORT <ul style="list-style-type: none"> ○ People Receiving Care & Support ○ Outreach-Orphans External Support
<p>TB</p> <ul style="list-style-type: none"> • PREVENTION <ul style="list-style-type: none"> ○ People Exposed to Community Outreach Prevention (BCC) • TREATMENT <ul style="list-style-type: none"> ○ People on DOTS ○ MDR-TB ○ TB Cases Successfully Treated ○ TB/HIV Collaborative Activities ○ People Receiving Treatment for TB/HIV • CARE & SUPPORT <ul style="list-style-type: none"> ○ People Receiving Care & Support
<p>MALARIA</p> <ul style="list-style-type: none"> • PREVENTION <ul style="list-style-type: none"> ○ ITN & LLN Distributed ○ Structures Covered by Indoor Residual Spraying ○ People Exposed to Community Outreach Prevention (BCC) • TREATMENT <ul style="list-style-type: none"> ○ Anti-malarial Treatment (Not exclusively ACT) ○ Anti-malarial Treatment (People Reached with ACT)

With respect to grant tracking by types of expenditures, the existing data similarly do not permit an analysis by grant recipient. However, by using information on the types of budgeted expenditures in the grant agreement, it is possible to estimate the proportions of expected expenditures by budget category (as shown in Table 27 that follows).

Table 27: Evolution of Budgeted Grant Expenditure

Budget Category	Round 2 (N=98)	Round 3 (N=68)	Round 4 (N=69)	Round 5 (N=63)	Round 6 (N=85)	Total (N=383)
Service Delivery Resources	65%	58%	63%	51%	48%	57%
Infrastructure & Equipment	9%	14%	8%	10%	11%	10%
Commodities & Products	26%	25%	17%	20%	22%	22%
Drugs	30%	19%	38%	21%	15%	25%
Capacity Building	20%	26%	18%	27%	25%	23%
Human Resources	9%	12%	10%	12%	13%	11%
Training & Planning	11%	14%	8%	15%	12%	12%
Administration	15%	17%	19%	22%	27%	20%
Monitoring & Evaluation	5%	6%	0%	0%	0%	2%
Administration	6%	6%	12%	14%	18%	11%
Other	4%	5%	7%	8%	9%	7%

While there appears to be an increase in the relative size of the administrative budget line, the relative importance of M&E appears surprisingly negligible. The evaluation did not assess the validity or possible causes for this tentative finding, but given the emphasis on ‘proving,’ showing results, and effective monitoring, this is an area requiring further examination.

The Global Fund is Responding to Weaknesses in Expenditure Tracking

To respond to weaknesses in grant expenditure tracking, several initiatives are underway: (1) The EARS team is focusing on tracking financial expenditures in country grants on their new website; (2) PEP and the PSP Finance are piloting a “financial tracking project” in 15 to 20 countries to determine how difficult it would be for a country to provide annual financial data—broken down by service delivery area and various cost categories; and, (3) several new financial management tools will be introduced in January 2008 to provide relevant information.

Partial Information Available for the Top 10 Service Indicators Show Progress but Must be Interpreted Carefully

With respect to grant results achieved by recipients, the Global Fund’s M&E toolkit suggests 10 service delivery indicators and 10 outcome/impact indicators. However, from the Global Fund’s own records, only partial information for three of the top 10 service indicators is available, and only since 2005. There are also limitations to interpreting the existing data, and the Global Fund staff are very cautious in drawing any conclusions. Aggregated global results for those countries for which data are available are presented in table 28; country details are presented in Annex 1.6a, b and c.

Table 28: Main Global Fund-Level Service Indicators Reported

	2005	2006	Mid 2007
ARV*	383,865	766,083	1,087,511
DOTS**	1,026,989	2,010,661	2,800,701
ITN***	6,229,954	17,881,590	29,567,383

* Number of people reported currently receiving antiretroviral therapy

** Number of people reported currently being treated under DOTS

*** Number of insecticide-treated bed nets distributed

**Table 29: Percent Increases in ARV, DOTS and ITN
Distributed between 2005 and mid-2007**

	ARV	DOTS	ITN
East Africa	192%	-28%	284%
Southern Africa	230%	90%	1212%
West and Central Africa	150%	179%	373%
South Asia	565%	485%	282%
East Asia & Pacific	70%	212%	227%
Latin America & Caribbean	90%	379%	443%
Eastern Europe & Central Asia	421%	168%	209%
North Africa & Middle East	865%	365%	1310%

The Global Fund is responding to identified weaknesses in grant expenditure tracking through several initiatives now underway: (1) The EARS team is focusing on tracking financial expenditures in country grants on their new website (but first SA2 findings are disappointing in regard to the functionality of the EARS); (2) PEP and the PSP Finance are piloting a “financial tracking project” in 15 to 20 countries to determine how difficult it would be for a country to provide annual financial data—broken down by service delivery area and various cost categories; and, (3) several new financial management tools will be introduced in January 2008 to provide relevant information.

Conclusions and Recommendations for Measurement and Monitoring

Missing from the different analyses of the Global Fund are; systematic information on anti-malarial distribution, compliance with treatment, quality of services, population-based and service-based results, per capita expenditures, cost per unit of service, and any information about what takes place at the SR level. Once again, while information certainly exists somewhere in the Global Fund at least partially about some of these elements, the observation is that they could not be produced effectively on demand.

While the Global Fund has lots of grant information, this information is not standardized across the portfolio. This hinders the production of consistent results. This would not be an issue for an absolutely and purely financial institution, which would leave reporting of service delivery results to its different beneficiaries or clients. The very notable interest in, and impact of the Global Fund “Partners in Impact” report in support of the replenishment process demonstrates that this is not the situation of the Global Fund.

While country ownership mandates the respect of country specificities, the mandate of the Global Fund for being in the fight against three diseases and showing results demands that these missing elements of ongoing monitoring and evaluation be produced. It is not unreasonable to expect that country recipients, technical agencies, and a financial institution with a broad mandate for impact on HIV and AIDS, TB and malaria would identify ways to systematically collect and report on reliable and consistent indicators of progress this global fight.

The 2006 Portfolio Review¹²² has already identified key gaps in data availability and collection, notably (1) costed and credible national strategic plans to assess the financial context of Global Fund grants; and, (2) grant budget information by service area, which “limits the ability to further assess the portfolio, for example, to examine the balance of funding among prevention, treatment, and care and support.”

- Recommendation: Accordingly, the evaluation supports the TERG recommendations to—
- “Implement a system for tracking budgets and expenditures by grant objectives” to improve the ability to review the portfolio in terms of balance of funding among prevention, treatment, and care and support, as well as to allow comparisons of costs across countries for given services and result areas.
- “Work with programs and partners at the country level to develop updated, costed, credible national strategic plans for control of the three diseases, which include all internal and external financial contributions to scaling up services,” thus allowing the ability to assess how Global Fund investments actually fill funding gaps.

In addition, the evaluation recommends—

- ⇒ **Priority Recommendation 20:** Consistent with its Monitoring and Evaluation Strategy, the Global Fund should strengthen its grant tracking capabilities, particularly with respect to expenditures by service delivery activity and key budget category. To this end, the Global Fund should consider—
- Accompanying the planned introduction of expenditure tracking (in January 2008) with additional training for FPMs, LFAs, and PRs.
 - More systematically monitoring SR-level expenditures and program implementation, either by extending LFA oversight to SRs or, if this option is not cost effective, by requiring PRs to use Global Fund resources to finance other standardized M&E and financial management reporting systems to routinely monitor SRs.
 - Standardizing the FPM review of PR audits, with assistance from the PSP Finance for the purpose of strengthening the overall quality of this process between the LFA and Secretariat.

¹²² The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2003. *Monitoring and evaluation strategy*. (GF/B5/6). Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis, and Malaria.

INFORMATION SYSTEMS AND KNOWLEDGE MANAGEMENT (IS/KM)

As part of the OD assessment, a series of Information Technology (IT) -related interviews were conducted at the Secretariat to examine the major IT/KM work flow systems, tools, and the efficiency of technologies and processes. The assessment focused on the existing and future Grants Management System¹²³. The new Grants Management system has been under development for well over a year and was officially launched in late June 2007. Other present and future IT systems within the Secretariat that were discussed include; WHO/GSM administrative applications, the Price Reporting Mechanism (PRM)—a procurement application, Customer Relationship (CRM) software for tracking Global Fund stakeholder contact information, and the Sharepoint Portal Server for internal staff communication and document management.

Achievements to date

The Global Fund has used the Internet as a tool for transparency and accountability, through a very dynamic and content-rich web site. Other web-based technologies include tools such as myglobalfund.org used by External Relations, a promising new resource designed for sharing resources among in-country stakeholders as well as promoting country ownership.

Although illustrative of problems discussed below, the speed of development of new tools (for example the Grant Performance Report) to meet the immediate needs of each phase of development of the Global Fund shows dedication and effectiveness and meeting the needs of the different Global Fund units, within always very short timeframes.

Additionally, and in line with good information management practices regarding Information Systems at the Global Fund, training is provided for new tools, and users are given the opportunity to provide input into new systems and tools before they are implemented.

Ongoing Efforts to Let Information Management Catch Up with Rapidly Changing Institutional Needs has Resulted in Redundancy and Duplication of Efforts

The Global Fund has struggled to constantly bring its information systems to new levels based on the rapid growth of the organization and the emergence of new information needs. This has taken place through a series of sequential and sometimes disconnected steps:

- At its inception in 2002, the Global Fund's information system strategy was to outsource both infrastructure-related activities (hardware, security, user help, etc.) and application development (tools for grants management, procurement, etc.). A local company was contracted to handle infrastructure-related activities and development of a central information system— Proposals and Grants Management System (PGMS)—for managing proposals and the grants life cycle, while the Price Reporting Mechanism (PRM) tool was developed by a US firm. Finally, support systems such as HR, Finance, and contracts, were handled by an Administrative Services Agreement with the WHO.

¹²³ The scope of the Five-Year Evaluation does not include a thorough evaluation of information technologies so as to inform on the detailed process of building a future Information Systems Strategy at the Global Fund. These tasks are being developed in the separate Management Review, and more thoroughly in the Information Systems Strategic Roadmap for 2007-2011.

- By 2004, the Global Fund staff had continued to grow, resulting in a decision to develop certain applications in-house and add more staff positions. As reported by Secretariat staff, a number of existing systems (and in particular, the PGMS) were never able to adequately track the necessary grant life-cycle information, and their use was discontinued in favor of separate applications developed in-house.
- The Grant Performance Report was developed in 2005 for summarizing Phase 1 grant activities and planning for Phase 2. It has become the closest thing to a central repository for many of the Global Fund units; however, it never addressed many of the aggregate and analytical data reporting needs of the different units. In response to this, units within the Global Fund began developing some of their own tools to meet these analytical and data needs.

The resulting proliferation of applications is a common situation for an organization experiencing the kind of growth that has taken place at the Global Fund. Tools are developed rapidly to meet immediate needs, and it is only later that similar information is needed by another unit, which then begins work on something for their own immediate data needs. Inevitably, problems related to duplication, incompleteness, and inconsistency arise. Figure 19 illustrates data redundancy in specific strategic areas and the resulting time lost, caused by not having a central system.

Figure 19: Duplication in Various Data Systems: Illustration¹²⁴

Strategic Data Fields	GPR	Finance D/base	GSC (Phase2)	RCC spread-sheet	PEP D/base	Other data sources in Clusters	Duplicated
Grant Amount	√	√		√		√	4 times
Grant Performance Rating	√	√	√	√		√	5 times
Disbursement Date and Amount	√	√		√		√	4 times
Programmatic Targets & Results	√				√	√	3 times
Grant Start Date	√	√		√		√	4 times

The Global Fund has estimated¹²⁵ that in 2006, 5,500 working hours were spent entering data into the entry forms for the Grant Performance Report (GPR), totaling 700 workdays. Much of this work represents duplication of effort by different units entering the same data into different systems.

Disparate data systems within an organization result in missed opportunities for communication, redundant tasks, and inefficient work flows. This has also historically been the case with contract

¹²⁴ Slide Source: GF GPR Project Briefing to ISSG (Information Systems Steering Group) (PowerPoint: Rationale and Expected Benefits; March 20, 2007)

¹²⁵ Ibid.

management tools, particularly as they pertain to in-country CCM contacts, PR, and SR contacts, as experienced directly by the Evaluation team in its country assessments. Stakeholder information has been collected at different times by different units which do not always match what is publicly available between units or on the Global Fund website. Technological remedies to such situations are effective only when rooted in better organizational and communication practices.

These types of consequences are at least due in part to growth within the organization, where the staff has more than doubled in size since 2004. What worked in 2004 does not necessarily work in 2007. For example, in 2004 the GPR was an offline tool created in PowerPoint for each grant; something which served its purpose at the time for its core users. By 2005, an initial upgrade produced an online solution using the InfoPath tool, which offered a partially automated process for data analysis. Today, the GPR has become the central repository for grant-related information and a tool that is being used by many units, including OPS, OPCS and PEP.

The Development of a New Central Core Grants Management System (GMS) is a Positive Step

The current migration to the new GMS represents a move from seven distinct or partially integrated systems containing grant data to a single central data repository. This change in strategy offers the potential for numerous benefits, including faster responsiveness to historical data requests, which have previously been pieced together from numerous sources due to missing and incomplete data.

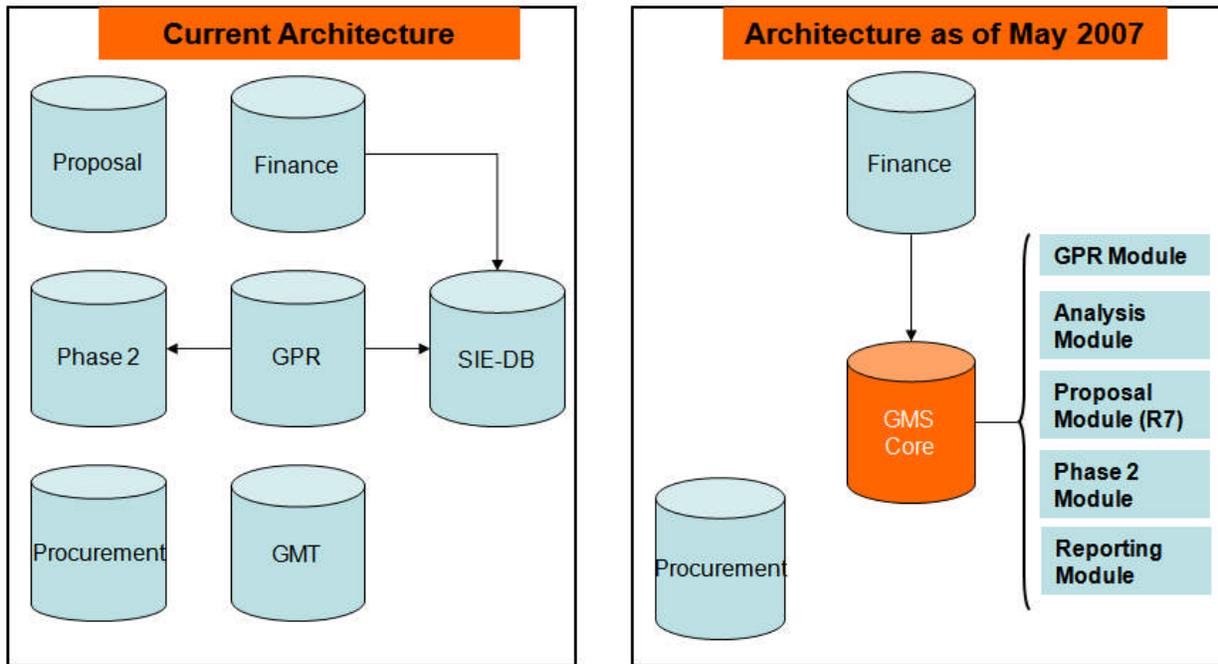
In early 2006, an inventory and analysis of the IT architecture¹²⁶ was conducted by a contractor to evaluate the functionality of the current system, along with user requirements and resource capabilities for implementing key applications (including the grants management system).

Some of the conclusions reached by the Systems Architecture Evaluation included:

- A significant redesign of the entire system is required due to the interdependence of existing applications and data storage risks associated with building upon current data bases.
- Limit the number of technologies to a few well known ones, in order to reduce complexity and save on costs.
- A redesigned central core grants management system needs to be built, using existing (Microsoft DOT-NET in-house expertise) supplemented by outside consultants, in order to stay within the proposed time frame.
- Data migration should include validation and clean-up of existing data.

¹²⁶ AlmaZ SA Informatique (Swiss Consulting Organization)

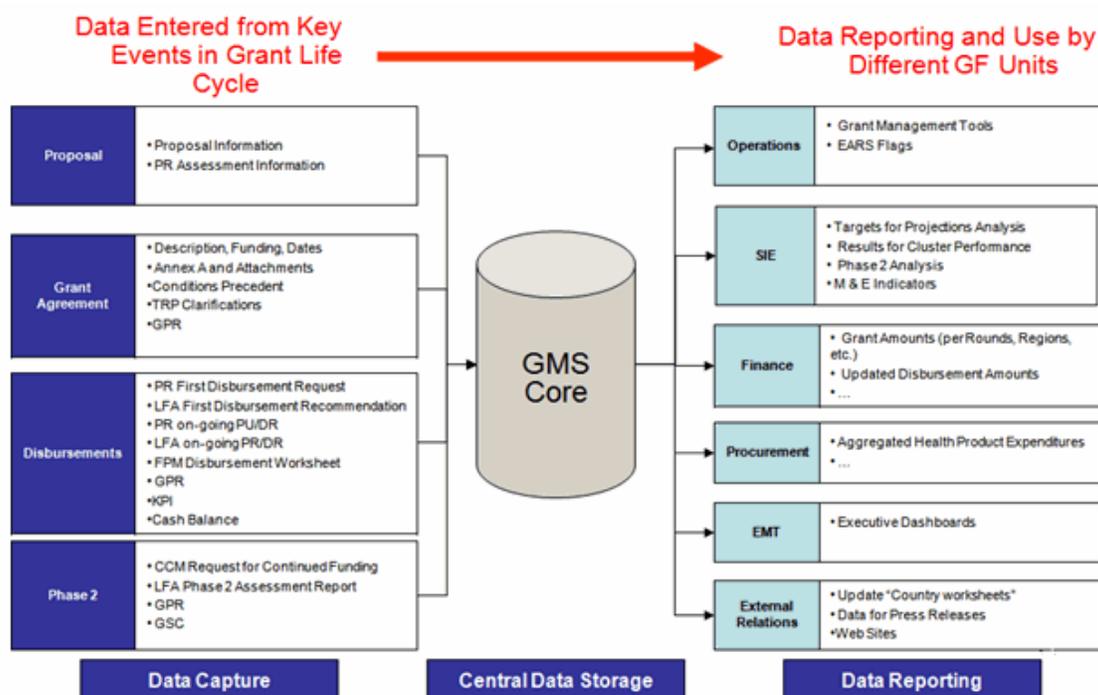
Figure 20: Old and New System Architecture: GPR as a Core of GMS¹²⁷



By implementing the plan as outlined in the systems administration evaluation, the Global Fund’s grants management system is moving from a set of separate databases (see Figure 20) and tools implemented independently across units to a central core system, which has the promise of streamlining information in a more efficient manner to a variety of data users. The overall strategy is to capture specific key data elements from each grant management event into the new central core database, which can then be archived and used by other applications and business units (see Figure 21). Within the existing architecture, as stated in the previous evaluation, there are “exponential interdependencies between applications.” The Five-Year Evaluation concurs with the finding that there are “too many technologies” in place within the current IT structure, which lowers the flexibility of resources allocated and increases the risks and the costs of new developments.

¹²⁷ Slide Source: The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2007. Rationale and Expected Benefits. GF GPR Project Briefing made to Information Systems Steering Group (ISSG). PowerPoint presentation. (March 20).

Figure 21: Proposed Data Flow from New GMS¹²⁸



HUMAN RESOURCES ISSUES IN INFORMATION SYSTEMS AND KNOWLEDGE MANAGEMENT

Business Analysts and IS Staffing

As systems evolve and requirements change, staff that can bridge the gap between data users and data developers become more and more important. Information Systems management, in a draft internal report, reiterates the need for an Application Development team with a balance of technical and project management skills.

- This need has been addressed in part by senior management at the Global Fund and has resulted in the hiring of additional “business analysts” within the Information Systems sub-unit that understand the needs of the data users, but can still speak the same language as the systems analysts and software developers. As of July 2007, two Business Analyst positions had been approved and individuals had been hired for coordination with the PEP and OPS units. The internal report proposes growing the current in-house IM staff to at least 12 people (not including the manager, his assistant, or anyone on the IT side of the unit). These staff positions included one Application Portfolio Coordinator; three Senior Developer / Architect / Project Managers; three Business Analysts; one Database Administrator & WHO/BSU Admin. Support; one GSM/ERP Support; one Database Specialist; one Document Management / Sharepoint Specialist; one Application Support Specialist

¹²⁸ Slide Source: The Global Fund to Fight AIDS, Tuberculosis, and Malaria. 2007. Rationale and Expected Benefits. GF GPR Project Briefing made to Information Systems Steering Group (ISSG). PowerPoint presentation. (March 20).

The new core system was officially launched in late June 2007 with selected data from distinct events within the grants life-cycle.

At roughly the same time that the development of the new core system was begun, a new three-tiered system for managing and prioritizing application development within the Global Fund was adopted. This new framework of IS Governance comprises—

- An **Information Systems Steering Group (ISSG)**, composed of unit directors and the Deputy Executive Director, and responsible for oversight and review involving decisions on policies, priorities, and resource allocations.
- A **Global User Group (GUG)**, composed of Senior Managers responsible for IT initiatives and their ties with broad strategic business objectives. The GUG receives, reviews, validates, and prioritizes user requests for new user application requirements.
- **Project User Groups (PUGs)**, responsible for delivering projects agreed upon by the GUG, including defining the scope of a project, demonstrating the requirements, and identifying users for testing. The purpose of these groups was to promote better cross-communication in terms of identifying user requirements.

Several organizational changes within the Global Fund have taken place which impact how information system activities are conducted at the Global Fund. Within the Business Services Unit, IT was merged with Information Management to form an IS sub-unit. This sub-unit is currently responsible for everything from managing infrastructure and network services, responding to user questions and troubleshooting, to managing the development of all new technology tools. Not including the IS Manager and his Assistant, at the time of this writing the IT component of the IS sub-unit had eight staff positions, four of which were vacant, and the IM component had seven positions, three of which were vacant. The five main areas of responsibility for the entire IS sub-unit include IS management, governance, and administrative support; design, implementation, and maintenance of program applications; database and document management; infrastructure, hardware and communication technology services; application training and information systems user support.

Issues in Balancing Workload among IS Developers

While directives for new application requirements continue to come from the ISSG, staff from the Information Systems unit continues to have to manage existing IT applications. When decisions are made to switch to outsourced development, permanent staff must also manage the work of these contractors. So while there are positive outcomes to be realized in moving to a central core data system, changing requirements results in having to rebalance work priorities, staff requirements, and general work plans. Because of the way Global Fund activities and events are organized around fixed dates, there is usually little flexibility in moving application development deadlines. For example, new applications needed to be tested and ready to use when Round 7 grant applications came in, starting in July 2007, or when LFA proposals come in later, in November 2007. Carrying out the myriad responsibilities within the five major task areas, along with changes in development strategy and personnel turnover, has produced an environment of stress and work-overload for IS staff.

Despite this saturated workload, many things are done well, thoroughly, The problem, however, is similar to other parts of the Global Fund, where new solutions, be they additional committee assignments or new responsibilities, are ‘added or piled on’ to an individual’s existing workload. The "adding on" phenomenon seems to be continuing, both with respect to systems and with respect to organization:

- Fixes are added on to existing systems/processes/protocols, and they often end up adding more things to each individual’s plate.
- Cross-cutting functional groups (GUGs and PUGS) are added to endorse newer tools and better communication, and staff are often called on to additionally act as liaisons between units

The result is the need for more meetings, more group decision-making, more consensus building, and more user homework for these additional meetings/events/protocols that are designed to make things easier.

Conclusions and Recommendations for IS/KM

In planning for the new Application Development and Integration Strategy (ADIS), and in order to provide strong information management support, the Board and Secretariat need to be aware of and avoid previous factors that have caused bottlenecks (described above) in aligning information systems with Global Fund business needs. These include—

- Duplication of efforts within units, such as redundant data entry of grant information resulting in inefficient work flows and missed opportunities for collaboration among units.
- The historical switching back and forth between in-house development and outsourcing for application development, caused by changes in business strategies and the necessity of being responsive to immovable timelines.
- Application development staff being unable to keep up with the increased workload demands resulting from overall Fund growth and having to balance tasks related to new application development and the upkeep and maintenance of current systems. (One developer commented that the IS group is probably three years behind in fulfilling information needs/requests from the Global Fund).
- The increased workload for application developers has contributed to burnout and increases in staff turnover
- The redundant activity of having to simultaneously plan for integration with the WHO/GSM Administrative and Financial system and plan for a possible independent Global Fund Administrative and Financial System.

In the development of the new GMS Core approach, time and resource overruns for data migration, testing, training, and adoption may be inevitable, as ensuring backward compatibility takes time. Integration with WHO/GSM systems will also add time to this process and is causing

duplication, which will become unnecessary if prompt resolution of the ASA question leads to an effective separation.

Specifically, the Evaluation Recommends—

- ⇒ **Priority Recommendation 21:** As part of a responsive, flexible, and forward-thinking overall Information Systems Strategy, the establishment of the new Grants Management architecture, with the new GMS Core approach should be supported by the Board and Secretariat Management and given every opportunity to succeed. Specifically:
- The Global Fund senior management should ensure that the IS unit has sufficient time and resources to ensure data quality within the new Grants Management System.
 - Business user needs should be clearly articulated to developers of this redesigned system.
- ⇒ **Priority Recommendation 22:** On the personnel side of the IT/KM equation, the Evaluation recommends the following:
- Representation within the high-level Information Systems Steering Group should be more inclusive of technical staff. Frequently, non technical management underestimates the efforts and problems in building new tools and not all issues are readily apparent or communicated before actual development takes place. Because of this, the ISSG should consider representation from less senior Technical Directors or Business Analysts in helping shape systems that are forward-thinking.
 - As part of the Management Review, the Secretariat should consider creating and approving separate staff Business Analyst positions for liaison and monitoring of changing data-user needs across the Global Fund business units.
 - Within the Business Services/Information Systems Sub-unit, consider splitting the Information Technology and Information Management groups. Although there are three managers in the IS subunit, there is one lead manager that oversees both operations. Managing the tasks and responsibilities for hardware, networking, user help, training, and application development could be improved by reorganization. Options could include moving the IS Sub-Unit up one level into its own unit and out of Business Services; creating a director-level Chief Information Officer (CIO) position and lead manager positions for both IT and IM; or keeping the IT team within Business Services and move application development (IM) to a different unit such as PEP, which has close staffing synergies regarding design and development of data entry and analysis applications.

PROCUREMENT

While Procurement and Supply-chain Management should be an in-country concern as part of grant performance, corruption and mismanagement of PSM represent a potential risk to the Global Fund's effectiveness and reputation, given the amount of money spent on procuring

health commodities through its funds.¹²⁹ This makes procurement a prime example of how the Global Fund faces tensions in operating under its principles (e.g., financing-only and country ownership), while not allowing misuse of funds and mismanagement of programs.

The evaluation examined the Global Fund's policies, confronted perspectives of Procurement Unit and other secretariat staff, and will continue to examine PSM issues in-country through Study Area 2.¹³⁰ At the Global Fund Secretariat, the Evaluation team conducted interviews with the Procurement Unit, Cluster leaders and former Team Leaders. In addition, interviews and discussions were held with former Global Fund staff, partner organizations, procurement agents and supplier companies. In conjunction with the CPAs, team members are conducting interviews with LFAs, PRs, SRs, Med Stores and other in-country partners in all 16 CPA countries.¹³¹

THE GLOBAL FUND HAS PROGRESSIVELY IMPROVED UPON ITS EFFORTS IN PROCUREMENT IN ORDER TO LIMIT RISK AND STILL RESPECT THE PRINCIPLES OF COUNTRY OWNERSHIP AND NON-IMPLEMENTATION

The involvement of the Global Fund Secretariat in procurement has progressively increased. The procurement unit was created to set policies and support operations staff in their role, and plays an important support and advisory role to FPMs. Its role includes (1) advising countries by participating in regional meetings to counsel countries/partners (four in Africa recently); and, (2) advising FPMs who regularly refer to the Unit for advice.

A Quality Assurance (QA) policy and a Compliance List were developed, and—at Secretariat level—are generally considered adequate and clear. Efforts are underway to develop Standard Operating Procedures based on the QA policy, and supported by the recruitment of a dedicated QA officer.

Procurement is a prime example of how the Global Fund faces tensions in operating under its principles (e.g., financing-only and country ownership), while not allowing misuse of funds and mismanagement of programs. Efforts have been made to better support countries and reduce initial disbursement delays and their potential negative effects on procurement of much-needed drugs and other health products.

As a financial-only institution respecting country ownership, the Global Fund does not prescribe a specific procurement policy; its staff operates with the understanding that procurement is primarily “up to the countries.” Accordingly, the Global Fund recognizes the benefits of using a country's own procurement systems and national policies (harmonization) and accepts policies that are in line with other donors (e.g. World Bank guidelines) or with SWAP models (e.g., Mozambique) to rationalize PSM. The Secretariat is also actively involved in coordination

¹²⁹ Through October 2006, almost 25% of Global Fund disbursements had been spent on procurement of pharmaceutical products and health commodities alone. Source SCMS: The Global Fund to Fight AIDS, Tuberculosis and Malaria, Policy and Strategy Committee. n.d. *Voluntary Pooled Procurement: A Study Conducted on Behalf of the Global Fund to Fight AIDS, Tuberculosis and Malaria.* (GF/PSC7/3 – Attachment 1), 9-10.

¹³⁰ Consolidated findings and recommendations will be provided with the Study Area 2 report in February 2008.

¹³¹ The study of Procurement and Supply Management is ongoing through the Study Area 2 CPAs.

activities with other donors including the President Emergency Plan for AIDS Relief (PEPFAR) and the President's Malaria Initiative (PMI).

Efforts have been made to better support countries and reduce initial disbursement delays and their potential negative effects on procurement of much-needed drugs and other health products. Until 2005, the Procurement and Supply Management plans of new recipients had to be signed before the first disbursement. This created an incentive for the signature of incomplete PSM plans, and also caused backlogs and delays as some countries took up to 10-14 months to complete these plans. Procedures were changed, a PSM template was introduced, and PSM plans can now be finalized soon after grant signing.

Procurement of TB drugs through the Global Drug Facility (GDF) and the Green Light Committee (GLC) of WHO is widely reported by PRs to be working smoothly, ensuring a consistent supply of high-quality TB drugs.

The Secretariat staff is confident that problematic tenders have been effectively identified, in spite of the absence of sensitive procurement indicators at the Global Fund to detect problems. Suppliers and LFAs can identify problems and inform the FPM and/or procurement team in the Secretariat. In such cases, the procurement team should deal with technical issues while the FPM transmits the procurement team's expert advice to the LFA and the PR to request rectification of the situation. Referral to the OIG is made when legal issues arise. The Procurement Unit is looking at systematizing and providing training to FPMs who need support in this area.

The Compliance List developed in 2005 has helped countries understand the Global Fund's HIV/AIDS drugs policy, and the Secretariat reports about 90 percent compliance with "no disastrous buying."¹³²

Procurement of TB drugs through the Global Drug Facility (GDF) and Green Light Committee (GLC) of WHO is widely reported by PRs to be working smoothly, ensuring a consistent supply of high-quality TB drugs. After some initial supply and mismanagement problems, procurement of malaria drugs and bed-nets is also improving.

The Global Fund faces two opposing arguments in trying to influence/negotiate the price of drugs commodities:

- As the largest funder of certain commodities, for the Global Fund to fail to capitalize on its purchasing power to reduce prices is a disservice to both countries and donors.
- Conversely, the Global Fund's role should be neutral and facilitative, with (1) procurement processes and selection left to the PR and the country to negotiate with the Procurement Agent, and, (2) market dynamics left to play out on their own in a competitive process.¹³³

¹³² Source: Global Fund Procurement Unit. May 2007.

¹³³ Some respondents note that the Global Fund's principle of country ownership would argue against the new pooled procurement mechanism approved by the Board, as it moves the Global Fund away from the concept of in-country responsibility and oversight for the procurement function. Others express concern that this approach would create "monopolistic suppliers for certain key products," and would try to enforce a "one size fits all approach" on countries. (Source: Bakker, G. 2007. A weak link in the chain:

The Board has, however, recently endorsed a policy change on pooled procurement (whereby one or more external procurement agents would provide a centralized procurement service to Global Fund programs) which could help rationalize procurement practices, reduce waste, and make processes more efficient for countries. The Board has examined strategies from previous years to influence market dynamics, and recently signed a resolution in favor of pooled procurement (likely to include ACTs, LLINs, ARVs, etc.) with competition among procurement agents to procure these commodities. While the Global Fund deliberates on how/when to launch the new opt-in pooled procurement mechanism for country grant recipients, several pooled procurement type models are already being implemented, with some success:

- From the Global Fund’s perspective, the GLC provides an excellent example of collaboration with the Stop TB partnership. There is now a clear policy on budgeted amounts (\$50,000 per year, to cover such expenses as the GLC fee, training, assessment costs, services, and administrative costs), which countries need to set aside if they intend to make MDR-TB drug purchases through the GLC. Country informants interviewed through SA2 give a positive report on this mechanism, and find that the TA and quality-assured drugs offered make the fee worthwhile.
- The Global Fund collaborates with partner organizations (notably the Clinton Foundation), which are actively involved in negotiations to increase volumes and reduce prices for key HIV and malaria drugs and laboratory equipment, based on aggregated global demand forecasts. These efforts have helped to bring down ARV prices and diagnostics prices by 50-90 percent, as compared to 2002 levels.
- The Global Fund has been widely reported as a major contributor to a 60 percent fall in the price of ACTs, though mostly through indirect market mechanisms and the willingness of major suppliers (e.g. Novartis) to provide the drugs at heavily subsidized prices.¹³⁴
- Many country PRs are already benefiting from a type of pooled procurement approach by procuring through WHO or UNICEF (in some cases under condition precedents set by the Global Fund, or under contract to procurement agents, which they themselves pool their purchases at the country level).

EFFORTS TO STRENGTHEN PSM HAVE HAD MIXED RESULTS

Some Countries Still Struggle to Understand the Global Fund’s Approach to Procurement

While the relatively “hands off” approach to PSM has been consistent with the Global Fund’s founding principles, it has also put the Fund’s investments (the majority of which go to purchasing health and other commodities) at risk when partners do not step in to resolve PSM problems. While countries budget for procurement capacity-building in their grants, these

Opportunities for Improving Global Fund Grant Performance by Strengthening Procurement and Supply Management. Washington, DC: Global AIDS Alliance.(23). There is the threat of creating overly powerful suppliers or procurement agents and hindering competition.

¹³⁴ Clinton HIV/AIDS Initiative. 2005. *About the Clinton HIV/AIDS Initiative*. New York, NY: Clinton HIV/AIDS Initiative.

resources are not always put to use. The still ongoing Study Area 2 will continue analyzing and drawing lessons from the CPAs.

Countries still struggle to understand the Global Fund’s policy on procurement; Secretariat respondents reported that countries found Global Fund ‘procurement rules’ to be “opaque, new, different” and difficult for PRs, as they only offer guidance and are not as detailed as those of other donors, such as the World Bank. One interviewee expressed concern that the Global Fund was “going backwards” in terms of optimizing performance on procurement, and that there is increased “bureaucratizing and standardizing without results.”

While the Global Fund in fact does not have procurement rules per se, this suggests a difficulty in understanding its QA policy at the country level.

Limiting Factors to the Global Fund’s Effectiveness in Addressing Procurement Issues

As already discussed for other areas, the Secretariat-level responses to PSM problems in countries are ad hoc and lack standardization. Some FPMs are actively intervening to resolve problems while others are more prone to leave this up to partners or the CCM. This was expressed in a staff interview as, “everything filters through the FPM’s individual values.” The pressure is on FPMs to meet deadlines; this may contribute to the perception among some that the Procurement Unit causes unnecessary delays in disbursements when PSM problems are identified.

Though the Global Fund has strengthened some of its overall procurement guidelines and practices, its ability to respond to perceived PSM problems is constrained by the fact that—

- The Procurement Unit is relatively small and perceives that its role has not always been clearly understood or supported within the Secretariat. Official TORs are now expected for the Procurement Unit and will be the first time that the unit will get clarity on its role and performance measures.
- LFAs have so far not been assigned a firm PSM role and there appears to be substantial variation in how they engage in PSM issues in-country (besides approving PSM plans and at times overseeing large tenders). Although LFAs can play a role in policing the procurement system, this is not a part of their official role.
- Significant procurement activity is taking place at the SR level, where the Secretariat and LFA have a limited mandate, and may be inconsistently monitored by the PR. This represents a risk to the Global Fund’s investments if SR procurement is not subject to the same scrutiny as PR procurement.
- Procurement activities of UNDP—as a PR—have been severely criticized by both Secretariat staff and in-country informants, suggesting the need for closer inspection.¹³⁵

¹³⁵ The evaluation was not tasked and did not conduct procurement audits.

First Lessons from Country Partnership Assessments: Procurement and Supply Management

Countries' interpretation of procurement policy varies, and there is reportedly an information gap on how the countries interpret or act on the policies for fear of losing their grants. According to one respondent, no one is there to help the countries except the in-country partners who do not always step in. One development partner noted that in the short term, the Global Fund should be investing in intense TA or contracting a procurement agent, stating that there needs to be an investment in training overall. Countries include funding for procurement capacity-building in their budgets, but do not appear to always make use of these funds, despite the needs on the ground.

The Price Reporting Mechanism Remains of Limited Effectiveness

The Price Reporting Mechanism represents an effort to influence prices through transparent reporting by PRs, which are now required to enter their data regarding the PRM as a condition of disbursement. In its current state, however, the PRM is of dubious value to both the countries and to the Secretariat's Procurement Unit given that—

- The Global Fund's expectations have not been always been adequately communicated to countries.
- Initial findings from SA2 indicate that data entered into the PRM are frequently not accurate. It is universally seen by country respondents (and Secretariat staff) as cumbersome, extremely slow, incomplete, and some say “impossible to use” from a technological perspective.
- Prices entered are not routinely verified through an audit.

If this is to be a fundamental tool for the Global Fund to monitor prices and QA compliance, the PRM will need to be closely re-examined and made more country user-friendly.

CONCLUSIONS AND RECOMMENDATIONS ON THE GLOBAL FUND'S EFFORTS IN PROCUREMENT

Procurement will continue to require more attention and efforts by the Global Fund. The evaluation supports the conclusion of a development partner interviewed in the first phase of CPAs, pointing to the need for intense TA, training, and capacity building in this area. Based on the differentiation of countries (stratifying based on needs—as illustrated in the Box below) proposed as a key component of the Global Fund strategy, the role of the Global Fund in procurement can be clarified and the tension created by competing demands and principles can be addressed proactively. This proposed tiered approach should include providing clear guidance to Secretariat staff about the appropriate boundaries of the framework principles relative to PSM to ensure equitable attention to and evaluation of grant performance across countries. The strategy should also clarify and provide guidance on the roles of the different Secretariat units, for example in the Phase 2 process, to which the Procurement Unit currently participates in “only as a resource.” The evaluation recommends—

⇒ **Priority Recommendation 23:** Following on Priority Recommendations 1 and 2 of requiring a tiered approach to grant award and management based on profiles in disease burden and country capacity, the Global Fund should map out a plan for ‘sliding’ (or tiered) levels of assistance on procurement issues based on country needs, preferably through clear and defined partnership arrangements. The capacity of the Procurement Unit of the Global Fund (including its size) should be strengthened accordingly. As options are developed, the Global Fund should consider the following:

- The Board-endorsed pooled procurement model should be put into practice via the hiring of a procurement agent from the Global Fund’s pre-selected list to procure a limited number of health commodities in greater volumes. Countries with serious and documented PSM difficulties should be required (via the application of Conditions Precedent) to opt-in to the model. However, the Global Fund should monitor closely the effects of the pooled procurement mechanism from its initial stages to avoid development of monopolistic practices among suppliers or procurement agents.
- As is already happening with some success in certain countries,¹³⁶ effective and improved PSM at country levels should be supported through formalized in-country partnership arrangements to assist where systems are weak (e.g., a UN agency may provide the procurement support needed in one country, while bilateral funding may support a Non-Governmental Organization, government contractor, or private partner in carrying out this function in another.) These partnerships need to be formalized, with clear delineations of roles and expectations, to ensure objectives are met. This would be a shift from the current ad hoc approach of relying on partners to fill gaps.
- As part of the proposed tiered approach, the Global Fund should modify proposal guidelines to require designated “high capacity” countries to include funding allocations in their grant proposals for strengthening national PSM capacity and performance through innovative and sustainable methods (for example, through the involvement of private partners or joint-donor efforts to build long-term PSM capacity within countries).
- In the immediate term, prior to the introduction of this tiered approach, the Global Fund Secretariat should monitor and encourage the use of grant funds currently available and unspent for technical assistance to enhance PSM capacity and performance.

A STRUCTURE IN TRANSITION: LFAS IN THE GLOBAL FUND ARCHITECTURE

Local Fund Agents are a key part of the Global Fund architecture in-country and have been the object of different assessments, including that of the Five-Year Evaluation.

While the findings from reviews of the LFA role since 2004 and the most recent LFA Evaluation¹³⁷ of 2007 underline the innovation of the model—a “bold experiment in outsourced fiduciary oversight which uses external contractors with specific Terms of Reference in place of

¹³⁶ This aspect is still being examined by Study Area 2.

¹³⁷ Euro-Health Group. 2007. *Evaluation of the Local Fund Agent System*. Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria.

country offices,” they identify some weaknesses which have been presented to the Board and are informing a new tendering process to fulfill the LFA role in-country. Some of these weaknesses identified over the last three years are as follows:

- Variation in the quality of capacity assessments conducted by LFAs, with a lack of clear guidelines on capacity assessments leading to differential treatment of PRs in some settings, and to delays in response to capacity assessment recommendations in others.
- Benefits perceived by PRs from the control function played by LFAs varied: while some “PRs had come to value the LFA’s monitoring process,” others were found to be “frustrated with the LFA’s lack of health expertise and feel that program indicators are simply checked for accuracy without an understanding of the program or its performance.”
- There exists considerable variability among the LFA management approaches of FPM;
- There exists a relative lack of technical health expertise among LFAs, and a corresponding perceived over-emphasis on financial monitoring. This latter issue is expected to be one of the main points addressed by the new tender.
- Finally, the absence of a clear TOR and systematic performance monitoring system for LFAs, noted by these different studies, has become a priority.

Standard tools and procedures for LFA functions have been developed but questions remain about how the data collected by the LFA is used at the Secretariat level.

Some of these findings are echoed by Study Areas 1 and 2 results, presented in this report (notably on financial management and procurement questions).

Conclusions & Recommendations

The uncertainty in roles and responsibilities in the previous LFA model can be resolved through clarification of expectations and better communications to stakeholders as part of the new LFA tender. The evaluation team agrees with the major conclusions of the assessments conducted to date, and has found corroboration—in both Study Areas 1 and 2—for the issues addressed.

Accordingly, the evaluation supports the recommendations to—

- Explore the roles and requirements of LFAs in program approaches to funding, developing clear TOR and regular assessment systems to monitor LFAs performance.
- Make LFAs’ oversight role in PSM clear in their TOR, communicating this to all PRs.
- Urgently address gaps in verification and documentation by LFAs.
- Strengthen LFA quality management approaches within Secretariat through—
- Consistent and comprehensive LFA performance assessments.
- Guidance of and training from Portfolio Managers.

- Ensure that LFAs have appropriate financial, health programmatic, M&E, as well as procurement knowledge.
- Expand the LFA role (and Secretariat oversight) to include assessment and monitoring of sub-recipients.
- Ensure LFAs have access to, and make better use of, information and assessments carried out by other development partners.

LFAs will continue to play a key role in Global Fund processes, and the phasing in of a ‘new model’ will deserve attention, particularly with regards to; increasing their health, M&E and PSM technical capacity, performance management through clearly delineated expectations/deliverables (e.g., PR assessments, data verification, site visits, PSM oversight, PUDR oversight, among others), and allow for the appropriate attendant training and equipping of the relevant Secretariat staff.

Study Area 1 Conclusions

LIMITATIONS AND EVALUATION GAPS

To some extent, the Evaluation has shared in the culture of constant emergency it observed in the Global Fund. For example, while critical steps in the OD assessments were already being carried out (institutional mapping, finalizing of tools, and scope of work by the OD team), the Inception Report was still being revised. The Evaluation has strived to minimize impact on the quality and on threats to the validity of its findings. The participation of respondents from the Secretariat, the Board, global stakeholders and in the first countries of SA2’s CPAs was critical in this regard.

Secretariat staff from all units and ancillary structures participated constructively in the evaluation, in spite of fears regarding evaluation fatigue. This participation was only constrained by scheduling issues and staff departures or recent arrivals within the Global Fund. A detailed Management Review was initiated and overlapped with the OD assessment. Close coordination was encouraged by the TERG and the Secretariat, and allowed for the sharing of SA1 information with the Management Review. A number of detailed analyses about the structure and staffing needs of the Secretariat were left to the care of this more detailed review.

Some data from the Global Fund were obtained late in the process of reviewing findings and recommendations, and the Evaluation made every effort to integrate those data into the present report.

Benchmarks were explored to assess how the Global Fund compares to other organizations, but this analysis proved challenging for a number of reasons: 1) the Global Fund was conceived and has functioned as a different type of development institution from traditional multi-lateral or bi-lateral donors, and is therefore difficult to compare directly in terms of performance; 2) where comparable processes were identified, the specific metrics used often differ between the Global Fund and other institutions, so direct comparisons are, in most cases, not possible. While the benchmarks presented in this report are intended to provide some frame of reference for how the

Global Fund is performing in key areas, each of these examples presented should be considered in the context of these limitations.

Evaluation work normally proceeds through iterative steps. Given the accelerated evaluation timeline (even when compared to the short timeframe proposed in the Technical Background Document of the Five-Year Evaluation), SA1 was not able to follow up on all the iterations suggested by its findings. Following are some of the identified gaps in the evaluation—

- In addition to the review of key processes recommended in this report, more qualitative and in-depth analysis of the grant negotiation and grant scoring processes would be beneficial.
- The Board governance study took place in-between Board meetings, with limited opportunities to interact with Board members or observe processes. Closer work with the Board, its Committees, and the Management of the Secretariat would be helpful if the Board wants to identify areas for delegation and streamlining of its operations.
- SA1 would have benefited from the completion of more interviews with global stakeholders, and the Evaluation will continue to conduct consultations of global technical partners and stakeholders of the Global Fund through SA2.
- The Evaluation met with the IG and discussed the Partnership Forum with Board members. However, it did not conduct any in-depth examination of the internal operations, effectiveness, and performance of ancillary structures of governance, such as the TERG, the Partnership Forum, or the OIG. (It interacted only with the TERG in its oversight function for the Five Year Evaluation.)

Finally, and illustrative of the very agile and changing culture of the institution, a number of issues addressed in the report were either already under consideration by the Global Fund, or became so as soon as the draft report was circulated (August 24, 2007). The Evaluation is aware of having tried to hit a ‘moving target;’ while it reports on the Global Fund as observed in June-July 2007, efforts are made to relate its findings about past performance to the future trajectory of the Global Fund.

THE ROAD AHEAD

Study Area 1 has shown that the Global Fund has established a number of structures, systems, and processes, both in terms of governance and in terms of operations, which have transformed the financial context in which the fight against the three diseases takes place. Study Area 1 is, however, one of many steps in the Five-Year Evaluation, and its findings will take their full meaning only once the ‘downstream’ questions have also been addressed:

- How does the implementation of the Global Fund ‘Business Model’ translate in terms of the effectiveness of its partnership system in-country? (Study Area 2)
- What is the overall impact on the three diseases in countries where efforts have been substantial enough to demonstrate results? (Study Area 3)

At this stage, the Evaluation shows a number of positive elements, or assets of the Global Fund:

- The substantial achievements of the Global Fund are documented here and have transformed the context in which the fight against the three diseases takes place.
- The institution of the Global Fund has set in place a number of structures, systems and processes, both in terms of governance and in terms of operations, which have enabled these achievements.

Recommended improvements in specific processes such as resource mobilization and management of the grant cycle notwithstanding, SA1's findings and recommendations are made at three major levels—

There is a fundamental need to resolve the tensions resulting from the Global Fund's competing principles. This can be achieved through a pro-active and comprehensive articulation of the institution's strategy, not only in terms of growth, but also primarily in terms of scaled impact against the three diseases in countries of drastically different needs and capacity. The Global Fund has established an identity and will certainly maintain it, but it will have to shift its emphasis somewhat away from its uniqueness and more toward its fit within the global development architecture. In this process it will have to define partnership arrangements as practical means to achieve desired outcomes and goals.

As befitting an increasingly evolving organization moving into a phase of maturity, the Board will have to work with its Committees and the new Secretariat management in order to re-focus its attention on the 'big picture', and as a corollary find ways to entrust more responsibility to its Committees as well as to the Executive Director and his management team.

While the size of the Secretariat will certainly increase, just as importantly, the Global Fund will need to take steps to improve its operations, correct past dysfunctions, and ultimately alter its institutional culture (particularly in its workforce focus, moving away from a permanent emergency and excessive risk aversion culture, and the simplification of key processes).

Based on a definitive resolution on the question of the Global Fund's association with WHO through the ASA, which will establish the type of institution it wants to be in the future, the structure and capacity of the Secretariat units, and their inner-workings will need to evolve. The current Management Review will be a key step in identifying steps to be taken, but given its timeframe, further monitoring and review of work processes and efforts to strengthen personnel management will be required.

Based on the new Strategy, adjustments and rapid changes may need to cede the stage to more stability and consistency in operations. This will not only help the organization itself, but—as already shown by early findings from SA2—would be well received by countries who are sometimes left confused by the speed of change within the Global Fund.

Because growth and acceleration are still at the forefront of the Global Fund's agenda, it will be difficult for the institution to make changes in its systems and operations. However, because of the impressive growth anticipated in the next four years, these dysfunctions bear on more than

simply operational inefficiencies: they carry serious risks for the institution. The following Box summarizes some of the more salient risks.

Salient Risks for the Global Fund in the Coming Phase of Growth (2007–2011)

Since its inception, the Global Fund has sought to achieve efficient and effective responses to the targeted diseases while also—

- Ensuring that it meets the high fiduciary standards expected of it as an organization entrusted with public funds.
- Maintaining its founding principle as a lean, financing organization while managing an increasing volume of grants in over 100 countries.

The Evaluation has identified the following risks, given as both strengths and continuing challenges to the organization and its ambitious growth strategy:

⇒ *Corporate Reputation Risk*: As a financial institution, this is a serious and ongoing risk faced by the Global Fund. It refers to the risk to overall institutional credibility resulting from ‘scandals’ of corruption or gross dereliction in financial management. Given the explosive financial growth now projected for the Global Fund, the corporate reputation risk must always be considered high and increasing.

As more money is disbursed, the possibilities will increase for corruption and mismanagement of funds at levels outside the direct control of the Global Fund. There are, however, three concerns of the Evaluation: 1) The Global Fund does not currently have for its project portfolios a mechanism such as an active risk register that systematically assesses risk and aligns oversight resources to the areas of highest risk. This increases its vulnerability and suggests an urgent need to ensure that such a mechanism is put in place; 2) the procurement of health commodities and other goods remains an area of particular vulnerability, in spite of efforts to strengthen guidelines and practices; and 3) the Global Fund is not positioned to monitor PR to SR financial flows. Given the anticipated increase in the size of grant distribution (while avoiding the violation of the principle of country ownership), the Global Fund is placing a huge responsibility on CCMs and PRs to protect it from the risk of in-country misuse of its monies. (Additionally, the recent evaluation of Local Fund Agents discovered some structural deficiencies in mechanisms for the monitoring and oversight of risk; they are expected to be addressed under the new LFA contract.)

⇒ *Loss of Donor Confidence Risk*: This risk relates closely to the corporate reputation risk. There are factors additional to those outlined above that would result in a loss of donor confidence, including the following:

- Global Fund inability to demonstrate (the right kinds of) results. The results of the impact study (SA3) are eagerly anticipated, but beyond this the Global Fund will need to be able to answer more fully and consistently the questions raised about the quality of services provided through its grants, the achievements of grants in terms of public health (disease control) outcomes, and the sustainability of these results. Measuring performance in terms of inputs and disbursements may be a necessary but not sufficient condition for long-term success and donor confidence.
- Failure to solve the “push-pull” equation. Given the potentially limited pool of country recipients through which much larger grants can be disbursed, country absorptive capacity may rapidly become a major limiting factor for growth in disbursement levels. While the need for more funding exists and is still acute, the problem is that most of the demand can best be viewed as ‘latent’ (i.e., it exists but has yet to be converted into proposals and programs) as opposed to ‘effective.’ At present, the effective demand for Global Fund grants appears not to be commensurate with the scale of the needs. Country-level institutional, organizational, and

operational capacities are some of the main barriers impeding the mobilization of latent demand into effective demand, (the 'pull' on Global Fund monies). This carries both the risk of reaching a plateau in disbursements, or—to avoid this effect—the temptation of an excessive 'push' (and afferent risks) to attempt to accelerate disbursements. Both situations would invariably lead to a loss of confidence in the Global Fund itself.

- ⇒ *Human Resources Management and Institutional Intelligence Risks:* Portfolio management systems and practices within the Global Fund remain highly fragmented, with oversight, monitoring, and controls varying substantially and dependent on the personal knowledge, skills, and attitudes of individual portfolio managers. The functionality of such arrangements necessarily requires a high degree of human resources continuity, which is not currently demonstrated by the Global Fund. In addition to improvements in systems and processes, the Global Fund needs to address urgently the factors underlying its staff morale, internal communication, burnout, and rates of turnover. The risks attendant to this situation include continuing shortfalls in overall program effectiveness, cost-inefficiencies, and damage to corporate reputation as referred to above.
- ⇒ *Risk to Beneficiaries and to the Control of the Three Pandemics:* As life-saving treatments are made available to more and more patients, the responsibility and pressure for ensuring the continuation of treatment will increase for countries, the Global Fund itself, and its partners. This responsibility is not only focused on the individual beneficiaries, but is a “global communicable disease governance issue,”¹³⁸ given that the risk of drug resistance is not bound by national borders. Failure to address this foreseeable problem, leading to massive treatment interruptions in recipient countries,¹³⁹ would threaten the confidence placed on the Global Fund as well as on its partners.

The importance of the Global Fund’s mission to the world community raises the expectation that it will build on its strengths and address the identified challenges, both external (its strategic and global responsibility) and internal (its institutional workings and structural challenges).

The Global Fund faces serious challenges at the implementation level: ensuring quality of programs, findings scalable models for impact, increasing alignment and harmonization, strengthening country ownership, and ensuring sustainability, among others. Those are among the issues to be examined through Study Areas 2 and 3, and the final synthesis of the Five-Year Evaluation. In the meantime, institutional changes can already take place. The Global Fund has gathered tremendous capacity and experience in its governance and management institutions. After only five years, its accomplishments and accumulated assets are impressive, and it can capitalize on the wide partnership system to which it belongs in order to successfully address a new phase of growth, maturity, and expectation for results.

This will ultimately require political consensus and determined leadership.

¹³⁸ Board member interview.

¹³⁹ See section on the Continuity of Treatment policy, which is a first step taken by the Board to address this concern.

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