



Investing in our future

**The Global Fund**

To Fight AIDS, Tuberculosis and Malaria

**Eleventh Board Meeting  
Geneva, 29-30 September 2005**

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**Information Only**

## **REPORT OF THE EXECUTIVE DIRECTOR**

- **Outline:** This document contains the report of the Executive Director of The Global Fund to Fight AIDS, Tuberculosis and Malaria to the Eleventh Board Meeting.

Good morning, Ladies and Gentlemen, and welcome to the Eleventh Meeting of the Board of the Global Fund to Fight AIDS, Tuberculosis and Malaria.

This report contains a comprehensive progress update on the three major corporate priorities which I have set for the Secretariat for the year 2005. These are:

- mobilizing sufficient Global Fund income to cover existing and new commitments,
- ensuring impact and harmonization at the country level, and
- managing and developing the Secretariat.

In the three sections that follow, I provide you with an assessment of progress, and the remaining challenges for the last quarter of 2005, for each of our three priorities.

## **1. RESOURCE MOBILIZATION – ENSURING SUFFICIENT GLOBAL FUND INCOME TO COVER EXISTING AND NEW COMMITMENTS**

### **1.1 Replenishment**

At the Tenth Board Meeting I reported to you the proceedings of the first meeting of the Global Fund Replenishment held in Stockholm in March 2005. This was followed by a second meeting in Rome in June, and a third and final meeting held in London in early September. At both the Rome and London meetings, participants received progress reports which provided an update on the implementation of Global Fund programs at country-level as well as information on further developments of the Global Fund's measurement framework, strategy development, harmonization, Global Fund investments in fragile states, and private sector engagement.

At the London meeting and in the process leading up to it, donors pledged a total of \$3.7 billion for the Global Fund in 2006 and 2007 (up from \$2.9 billion in 2004 and 2005). This represents a significant increase in resources allocated to the Global Fund by many donors (including developing countries), and is expected to increase substantially through the further contributions of current as well as new donors, in particular oil-producing countries and the private sector. Even at this early stage, this amount ensures that the Global Fund will be able to finance the continuation of all ongoing programs at a total estimated cost of \$3.3 billion. However, the resources raised are insufficient to finance new programs estimated to cost an additional \$3.7 billion. In London, participants agreed to hold a mid-term Replenishment meeting in June 2006 to review the performance of the Global Fund and to mobilize additional resources from existing and new donors required for 2006 and 2007, based on an updated estimate of the financing needs. Specific efforts ongoing with the private sector and oil-rich states to raise financing from new donors are outlined below.

I would like to express our gratitude and appreciation to the Governments of Sweden, Italy and the United Kingdom for hosting the Replenishment meetings on our behalf. I would also like to thank His Excellency, Mr Kofi Annan, Secretary-General of the United Nations, and Mr. Sven Sandström, for their chairmanship and leadership throughout this process.

### **1.2 Funds Available for Round 5**

As of September 15, \$411 million are available for funding Round 5 proposals in 2005. The Technical Review Panel has recommended proposals with a total value of \$726 million. Accordingly, a further \$315 million would have to be made available if Round 5 were to be

fully funded. This takes account of the additional pledges for 2005 of \$25 million that were made at the London replenishment meeting on September 5 and 6. Efforts continue to close the funding gap, and an update will be provided at this Board meeting.

### **1.3 Private Sector Resource Mobilization**

The private sector resource mobilization efforts continue to gather momentum on multiple fronts. Efforts to raise public awareness of the Global Fund, a critical factor in mobilizing private sector contributions in the long term, continue in Europe and the United States of America with the pro bono support of the Publicis Group and VH1/Viacom. The European campaign led by Publicis and its media partners was expanded to the UK, Germany and Italy through advertising campaigns launched in June, yielding over \$7 million in donated media time/space to date. The US campaign led by VH1 entered its second phase with the launch of a documentary in August based on Global Fund financed programs in Kenya and Madagascar, featuring celebrities Ashley Judd and India Arie.

In addition, over \$2 million in targeted cash contributions have been mobilized from corporate partners to support critical Secretariat and partner activities, including \$1.5 million from Johnson and Johnson to the Global Fund and the World Health Organization (WHO) to support Global Fund grantees and \$0.5 million from the MAC AIDS Fund to fund Amis du Fonds Mondial, Europe.

Finally, a global AIDS fundraising campaign with some of the world's leading consumer brands is now being finalized to be launched in early 2006. The campaign is expected to be an unprecedented multi-million dollar fundraising effort to benefit the Global Fund. The development of several other global fundraising initiatives continue to progress with expected launches in early 2006, including an industry-wide employee giving initiative, a grass-roots malaria fundraising campaign and an international AIDS fundraising stamp.

As the Private Sector Partnerships team at the Secretariat continues to support the various private sector initiatives, it welcomes the much needed resources that have been added to these efforts by the Global Business Coalition on HIV/AIDS (focal point for the Private Sector Delegation), as well as the additional resources that are being committed by the broader delegation to further develop and execute the Private Sector Resource Mobilization Strategy introduced at the London Replenishment meeting.

### **1.4 Middle East Strategy**

The Global Fund is implementing a strategy aimed at securing enhanced political and financial support from the Middle East and North Africa Region. Discussions concerning greater financial support focus on the oil-rich states in the region; Bahrain, Kuwait, Libya Oman, Qatar, Saudi Arabia and the United Arab Emirates. This initiative will come together at the High Level Event which precedes the Twelfth Board Meeting in Marrakech in December, demonstrating an increased level of political and financial support in that region.

### **1.5 Innovative Financing Mechanisms**

The Global Fund welcomes and strongly supports all initiatives on innovative sources of financing for development, in particular the International Finance Facility as proposed by the British Government and the solidarity contribution levied on air tickets as originally introduced by the governments of Brazil, Chile, France and Germany. We are delighted to learn that many more countries are already supporting this idea and that the governments of Chile, France and the United Kingdom have concrete plans to introduce these levies in 2006. These mechanisms are

potentially very important to complement the current resource mobilization efforts of the Global Fund. The Secretariat is fully committed to work closely with the governments of all countries that signed the declaration on innovative sources of financing for development at the recent UN Summit in New York.

The Global Fund is also actively engaged in the ongoing discussions on a Global Fund Debt Conversion (GFDC) mechanism, in which debt owed by a number of developing countries would be converted to finance programs approved by the Global Fund at the renewal stage of these programs. A recently completed feasibility study on GFDC has concluded that GFDC could be a viable option for raising additional resources for Global Fund programs. Further work on this possibility is continuing, with many partners being involved.

## **2. OPERATIONS: ENSURING IMPACT AND HARMONIZATION AT THE COUNTRY LEVEL**

Investing financial resources rapidly, and ensuring results through tight performance management and well coordinated support for implementation, remains at the heart of our operational focus in 2005. I present the progress made on this priority since we last met for the Tenth Board Meeting in April under the headings of:

- managing ongoing grant agreements and strengthening performance-based funding,
- accelerating grant performance and ensuring results,
- harmonizing and coordinating the response, and
- launching new programs - Round 5.

### **2.1 Managing Ongoing Grant Agreements and Strengthening Performance-based Funding**

#### ***Grant management***

By September 21, 2005, the Global Fund had signed grant agreements worth \$ 3.1 billion for 317 grants in 127 countries.

For Rounds 1, 2 and 3 all grants but one are signed - the outstanding Round 2 South Africa HIV/TB grant is currently being finalized and will be signed by end September. For Round 4, four grants remain to be signed, three of which received an extension by the Board until September 30. The final Round 4 grant to be signed with the Russian Federation on tuberculosis has a deadline for signature of October 5.

On August 18, 2005, a decision was made to terminate the three Global Fund funded programs in Myanmar covering all three diseases. New restrictions imposed by the Government which contravened earlier written assurances, led the Principal Recipient to the conclusion that additional safeguards could no longer be met and the grants could not be implemented effectively. Based on this information, and unable to find another Principal Recipient capable of implementing the grants, the Global Fund decided to cancel the grant agreements with Myanmar. The Principal Recipient has been asked to present a plan by early October for how money already disbursed but not yet spent can be used in a constructive way over a six-month period to ease the transition of key program activities to funding by other donors.

The suspension of all five Global Fund grants to Uganda was announced on August 23, 2005. This was based on an investigation by the LFA, which found serious instances of financial mismanagement. The Global Fund and the Ugandan CCM are collaborating closely on developing revised implementation mechanisms to ensure the continuity of life-saving treatment and prevention activities.

## ***Disbursements***

As of September 15, cumulative disbursements had reached \$1.5 billion (out of total committed amount of \$3.7 billion), and signed grant agreements of \$3.1 billion. This equals 75% of the \$2 billion disbursement target set for the end of 2005. In order to evaluate progress, the Secretariat examines the proportion of disbursed funds against total committed funds, and compares this with the proportion of time elapsed since the signing of grant agreements. The current rate of disbursements shows that we have disbursed 55% of the two year amount of grants under management. These grants are on average 58% into their two year life span. This is equivalent to a 95% disbursement rate compared to time elapsed.

Concrete steps have been taken to ensure the consistent and transparent documentation of all Operations disbursement decisions. Disbursement decisions and documentation are now supported by a standardized disbursement decision tool, which ensures that disbursements are only made based on documented performance and financial analysis. All grant data is being captured in a robust information system from the beginning of the grant life cycle so that it can be made transparently available for all decisions and reviews in the Secretariat. For grants above 12 months of age, Grant Performance Reports (GPR) are now publicly available on the web. In addition, progress indicators were updated with technical partners to take into account new technical developments. The Monitoring and Evaluation toolkit is currently being revised accordingly.

## ***Phase 2 Renewals***

As of September 21, 84 grants in our portfolio had been reviewed for Phase 2 funding and Secretariat recommendations had been submitted to the Board for approval. Of these, 80 were recommended by the Secretariat and approved by the Board for continued funding ("Go" or "Conditional Go"), representing \$824 million in funding. Four grants were recommended as a "No Go" by the Secretariat. The Board has approved one of these recommendations, while the other three are under review and are awaiting a final Board decision. The Secretariat is currently considering an additional 14 recommendations for Phase 2 extensions which will be forwarded to the Board in October. More than 130 grants are expected to have requested Phase 2 funding by the end of 2005.

At its Tenth Meeting, the Board agreed to establish a Task Force led by the Vice Chair of the Board to review the Phase 2 process to date. In preparation for the Task Force's deliberations, the Vice Chair launched an e-forum to offer constituencies an opportunity to comment on the issues under consideration.

At its meeting in Geneva on July 29, 2005, the Task Force addressed a range of issues related to Phase 2. Recommendations to the Eleventh Board meeting focus on the process for "No Go" decisions and request adjustments to: i) provide the CCM and the PR with an opportunity to respond and provide additional information on a "No Go" recommendation before its submission to the Board; ii) create the possibility of an independent review of differences of opinion between the Secretariat and the CCM or Board constituencies in cases of "No Go" recommendations; and iii) preserve the principle of performance-based funding by ensuring that the Secretariat is fully empowered to make objective recommendations to the Board, based on its detailed review of grant performance.

## 2.2 Accelerating Grant Performance and Ensuring Results

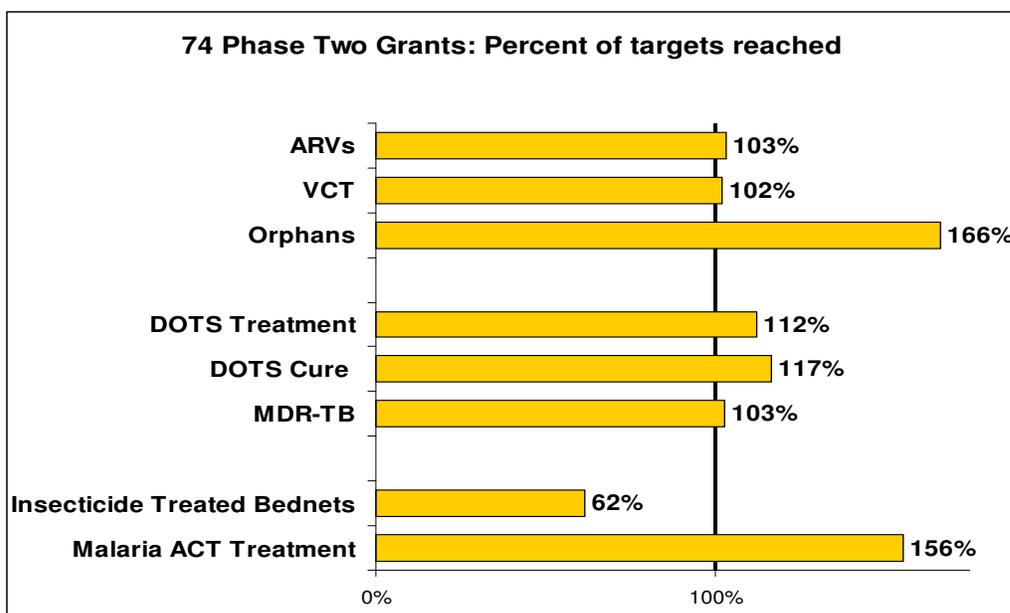
### Results to date

In December 2004, the Secretariat undertook a first “results audit” for all programs. For HIV/AIDS, this was a joint exercise with WHO, UNAIDS, the World Bank, and the US President’s Emergency Plan for AIDS Relief (PEPFAR). Numbers have been updated since then. Latest numbers indicate that the Global Fund is supporting programs that include 220,000 people on antiretroviral treatment, 600,000 patients receiving DOTS, and 3.1 million families supplied with insecticide-treated nets (ITNs). More detailed results can be found in the Third Progress Report 2005 entitled “Sustaining Performance, Scaling up Results”.

The numbers in the report represent significant increases in the first half of 2005 compared to the end of 2004 (69% for people on ARV treatment, 56% for people on TB treatment, and 130% for the distribution of ITNs). They show that the Global Fund is on track to reach its 2005 targets, with ARVs reaching 63%, DOTS 85% and ITNs 62% of 2005 targets by mid year 2005. Achieving the 2009 cumulative targets for the entire Global Fund Portfolio of approved grants - which represent a five-fold increase from today – will require a concerted, massive effort to scale up results, supported by the needed financing and technical and managerial support. If the targets are reached, this will increase global coverage more than two-fold from the current level.

A more detailed analysis was undertaken for the 74 grants which had reached the Phase 2 funding decision by August 1, 2005. Of these 74 grants, 59 exceeded or met targets or showed adequate performance (category “A” and “B1” ratings), 13 were rated as showing inadequate performance but demonstrating potential (category “B2”), and the performance for 2 grants was rated as unacceptable (category “C”).

Overall, 59 of the 74 grants (80%) performed well or adequately. Results vary from an average of 62% of targets achieved for the distribution of ITNs to 166% of targets for orphan support. ARV treatment figures have improved significantly since the analysis of the first 27 grants was conducted in January, now reaching 103% (up from 61%). DOTS treatment also exceeded targets (112%) as did ACT treatments (156%), while distribution of ITNs fell well below target at 62% as indicated above. This is partially due to the underperformance of a large Round 2 malaria grant to Ethiopia due to procurement delays.



The 74 grants evaluated account for a substantial number of people reached with prevention and treatment services, including over 51,000 people on ARV treatment, 1.7 million people provided with HIV counseling and testing, 359,000 people treated for TB under DOTS, 680,000 people with malaria treatment (215,000 with ACT for drug-resistant malaria) and 2.9 million ITNs distributed or re-treated to protect families from malaria.

Efforts to further strengthen performance measurement are ongoing. One key focus area is a data quality audit, which – in close coordination with PEPFAR, WHO and Health Metrics Network and under the guidance of TERG – aims to ensure reliability of data from country-owned monitoring systems based on which performance decisions are made. Evaluation studies to review target setting in proposals, and the grant proposal preparation and review process overall, have also been initiated. Results and implications will be presented to the December Board meeting. Work on the system-wide effects of the Global Fund is progressing steadily.

### ***Early Alert and Response System (EARS)***

While the Global Fund is a financing mechanism and not an implementing entity, it has a responsibility to identify grant implementation challenges as early as possible and to assist in mobilizing the appropriate support to overcome these challenges. To this end, the Early Alert and Response System (EARS) has been developed in consultation with grant recipients and partners, with the goal of supporting the early identification of implementation challenges by systematic sharing of information on grant progress inside and outside the Secretariat.

As part of EARS, an internal Secretariat monitoring system tracks calendar-driven and disbursement-related indicators throughout the life cycle of the grant. These indicators identify grants across the portfolio that are behind schedule on reporting, disbursements, burn rates, and progress indicators, or are judged to be otherwise underperforming by the LFA or Portfolio Manager based on problems identified during country visits or other sources. In addition, a set of qualitative indicators has been defined to facilitate inputs by country stakeholders and partners. These indicators fall into four broad categories (contextual; program performance and management; governance and oversight; propriety/fiscal management). A set of simple tools to help country stakeholders monitor these indicators was sent to all CCMs and PRs in August.

To ensure support is mobilized for grants facing implementation challenges, the Secretariat develops a monthly list of grants requiring attention, based on the inputs above and confidential communication with the Principle Recipients of those grants. The Secretariat reviews these grants and determines whether the identified challenges merit posting on the Global Fund website and what further action, if any, the Secretariat needs to take in assisting in the diagnosis or in the mobilization of technical or managerial support. The goal is to ensure that country stakeholders and partners at country, regional and global level know where problems exist so that they can work together to develop remedial action plans, including technical and managerial assistance. In parallel, the Secretariat has also begun to post best practices of countries in resolving implementation issues on the web.

To increase the sensitivity and relevance of the EARS, the Secretariat is continuing the development of a risk model, which will inform the approach to the management and oversight of grants by classifying the relative risk of each investment. The model will be used to inform the LFA and Secretariat approach to monitoring the grant from grant signature onwards. Grants viewed as facing potential risks to timely implementation will be more closely monitored than those with less risk.

Coordination of technical assistance at both the local and global level is critical to the success of EARS. In addition to an intensified focus by Portfolio Managers on ensuring coordinated technical

assistance at the country level, a number of key overarching initiatives are underway to build a solid framework for well coordinated and accountable technical support.

- At regional meetings, the Secretariat is working together with technical partners and countries to draw up annual technical assistance plans for each country.
- A country-by-country partner mapping exercise is underway to facilitate the coordination of appropriate responses and technical assistance for grants in need. This mapping exercise will then be shared with partners for validation and coordination with similar exercises that they have conducted.
- Following the recommendations of the Global Task Team, the Global Fund Secretariat has participated in the formation of the joint Global Problem Solving and Implementation Support Team ("GIST") with UN partner organizations and the World Bank. At the first two monthly meetings of the GIST, six countries and one region were selected as the first to receive support from this body, and efforts are already underway to coordinate needs assessments and mobilize technical assistance. Additional countries will continue to be added as the GIST develops. The GIST is chaired by the WHO with the Global Fund as Vice Chair.
- The Secretariat is building links with other partners at the country, regional and global levels, and is recruiting Grant Support Managers who will be responsible, among other tasks, to serve as focal points to partners. The Secretariat invited several partners to attend Global Fund Regional Meetings, and is using these as an opportunity to liaise with partners in each of the regions.

### **Strengthening CCMs**

Since the adoption of the new CCM policy at the Ninth Board Meeting in November, strengthening the effectiveness, oversight role and civil society participation in CCMs has been a continued focus. These themes were at the center of the CCM Workshops and Global Fund Regional Meetings this year, where solutions to current obstacles, best practices and lessons learned are being discussed. These are also published on the Global Fund website and reinforced by Portfolio Managers in their work with countries. A list of CCM members for nearly all countries is available on the website, and all communications by the Secretariat are being sent out to the entire list of members. Since June 2005, CCM minimum requirements have been integrated into Phase 2 decision-making. For the first time, they were also used as eligibility criteria in Round 5 decisions.

To establish a baseline against which future progress can be gauged, the Secretariat commissioned an external assessment of CCM processes and procedures earlier this year. For many countries, the assessment period preceded the distribution of the *Revised Guidelines on Purpose, Structure and Composition of Country Coordinating Mechanisms and Requirements for Grant Eligibility*, based on decisions taken at the Ninth Board Meeting in November 2004. It is important to note that on receipt of the *Revised Guidelines* and a checklist from the Secretariat, many CCMs immediately initiated procedures to comply with its recommendations and requirements. This is expected to be expanded further through the use of the CCM toolkit, which will provide a way for CCMs to assess whether they are meeting CCM recommendations and requirements. Therefore, the picture of CCM performance is known to have already changed rapidly from the baseline results. Nevertheless, the results of the assessment, which will be presented to the Board at its December meeting, will prove valuable in efforts to target the areas of CCM performance that require the greatest degree of support.

Since the Board's decision at its Tenth Meeting in April 2005 to strengthen CCM capacity by allowing the use of grant money to support CCM activities, the Secretariat has developed operational policies, application forms and guidelines for the application of the Board decision. The use of these funds will contribute to the strengthening of the governance functions of CCMs and facilitate the inclusion of non-governmental entities. Processing of CCM applications is on-going.

## ***Streamlining procurement***

While continuing to strengthen internal processes related to the review and approval of country procurement and supply management plans, the Secretariat is working on several initiatives to address procurement challenges experienced by our recipients. Currently, there are five such initiatives underway:

- quality assurance and quality control,
- PSM plans and country training,
- Price Reporting Mechanism,
- malaria procurement and direct payment,
- electronic procurement.

On the implementation of the Board's quality assurance decision, the Secretariat is in the process of securing a short term agreement with a third party for the sampling and testing of single and limited source pharmaceuticals procured by countries under the new Option C. In addition, we are consulting with several partners on the design and implementation of a more comprehensive system for quality testing of these products in the longer term. In order to assist countries in identifying products which comply with the new policy, we are publishing on our website and making available to all interested parties the first edition of a list of products that can be procured using Global Fund funding. This list currently identifies all products pre-qualified by WHO and products approved by stringent regulatory authorities. We are now collecting the information relating to products manufactured according to GMP requirements, as specified in the new Board decision.

Further procurement workshops have been organized in partnership with WHO, World Bank and other partners. At a recent workshop in Bangkok for all Asian countries, 13 PSM plans were finalized for LFA assessment, indicating the contribution that these workshops can make towards accelerating the implementation of grants.

The Price Reporting Mechanism is another valuable tool for both countries and the Secretariat. An improved data analysis system is being developed and a more direct link between price reporting and disbursements is currently being explored, so that entry of data on purchases will be required before disbursements are released.

On malaria procurement, the Global Fund played a central role in the Geneva and Paris meetings on Long Lasting Insecticide Treated Nets (LLINs) in June and September, which were aimed at speeding the delivery of nets and enabling the Global Fund and its partners to achieve universal coverage of pregnant women and children under 5 by the end of 2010. These meetings led to commitments by the Global Fund, industry players and a range of Roll Back Malaria partners to actively address the bottlenecks to scaling up coverage of LLINs. The Global Fund WHO, UNICEF and RBM have issued a joint letter to all of the Global Fund's Principal Recipients encouraging the use of direct payment to procurement agents or manufacturers, and multi-year orders, as means to speed up procurement. Outstanding questions about the direct payment process have been clarified through a guidance note sent to all countries on how to rapidly and easily process a direct payment.

The Secretariat welcomes the new United States initiative on malaria announced in June, and is collaborating closely with our US partners in the first three target countries – Angola, Tanzania and Uganda – to ensure coordination and mutual reinforcement of activities.

The use of electronic procurement to support country purchasing of medicines and commodities has received strong interest from a variety partners, including UNDP-IAPSO (Interagency Procurement Services Organization). UNDP-IAPSO plans to have an electronic system in place within the coming months.

## **2.3 Harmonizing and Coordinating the Response**

The Global Fund has been an active participant in the Global Task Team (GTT), and is working with partners on streamlining processes and aligning procedures as suggested in the GTT recommendations. This includes initiatives with the World Bank to increase alignment and ensure complementarity of programs, participation in the Global Problem Solving and Implementation Support Team ("GIST") described above, and work with partners such as UNDP, UNICEF, WHO and UNAIDS to address issues relevant to institutional cooperation and thereby support collaboration in-country. Coordination and collaboration between the Global Fund and PEPFAR, both at the global and country level has also been an important focus, and is progressing well.

Concrete efforts to increase harmonization and alignment at the country level are also progressing. The Global Fund has formally joined the Sector Wide Approach (SWAp) in Malawi and Mozambique. In Mali, the GF Principal Recipient - the National High Council for HIV/AIDS - will also be the main recipient for the World Bank and African Development Bank loans. A common project manager will coordinate implementation, and a shared Monitoring and Evaluation Unit in the National High Council has also been established.

On harmonization of country M&E support more broadly, the Global Joint M&E Facility was launched in April 2005 to harmonize monitoring and evaluation support across partners in response to demands from countries. The Global Joint Facility is based in UNAIDS, and in July was extended to cover tuberculosis and malaria. It also now includes the private sector.

A key early lesson is that government leadership and ownership are key for effective harmonization, coupled with the willingness of donors to revisit their policies so as to facilitate and lighten the work required by national counterparts. These topics will be further explored in the context of the strategy development effort for the Global Fund which is currently ongoing.

## **2.4 Scaling Up the Response: Round 5**

Following the call for proposals in March 2005, the Global Fund received 168 proposals from 105 countries for \$8.2 billion by the deadline of June 10, 2005. Of these proposals, 98 (58%) were screened in by the Secretariat as eligible for TRP review (following efforts to communicate with both applicants and relevant CCMs to ensure their understanding of Global Fund eligibility criteria, policies and procedures). The amount of 2-year funding requested through eligible proposals constituted approximately 92% of the total amount requested in all proposals. 33% of eligible proposals are for HIV/AIDS, 24% for tuberculosis, 28% for malaria and 15% for health system strengthening.

Results of the TRP review process and details of recommended amounts are provided in the Report of the Technical Review Panel and the Secretariat on Round 5 Proposals for the Eleventh Board Meeting.

## **3. SECRETARIAT MANAGEMENT AND DEVELOPMENT – MOVING THE SECRETARIAT FROM GOOD TO EXCELLENT**

With the recruitment of the Deputy Executive Director, Helen Evans, in June, the internal management, human resources and organizational development of the Secretariat have received significant and steady attention over the past months. Helen is providing a separate, detailed update on Secretariat management and organizational development to the Eleventh Board Meeting, the highlights of which I summarize below. Other areas not covered by her report are the

office relocation, preparations for administrative services transition, the independent investigation of allegations, and Secretariat operating expenditures and budget.

### **3.1 Human Resources and Organizational Development**

Since my report to the Board in April, steady progress has been made towards filling the 150 fixed-term positions in the Secretariat's 2005 approved headcount. To date, 116 of these have been filled on a permanent basis and a further 17 on a temporary basis – a total of 133 out of the 150.

In our recruitment decisions, we strive for a workforce that includes people living with HIV, greater representation of staff originating from developing countries and increased gender balance in middle and senior management. Looking at geographic diversity first, 38% of Secretariat staff today are from Western Europe, 20% are from Africa, 15% are from Asia, Pacific and the Middle East, 15% from North America, 4% from Latin America, 8% from Eastern Europe. Compared to a year ago, this represents an increase of staff from Eastern Europe by 3% and an increase of staff from Latin American by 2%. The percentage of staff decreased for Africa (by 1%), for Asia (by 2%), for Western Europe (1%) and for North America (3%), since I first reported on these numbers in November of last year.

Women have always made up the majority of GF staff (currently 58% of all staff). Female staff currently occupy 47% of all P-level positions, and 23% of senior management (P5 and above) are women. We remain confident that we will move closer to our 2007 target of 40% of women in P5 and above positions. The increase in women has been particularly dramatic in lower and middle management, from 40% women in P3-P4 positions in April 2003 to 58% in August 2005.

Half of today's Global Fund employees come from a professional background in the international development or NGO sector (43% in the UN, 10% in NGOs, a total of 53%), while staff with private sector experience account for 31%. The remainder have backgrounds in health and medicine, academia and government.

As of the date of this report, two Global Fund staff had self-identified as living with HIV. In an attempt to ensure that the Secretariat is at the forefront of best HR practice as it relates to HIV and AIDS, we are developing - with the assistance of an experienced external consultant - an HIV and AIDS Workplace Policy, encompassing the following areas: confidentiality; non-discrimination and reasonable accommodation; education and information; gender issues; prevention; treatment and care; monitoring and evaluation. The policy is expected to be finalized by the end of October.

The Global Fund has become a more balanced, less "top-heavy" organization, with 20% of Global Fund employees at/above P5 today versus 40% in April 2003. There is a growing middle management and junior professional core (P1-P4), which now constitutes 48% compared to 23% of total staff in April 2003.

The Secretariat's turnover rate has been steady at around 15% in 2004 and 2005. This is higher than that of older, more established international organizations like WHO and WTO (2-4.3%), but lower than most private sector financial services companies, fall around 20%.

In addition to this quantitative analysis, the Deputy Executive Director has identified a number of particular areas of organizational development requiring attention, which are highlighted in her report to the Board. These include a need to build a strong and aligned senior management team, clarifying roles and putting in place rigorous performance management systems, allocating sufficient resources to training and development, and further strengthening (while streamlining and simplifying) our internal systems, processes and procedures. These areas require urgent attention and sufficient resources if we are to sustain the high performance of the Secretariat. The Board's

support as we embark on these efforts will be essential and I count on your assistance as we move forward on this important agenda.

### **3.2 Office Relocation**

After several months of accommodation research in close collaboration with the Swiss authorities, as well as numerous rounds of negotiations on price and terms, the Secretariat moved into new premises in mid-July. The Blandonnet International Business Centre, a state-of-the-art building located in the vicinity of the Geneva International Airport, has allowed a significant increase of floor space at a highly competitive price.

Total time from lease signature to move-in date was eight weeks. This included intensive space planning sessions with the architect and consultations with staff, negotiations with the building contractor, as well as project planning the infrastructure and IT move. The physical move was organized over the weekend of July 16 and 17 to ensure minimum disruption. By the following Monday, all staff were able to sit at their desks with their computers up and running.

Except for a very limited number of closed offices, the working environment follows a collaborative open space concept. This is a departure from our prior office environment and still requires some improvements to meet the needs of all staff. After two months in the new environment, some parts of the initial office layout are now being re-examined by the architect based on input from staff, and further infrastructural enhancements will be made in the near future, as we learn what works best for our teams.

### **3.3 Administrative Services Transition**

On December 13, 2004, a Headquarters Agreement (HQA) was signed with the Swiss authorities, providing the Global Fund with the privileges and immunities equivalent to those of an international organization headquartered in Switzerland. At its November 2004 meeting, the Board had already approved, as part of the Key Performance Indicators for 2005 for the Executive Director, a specific objective that the Executive Director *“delivers a plan by November 2005 for transition to a fully independent entity”*.

Following significant groundwork in the first half of 2005, a competitive tendering process for the selection of an international consulting company to assist in the first phase of a detailed analysis and assessment of options has just been completed. The selected company will work closely with the Secretariat to address at least four broad areas:

- staff compensation and benefits (salaries, pension, health insurance, tax, other benefits),
- employment policies (recruitment, performance evaluation, immunities, safety and security),
- processes and procedures (finance, IT, procurement, administration), and
- other (e.g. insurances, travel).

The consultants will place particular emphasis on a comprehensive internal consultation and communication and will hold a series of interactive consultation and information sessions with staff during the process.

Subject to Board endorsement of this approach at this upcoming meeting, the above assessment phase would start in October 2005, with a report presented to the Finance and Audit Committee for review in early 2006 for possible consideration by the Thirteenth Board Meeting. Focus would then shift during 2006 to refinement and implementation. Given the complexity of the issues, it is envisaged that transition steps to a fully independent entity would be taken progressively.

### **3.4 Independent Investigation of Allegations**

In July 2005, I, together with the Chair and Vice Chair of the Board, received a memo from Bernard Rivers, Executive Director of AIDSPAN, containing allegations with respect to the Secretariat. The allegations related to contracting practices, recruitment, involvement of a family member, and staff turnover and organizational culture.

The Board Chair, Vice Chair and I agreed that it was in the best interest of the Global Fund to conduct an independent investigation of the first three allegations. As the Office of the Inspector General (OIG) for the Global Fund had not yet been established, we decided to refer the matter to the WHO Office of Internal Oversight Services (IOS) on July 29. The Chair and Vice Chair requested that the fourth area of staff turn-over and organizational culture be addressed by the Deputy Executive Director. Helen's report to this Board meeting, referenced above, addresses this area.

After developing of Terms of Reference for the investigation, the IOS is now in the process of conducting its review, assisted by Deloitte and Touche. A process update will be provided at this Board meeting and a final report is expected at the end of October.

### **3.5 Operating Expenditures and Budget**

Operating expenses in the first half of 2005 consumed 39% of the budget for the year and are expected to be within budget for the whole year. Savings are anticipated on LFA fees as a result of cost efficiencies and less-than-budgeted costs for monitoring services on some grants that started later than had been assumed in the budget.

As advised to the Tenth Board Meeting, it became clear early in 2005 that the relocation of the Secretariat to larger office premises, which had been planned and budgeted for 2006, would have to be accelerated in order to address unsatisfactory working conditions. The costs of the July office move will be reflected in 2005, rather than 2006 expenses. It is anticipated that the contingency and potential savings in other areas will be sufficient to cover this exceptional expenditure of approximately \$1.5 million, so that overall costs for the year will still be within budget. The Finance and Audit Committee (FAC) has been kept fully informed.

The budget compilation process for 2006, 2007 and 2008 is under way and FAC will begin to review the Secretariat's estimates in October, in preparation for consideration of the budget by the Twelfth Board Meeting. It is envisaged that Secretariat budget increases will be necessary to provide adequate human and systems capacity to ensure that all Secretariat responsibilities are carried out at the highest professional standard.

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In closing, let me express my deep gratitude, and that of all my colleagues at the Secretariat, to all members of Board delegations and delegations to the Replenishment Conferences for their dedication and hard work in support of the Global Fund and its mission. I would particularly like to pay tribute to the quite exceptional contributions and effective stewardship of our wonderful new Board leadership team, Carol Jacobs and Michel Kazatchkine. Thank you.