



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

Twenty-Third Board Meeting
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Information

REPORT OF THE EXECUTIVE DIRECTOR

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There can be no let-up in the fight against AIDS, tuberculosis and malaria. If we ease up, these diseases will re-emerge. We either win this fight, or we lose it. The success of the Global Fund is a test of global solidarity.

- UN Secretary-General Ban Ki-moon, Global Fund replenishment conference, October 4, 2010

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INTRODUCTION

“The war on AIDS will not be won without a war chest of a size far beyond what is available so far... I propose the creation of a Global Fund, dedicated to the battle against HIV/AIDS and other infectious diseases. This Fund must be structured in such a way as to ensure that it responds to the needs of the affected countries and people. And it must be able to count on the advice of the best experts in the world - whether they are found in the United Nations system, in governments, in civil society organizations or among those who live with HIV/AIDS or are directly affected by it.”

- UN Secretary-General Kofi Annan, speaking to African Union heads of state, Abuja, April 26, 2001

1. In the ten years since Kofi Annan called for the creation of a Global Fund, the institution has mobilized \$30 billion in donor support and innovative financing, enabled the scale-up of programs in 150 countries, brought interventions to millions of people in need, helped to strengthen health and community systems, achieved significant impact and saved an estimated 6.5 million lives.

2. As we reflect upon these achievements in global health, we are also looking ahead to the MDG deadline of 2015. This year, the Board and Secretariat are working hard on a reform agenda and to develop a new Global Fund strategy for the next five years. Both the strategy and the agenda of operational and management reforms draw upon the Fund’s experience and learning to date. They are intended to ensure that in the coming years the Fund achieves its maximum potential and impact as a partnership and financing institution. Discussions on the reform agenda and the new strategy are likely to dominate this twenty-third meeting of the Global Fund Board.

3. At the same time as the strategy and reform agenda equip the Global Fund for the future, they are also helping to restore trust in and leadership by the Fund in the wake of negative media reports in January about fraud and corruption in some Global Fund grants. These reports significantly misrepresented the scale of fraud reported, shaking the confidence of several of our donors in a context of budget constraints coupled with wavering commitment to development assistance and multilateralism. In February we announced a number of measures in addition to the reforms already underway to ensure that our system of financial controls is as robust as it can possibly be, including a review by a high-level, independent panel.

4. As we address these major strategic, operational and reputational challenges, the new Results Report launched this month serves as a strong and welcome reminder of the core business of the Global Fund and shows that the Fund is truly “making a difference” in the lives of millions of people around the world.

5. The terms of the Board leadership will expire at the end of this Board meeting. I take this opportunity to warmly thank the Chair, Minister Tedros Adhanom Ghebreyesus, and Vice Chair, Ernest Loevinsohn, for their leadership over the last two years. I particularly appreciate their leadership on the reform agenda and their support during the recent media turbulence. I learned a lot from Dr Tedros’ passionate commitment to improving the health of the poorest people in rural Ethiopia. I look forward to working with their successors when they are elected at the end of this Board meeting.

6. The transition to new leadership of the Board Committees will take place over the coming few months. I thank all the outgoing Committee Chairs and Vice Chairs: Suwit Wibulpolprasert and Todd Summers for their service on the Policy and Strategy Committee; Michelle Moloney-Kitts and Blandina Nyoni for their contributions on the Portfolio and Implementation Committee; Karlo Boras

and Marijke Wijnroks for leading the Ethics Committee; Peter van Rooijen and Clarice Paulini for their service on the Finance and Audit Committee, and Leslie Ramsammy and Kirsten Myhr for their work on the Affordable Medicines for Malaria Committee.

7. I wish to sincerely thank the other Board members whose terms will end at the conclusion of this meeting and/or who are leaving the Board: Joanne Carter from Developed Country NGOs, Karlo Boras from Developing Country NGOs, Marijke Wijnroks from Point 7, George Moyen from Western and Central Africa, Abdulkarim Yehia Rasae from Eastern Mediterranean, Brian Brink from the Private Sector and Luis Riera Figueras from the European Commission-Belgium-Finland-Portugal delegation. I know that all departing Board members will continue to be advocates for and friends of the Global Fund in the future. I extend my warm thanks to the continuing Board members for their hard work and dedication.

8. I thank all the other members of the Global Fund partnership, including our key UN partners UNAIDS, WHO, Unicef and the World Bank; members of the partners constituency, Roll Back Malaria, Stop TB and Unitaid, as well as bilateral agencies, private sector partners, civil society groups and people living with and affected by the diseases.

9. I warmly thank all my colleagues in the Secretariat for their dedication and hard work, especially Debrework Zewdie, the Deputy Executive Director, and the members of the Executive Management Team. I particularly wish to thank the many staff members who have contributed to this report. I sincerely thank Jonathan Brown, who has served as acting Director of Country Programs since May 2010. Jonathan has contributed tremendously to the Global Fund, including through his review and reorganization of the Country Programs Cluster and his work to implement the Country Team Approach.

10. I am very pleased to welcome Mark Eldon-Eddington to his first Board meeting as the new Director of Country Programs. Mark joins the Global Fund after many years of service at Save the Children. I am sure that he will make a very strong addition to the Executive Management Team.

11. At the first Town Hall of the year for Global Fund staff in January, I set out five corporate priorities for 2011. These priorities reflected what I anticipated to be a strong internal focus this year, involving work to improve performance and the quality of services that the Global Fund delivers, implementing reforms and thinking strategically about where the Global Fund will be in five years' time. Following the media turbulence that the Fund experienced in January, I have asked the EMT to support an additional, sixth corporate priority of restoring trust in and leadership by the Fund. The six priorities are shown in Box 1.

Box 1 - Corporate priorities for 2011

- Further improving our **grant management and operational performance**, including implementation of the new architecture and CTA
- Continuing work on a **reform agenda** to bring about a more efficient and effective Global Fund
- Developing the new **Global Fund strategy** for the five-year period 2011-2016
- Continuing to improve **our people development** through performance management, professional development, and listening and responding to staff needs
- **Resource mobilization**
- **Restoring trust in and leadership by the Global Fund** as the world's main multilateral health financing institution

12. The structure of this report, which is based on the six corporate priorities, is as follows:

Part 1, “The Global Fund’s plan for comprehensive reform”, describes work to design a reform agenda for the Global Fund and progress on some key reform initiatives.

Part 2, “Results and overview of portfolio”, highlights key findings of *Making a Difference*, the 2011 Global Fund Results Report.

Part 3, “Partnership initiatives” provides an overview of some of the major areas of collaboration among Global Fund partners.

Part 4, “Restoring trust and leadership”, describes the Global Fund’s responses to the media turbulence in January, including work to strengthen the Fund’s fiduciary controls and the establishment of a high level, independent review panel.

Part 5, “Resource mobilization”, describes resource mobilization efforts since the replenishment conference last October and the focus of those efforts for the remainder of this year.

Part 6, “Secretariat update”, describes recent activities in the Secretariat.

Part 7, “The Global Fund strategy”, discusses progress in developing a new five-year strategy for the Global Fund.

PART 1 - THE GLOBAL FUND'S PLAN FOR COMPREHENSIVE REFORM

Summary

- The Comprehensive Reform Working Group established by the Board in December 2011 has produced a comprehensive reform plan that includes both short- and long-term objectives.
- I am strongly committed to ensuring that the Secretariat makes as strong a contribution as possible to the implementation of the plan.
- Reforms initiated within the Secretariat 12 to 18 months ago are well advanced. Single stream funding will encompass up to a third of the portfolio by the end of 2011. Grants in 33 countries are now being managed under the Country Team Approach.

1.1 As the Global Fund approaches its tenth anniversary, the organization is maturing and drawing upon the many lessons now available from experience to develop and implement an ambitious agenda of reforms. These reforms are the number one corporate priority in 2011 because - as I said throughout the replenishment year- it is critical that the Fund is operating with peak effectiveness and efficiency if it is to implement a bold new strategy with ambitious targets and fully deliver on its mission in the next five years.

1.2 A number of important reforms initiated within the Secretariat 12 to 18 months ago and presented to both the replenishment conference in October and the last Board meeting in December are now well advanced. The two most significant are the new grant architecture based on single stream funding and the Country Team Approach. Recent progress in these two areas is summarized below. Reforms in the key area of fiduciary control are discussed in more detail in Part 4 of this report.

1.3 In the last four months, the Comprehensive Reform Working Group established by the Board has elaborated a comprehensive reform plan that contains a broad set of short- and longer-term reforms. The comprehensive reform plan is discussed later in this section.

Single stream funding

1.4 Implementation of single stream funding continues to progress well. As of April 2011, 110 grants in 28 countries have been consolidated and aligned into 56 single streams of funding. This figure will rise significantly during the third and fourth quarters of 2011 as Round 10 grants are signed. The Secretariat estimates being able to establish approximately 100 new single streams of funding in 2011, which will represent up to a third of the portfolio.

1.5 The consolidated proposal approach was offered on a voluntary basis in Round 10 with strong results: 9 out of 12 submitted consolidated proposals were successful and the TRP was enthusiastic about its ability to more coherently assess the additionality and consistency of new funding requests in relation to existing Global Fund-financed activities.

1.6 In Round 11, consolidated proposals will be mandatory. The consolidated proposal approach will require CCMs to show one holistic picture of their funding request for the disease program, including both current funding and the new request. Experience to date shows that consolidation of grants into single streams also helps facilitate the reprogramming of existing activities (resulting in some significant savings) and aligns them better with national plans and disease control policies.

1.7 2011 will also see the introduction of Periodic Reviews, which is the final key feature of the new grant architecture. Unlike Phase 2 Reviews, which assessed performance on a grant-by-grant, recipient-by-recipient basis on Global Fund-specific timelines, Periodic Reviews will assess all Global Fund-financed activities in a disease program at the same time. Periodic Review timelines are better aligned to national programmatic reporting and fiscal cycles and will provide an important entry point for the Global Fund to more optimally incorporate impact and value for money assessments and national program reviews into the performance-based funding model.

Country Team Approach

1.8 Introduced just over than a year ago, the CTA represents a new way of managing grants in the Global Fund Secretariat. It brings together staff from across the organization in country-specific teams to take shared responsibility for grant management and oversight, including Finance, Legal, Procurement, M&E, Partnerships and Country Programs officers, as well as the LFA. This approach enables full use to be made of available expertise, improving the quality and timeliness of grant management decisions and reducing transaction costs for both implementers and the Global Fund.

1.9 The CTA moves the Global Fund away from a “one size fits all” approach to grant management as staff members develop a much more in-depth understanding of the country’s context and adapt their approaches based on the risk profile of the portfolio under management. Several principal recipients in countries I have visited this year have expressed their appreciation for the new approach.

1.10 The CTA was introduced in September 2010 in 13 countries with large volumes of funding, complex operations and/or other major challenges. Through a significant reallocation of resources, the Secretariat is now managing 33 countries under this approach, with plans for further expansion to 46 countries in 2011 and 2012, depending on available resources.

1.11 The CTA has been introduced in the context of a broader restructure of the Country Programs Cluster effective from March 1. The restructure includes the creation of a new Quality Assurance and Support Services Unit that is responsible for implementing a number of the operational and grant management improvements in the reform agenda, including work to improve grant processes and systems; supporting the Secretariat’s management of Local Fund Agents; risk assessment/mitigation; strengthening CCMs and providing support to grant managers to reduce implementation bottlenecks.

Comprehensive Reform Working Group

1.12 In Sofia last December the Board decided to establish the CRWG to build on the on-going reforms, develop and define a comprehensive reform agenda for the organization as a whole and establish clear timelines and measures of progress. The working group has convened three times in person since January and held several virtual meetings under the leadership of the Chair and Vice Chair of the Board. It has solicited wide input through an online survey and consultations in Kiev, Nairobi, Bangkok and San Salvador, with support from the Secretariat and McKinsey & Co acting as external advisors. I was pleased to be invited to join the working group.

1.13 At this meeting the Board will be asked to endorse the broad direction of the Global Fund’s Plan for Comprehensive Reform that is the result of the CRWG’s work. The deliverables in the plan include ongoing reform activities initiated by the Secretariat as well as relevant work underway in

Board committees. These deliverables are in various stages of implementation. The plan will be updated to capture measures recommended by the high-level review panel.

1.14 The comprehensive plan is based on nine objectives or reform areas:

- a. **Enhanced fiduciary control and risk-management:** The reforms focus on portfolio -wide risk assessments, beginning in the 33 CTA countries, and enhanced fraud prevention and detection measures including management of higher-risk expenditures; minimum standards for financial management and controls; guidance and capacity development on fraud detection for PRs, CCMs, and LFAs, as well as other LFA reforms.
- b. **Improved resource allocation and increased value for money:** The reforms comprise a wide range of measures across the grant lifecycle including improved cost and procurement data to inform grant decision-making and new counterpart financing guidelines.
- c. **Improved proposal development and review processes:** Reforms in this area involve streamlining the proposal development process and encompass innovations such as single stream funding, national strategy applications, the Affordable Medicines Facility - malaria and the Joint Health Systems Funding Platform.
- d. **Improved grant management and reduced transaction costs:** Measures to improve the quality of disbursements, increase consistency and quality of performance-based funding decisions and incentives to expedite grant signing are included in this area.
- e. **Improved internal management:** Relevant initiatives include reviews of the organizational structure, workforce allocation and human resources strategy and procedures; a corporate action plan to follow up on the 2010 staff survey; further development of the IT platform; the Country Team Approach and improved quality assurance.
- f. **Improved partnership and in-country structures:** The Country Team Approach, CCM-related reforms and further conceptual development of a TA platform are among the reforms that will contribute to this goal.
- g. **Improved governance:** A process to review governance and make recommendations to optimize the role and functionality of the Board will be led by the incoming Chair and Vice Chair of the Board.
- h. **Enhanced resource mobilization:** A new resource mobilization plan and review of the replenishment model will link this aspect of the reform agenda to the new five-year strategy.
- i. **Increased sustainability and efficacy:** A number of reforms will contribute to this goal including partnership development and better leveraging of national, counterpart financing and other resources.

1.15 Based on the situation analysis undertaken by the CRWG, five reform areas have been identified as offering particular opportunities for near-term action and early gains. These are 1) fiduciary controls 2) value for money 3) partnerships 4) re-examination of the business model and 5) governance. The working group will present these areas and key deliverables in more detail to the Board meeting. I particularly welcome the proposals to examine governance and the business model because specific action by the Board on these issues will complement the work that the Board is doing on the new five-year strategy.

1.16 I am strongly committed to the agenda of reform that has been articulated by the CRWG and I am determined to ensure that the Secretariat makes as strong a contribution as possible to its success. I will continue to update the Board on progress. It is precisely because of the Global Fund's successful record of results and mobilizing a new kind of partnership that we have the confidence to critically examine the strengths and weaknesses of our ways of working and aspire to even higher standards of performance.

PART 2: RESULTS AND OVERVIEW OF THE PORTFOLIO

"Our success will not be measured by resolutions passed, appointments made, or even funds raised. It will be measured in the lives of succeeding generations."

- Kofi Annan, Abuja, April 26, 2001

Summary

- The new Global Fund results report shows continued impressive scale-up of key interventions for the three diseases in 2010, notably for insecticide-treated bed nets. An estimated 6.5 million lives have now been saved through Global Fund-supported programs.
- Global HIV incidence is declining while access to treatment and prevention is expanding. But millions of people are still in need.
- The Global Fund has steadily increased funding for HIV prevention among most-at-risk populations, TB-HIV co-infection and MDR-TB. But these areas are still inadequately funded.
- Substantial global impact is being reported in the fight against malaria.
- There is growing evidence of the impact of Global Fund-supported programs on the health of women and children.
- The Global Fund has now disbursed \$13.4 billion in countries and more than \$3 billion in 2010.
- More than half of Round 10 grants have completed TRP clarifications and the first grants are due to be signed in June. Value for money is a key consideration in Round 10 negotiations.
- The cost of common ARV regimens fell in 2010, but the overall price of regimens is likely to increase in future. Moderate declines have occurred in the price of key malaria products.
- A draft Market Shaping Strategy for the Global Fund is designed to increase value for money in relation to key health products.
- The quality of data produced by Global Fund implementers has improved significantly.
- Recommendations arising from audits and investigations by the Office of the Inspector General are being implemented.

END 2010 GLOBAL FUND RESULTS

- 2.1 In my report to the last Board meeting in Sofia I previewed some of the Global Fund results for the end of 2010. Detailed results are available this month in *Making a Difference: The Global Fund Results Report 2011* ("the Blue Report"). In this section I extract some of the key findings of the Blue Report with an emphasis on the growing evidence of impact of Global Fund-supported programs and the contributions that the Fund is making to the achievement of international/MDG targets.¹
- 2.2 The results for the top three indicators (ART, DOTS and ITNs) show continued impressive scale-up in 2010 (Table 1). This is especially the case with regard to the increased number of insecticide treated bed nets distributed, which increased by a remarkable 57 per cent over the

¹ The source of data in graphs and tables is the Global Fund unless otherwise indicated.

last year. The cumulative number of people receiving antiretroviral treatment with the Fund's support reached 3 million and the number of courses of DOTS treatment provided by Global Fund supported programs reached 7.7 million.

- 2.3 Based on these three indicators alone, the Global Fund estimates that at least 6.5 million lives have now been saved by the programs it supports. A more comprehensive methodology for estimating lives saved that takes into account additional indicators of Global Fund-supported activities is currently being developed with partners.

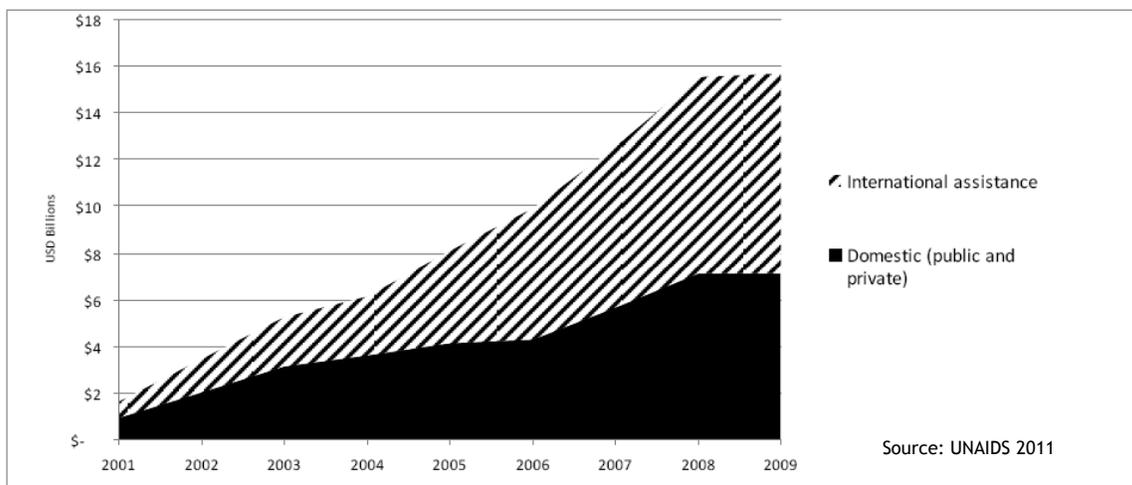
Table 1. Global Fund selected indicators December 2010

Indicator	Dec 2007	Dec 2008	Dec 2009	Dec 2010	% increase in last year
HIV: People on ART	1.4 million	2 million	2.5 million	3 million	20%
TB: DOTS treatment	3.3 million	4.6 million	6 million	7.7 million	29%
Malaria: ITNs distributed	46 million	70 million	104 million	163 million	57%
ARV prophylaxis for PMTCT	-	445,000	790,000	1 million	26%
HIV counselling and testing sessions	-	62 million	105 million	150 million	38%
Condoms distributed	-	-	1,839 million	2,700 million	48%

HIV/AIDS

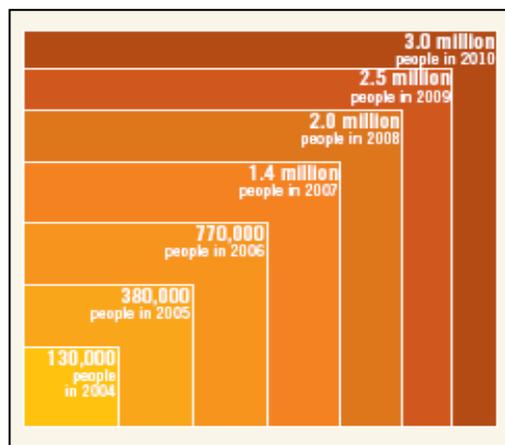
- 2.4 This year marks 30 years since the first published reports of AIDS-related conditions in the United States. Since then, the epidemic has claimed more than 25 million lives and more than 60 million people have been infected. More than 7000 people continue to be infected every day.
- 2.5 However, as UN Secretary General Ban ki-Moon notes in his report for the forthcoming High level Meeting on AIDS in June, HIV programs are now bearing fruit: global HIV incidence is declining and treatment access is expanding. As a result of the AIDS response, an unparalleled global movement has been mobilized for health and human rights.
- 2.6 Combined international and domestic financing for AIDS from all sources approached \$16 billion in 2009, around \$10 billion of this from international sources (Fig. 1). UNAIDS estimates that the Global Fund provided 21 per cent of the total international investments for HIV programs in 2009.

Fig. 1. Total annual resources available for AIDS, 2001-2009



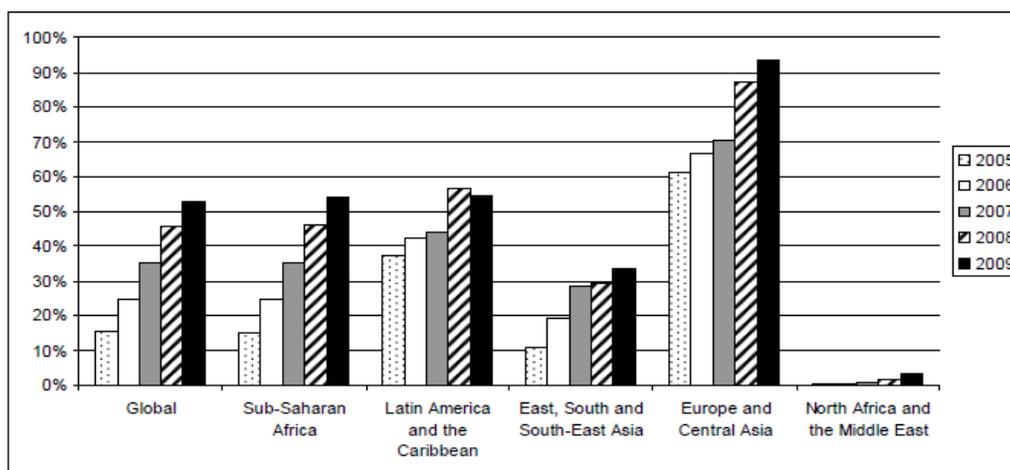
2.7 Three million people were receiving antiretroviral therapy through programs supported by the Global Fund at the end of 2010, a 20 per cent increase from 2009 and more than double the number in 2007. (Fig. 2). The Fund was estimated to be supporting around half of the six million people on treatment globally in 2010. As the number of people receiving treatment increased 13-fold between 2004 and 2009, the number of global AIDS deaths declined by 19 per cent. However, about 10 million people who are in need of treatment in low- and middle-income countries are not receiving it.

Fig. 2. People receiving ART through Global Fund-supported programs, year-end figures 2004-2010



2.8 Significant scale-up of HIV prevention interventions occurred in Global Fund-supported programs in 2010 (Table 1). Global PMTCT coverage exceeded 50 per cent for the first time at the end of 2009 (Fig. 3), with the result that the number of children newly-infected declined by 24 per cent globally between 2004 and 2009. Fund-supported programs were estimated to have provided 47 per cent of all PMTCT services in 2009, a figure that has likely increased through grant re-programming efforts over the last year (See Part 3 of this report). At the current rate of scale up, the world could be on track to achieving universal access to PMTCT by 2015.

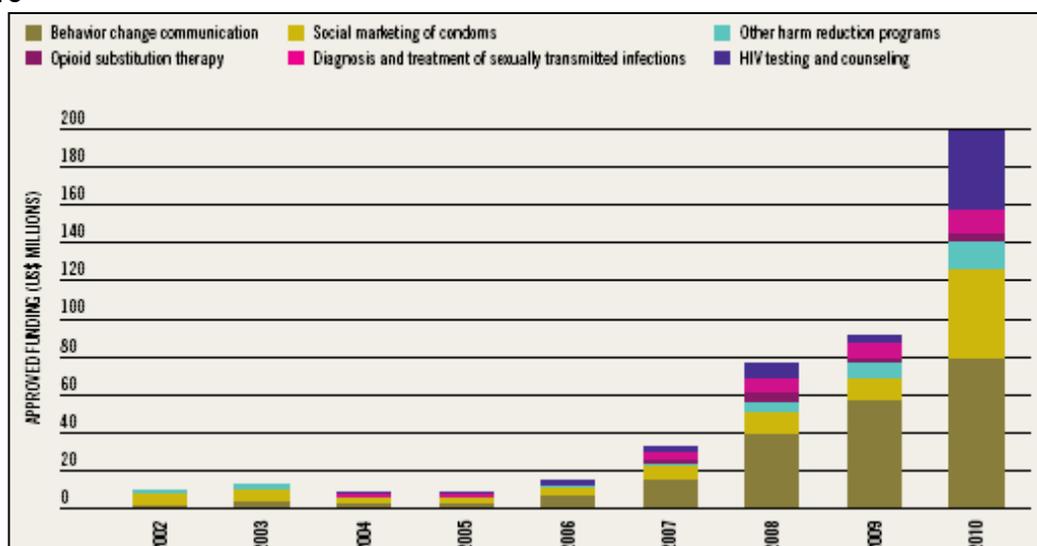
Fig. 3. Coverage of antiretroviral drugs for prevention of vertical HIV transmission in low- and middle-income countries, globally and by region, 2005-2009



Source: WHO, UNAIDS and UNICEF. *Towards universal access: scaling up priority HIV/AIDS interventions in the health sector: progress report 2010.*

2.9 The Global Fund has steadily increased the amount of approved funding for HIV prevention among most at-risk populations from just \$10 million in 2002 to \$201 million in 2010 (Fig. 4). Yet, this continues to fall far short of what is needed and, as the Secretary General recently reported, many national HIV prevention efforts remain fragmented or misdirected. In Asia, 90 per cent of prevention resources for young people support programs focused on low-risk youth who account for only 5 per cent of annual infections. In Eastern Europe and Central Asia, where epidemics are concentrated among people who use drugs, 89 per cent of prevention investment fails to focus on the people at highest risk.

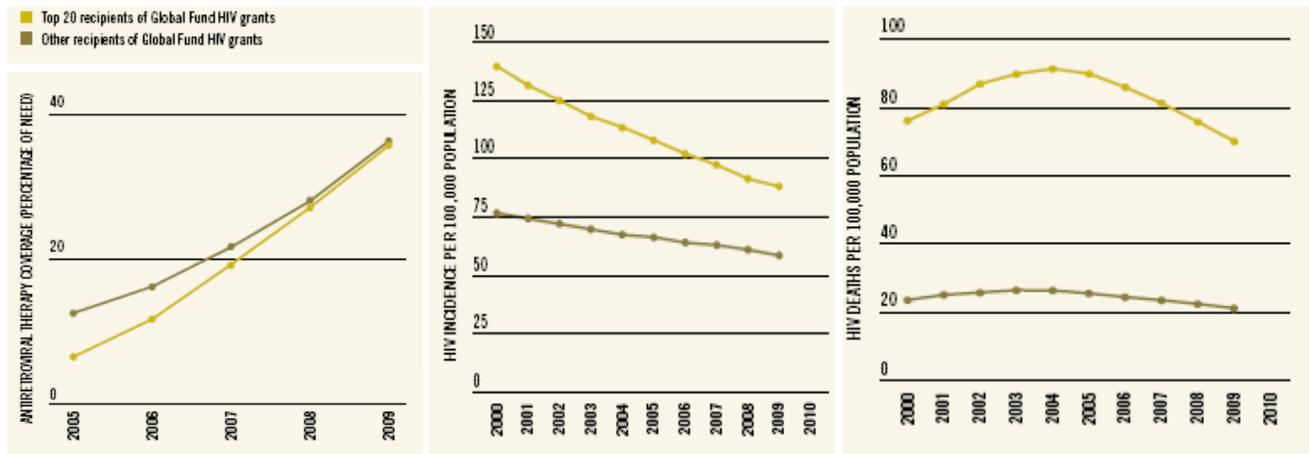
Fig. 4. Approved Global Fund funding for HIV prevention targeting most-at-risk populations 2002-2010



2.10 As the Blue Report shows, the largest proportion of Global Fund disbursements goes to the 20 countries with the lowest coverage of key interventions and the highest burdens of disease and mortality. ART coverage has increased dramatically in the 20 top HIV grant recipient

countries (Fig 5). These countries reported declines in HIV incidence of 25 per cent since between 2005 and 2009 as well as rapid declines in HIV deaths.

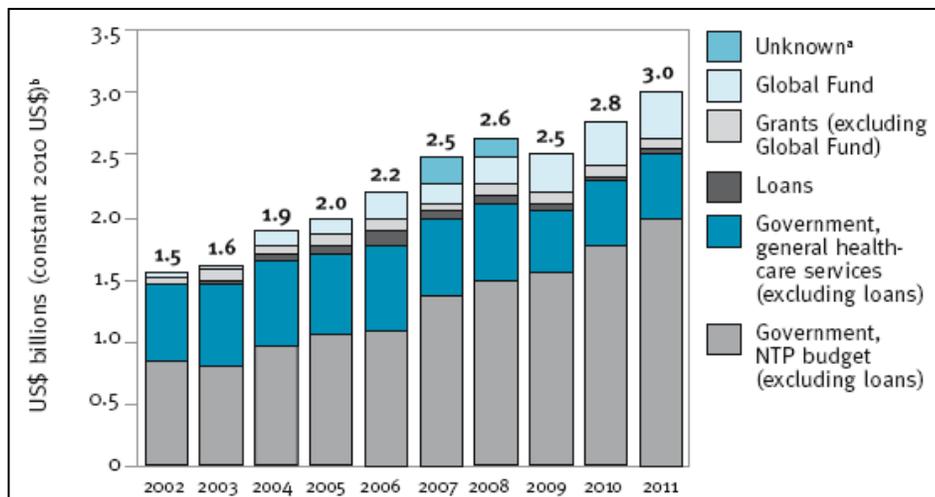
Fig. 5. Progress towards MDG 6 targets for HIV in Global Fund-supported countries



Tuberculosis

2.11 Funding for TB control in the 22 high-burden countries has increased year-on-year since 2002 and is expected to reach \$3 billion in these 22 countries and \$4.7 billion globally in 2011 (Fig. 6). National governments are the largest source of funding, accounting for 86 per cent of total expected global funding in 2011, followed by the Global Fund. The Fund has become an increasingly important funder in recent years, providing 64 per cent of international funding in the 22 high-burden countries in 2009 and an anticipated 84 per cent of international TB funding in 2011.

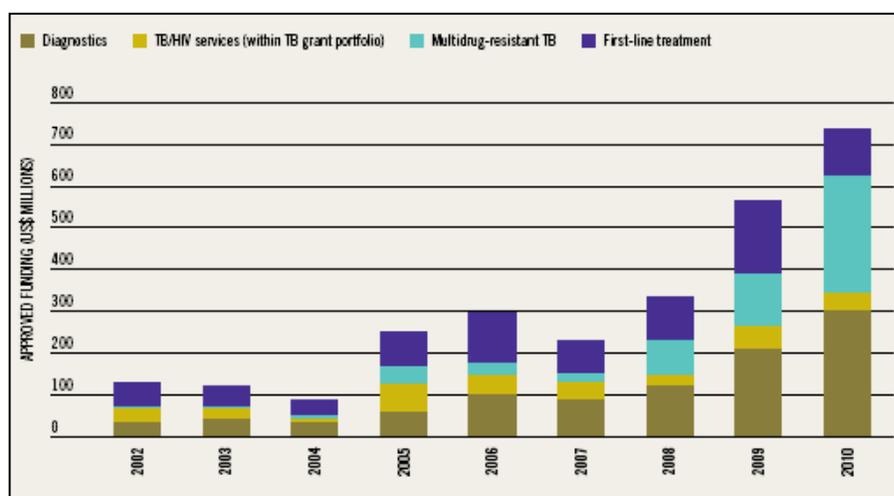
Fig. 6. Funding available for TB control by source of funding in 22 high burden countries, 2002-2011



Source: WHO Global Tuberculosis Control Report 2010

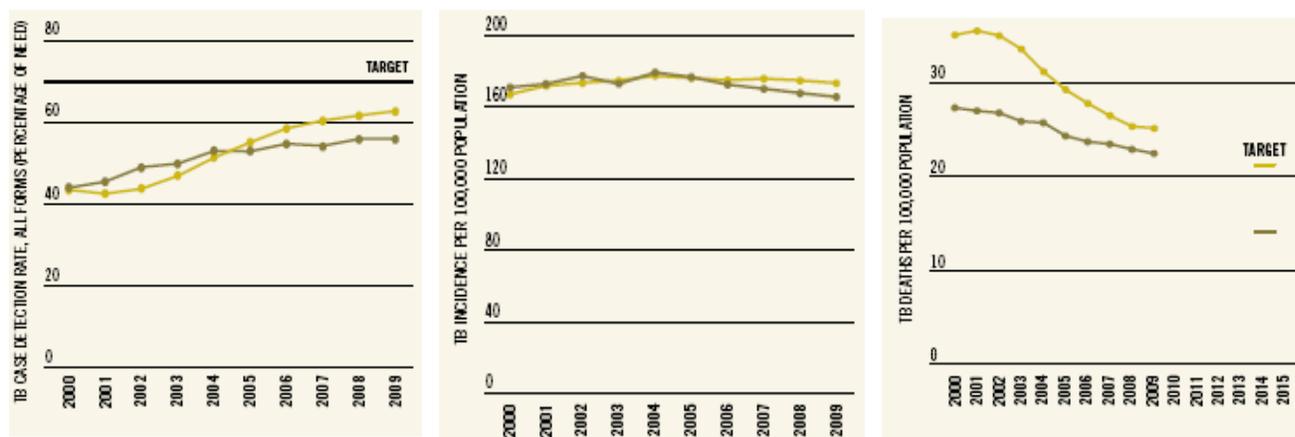
- 2.12 From 2002 to 2010 Global Fund-supported programs reported detecting and treating a cumulative 7.7 million new cases of sputum-positive pulmonary TB using DOTS. Of these, 86 per cent were reported by programs in the 22 high-burden TB countries.
- 2.13 The Fund has steadily increased its funding for both TB-HIV co-infection and MDR-TB. Between 2008 and 2010 the funding for MDR-TB more than tripled, from \$87 million to \$278 million 2010 (Fig. 7). By the end of 2010, programs supported by the Fund had provided 43,000 courses of MDR-TB treatment and the Fund is committed to remain the leading funder of MDR-TB treatment in the coming years. With an estimated 440,000 new cases of MDR-TB each year, the majority of which are undiagnosed, the unmet need for second-line TB treatment is enormous.

Fig. 7. Approved Global Fund financing for TB control, 2002-2010



- 2.14 In the 20 countries with the largest cumulative TB disbursements from the Global Fund, case detection rates have increased from 43 per cent in 2002 to 64 per cent in 2009 (Fig. 8). If these reductions are sustained, it is estimated that nearly half the countries receiving Global Fund support will meet the MDG targets for TB. Four of the five regions are also on track to reach these targets with the notable exception of sub-Saharan Africa where increases in TB incidence and mortality have been driven by the HIV epidemic and have only recently started to be reversed.

Fig. 8. Progress towards MDG 6 targets for TB in Global Fund-supported countries

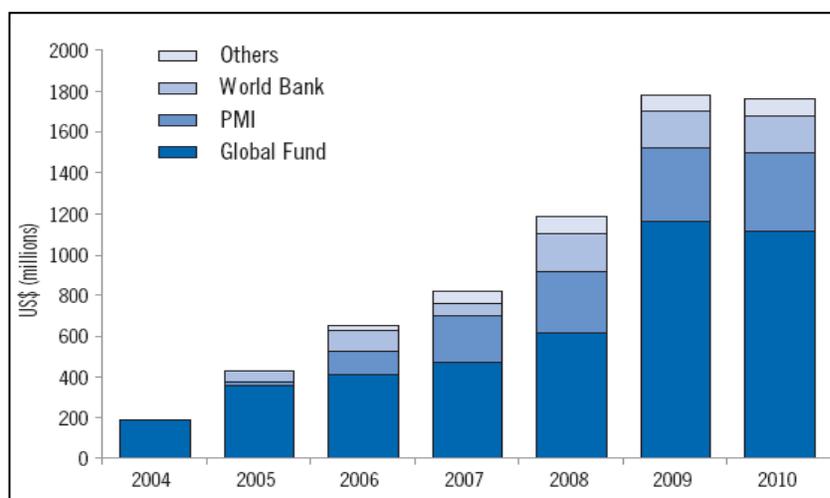


2.15 On a visit to Georgia for World TB Day this year I saw how universal access to MDR-TB treatment - including in prison settings - can be achieved with strong leadership and commitment to TB control and investment in associated health infrastructure.

Malaria

2.16 The 2010 World Malaria Report shows how remarkable the scale-up of malaria control and impact achieved have been in just the last few years. International funds are estimated to have increased from just \$200 million in 2004 to \$1.8 billion in 2010 (Fig. 9). Spending by national governments has also increased substantially. Although total international funding since 2002 has reached nearly \$10 billion in 81 countries, this is still around 60 per cent short of the total need estimated by RBM. A recent study confirms that most funding is targeted to countries with the largest populations at risk from both *P. falciparum* and *P. vivax* and that substantial progress has been made to support the poorest countries in Africa². However, resources could still be better targeted to countries with populations most at risk and the least resources.

Fig. 9. Commitments of major international malaria funders 2004-2010



Source: WHO Global Malaria Report 2010

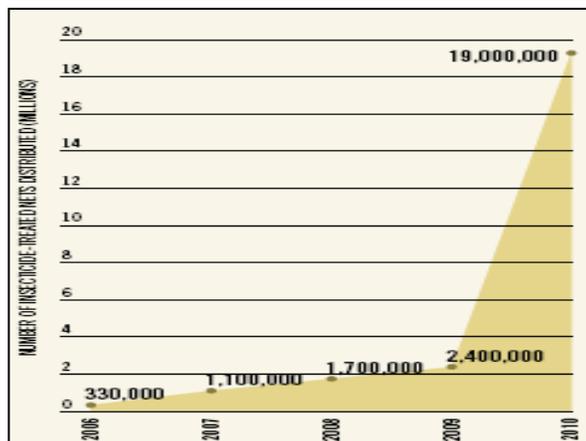
2.17 The Global Fund is the major external financier for malaria, having contributed 76 per cent since 2002, followed by the President's Malaria Initiative (PMI) at 13 per cent. In 2009, the Fund contributed 65 per cent of the international funding for malaria control where the disease is endemic. These resources have enabled the total number of insecticide-treated nets distributed with Global Fund support to reach 160 million by the end of 2010, with a remarkable 59 million distributed in 2010 alone, up from 34 million in 2009.

2.18 By the end of 2010, an estimated 290 million insecticide-treated nets funded by all donors had been distributed in sub-Saharan Africa, the vast majority of them in just the last three years. This is enough nets to cover three-quarters of the African population at risk of malaria. An estimated 42 per cent of African households own at least one net, and 35 per cent of children under 5 slept under a net in 2010. Household ownership is estimated to have reached more than 50 per cent in 19 African countries.

² Snow et al, Lancet 2010 376:1409-16

2.19 Nigeria provides a strong example of the pace of scale-up of bed net distribution, having rapidly expanded access in the last two years with Round 8 funding (Fig. 10). Half of Nigerian states had achieved universal access by the end of 2010, with the remainder expected to do so by the end of this year.

Fig. 10. Cumulative number of insecticide-treated nets distributed by Global Fund-supported programs in Nigeria 2006-2010



2.20 The number of malaria cases treated with Global Fund support nearly doubled in 2010, reaching 62 million compared to 33 million in 2009. Of the 170 million courses of malaria treatment financed by the Global Fund since 2002, more than three-quarters were artemisinin-based combination therapies. WHO estimates that there were 225 million malaria cases worldwide in 2009.

2.21 The percentage of suspected malaria cases confirmed by a parasitological test has increased between 2005 and 2009, including from 26 per cent to 35 per cent in the WHO African region, from 47 per cent to 68 per cent in the WHO Eastern Mediterranean region and from 58 per cent to 95 per cent in the WHO South-East Asia region (excluding India). However, low rates persist in the majority of African countries. Data from a limited number of countries suggest that both microscopy and rapid diagnostic testing are less widely available in the private sector than the public sector.

2.22 Substantial global impact in the fight against malaria is being reported. Eleven countries and one area in the WHO Africa region have shown a reduction of more than 50 per cent in either confirmed malaria cases or malaria admissions and deaths in recent years (Algeria, Botswana, Cape Verde, Eritrea, Madagascar, Namibia, Rwanda, Sao Tome and Principe, South Africa, Swaziland, Zambia and Zanzibar (Tanzania)).

2.23 In other WHO regions, the number of reported cases of confirmed malaria decreased by more than 50 per cent between 2000 and 2009 in 32 of the 56 malaria endemic countries and downward trends of 25-50 per cent were seen in eight other countries. The number of cases fell least in countries with the highest incidence rates, highlighting the need for more effort in higher-burden countries outside Africa. The full impact of the vast scale-up of malaria control in the last three years is yet to be realized.

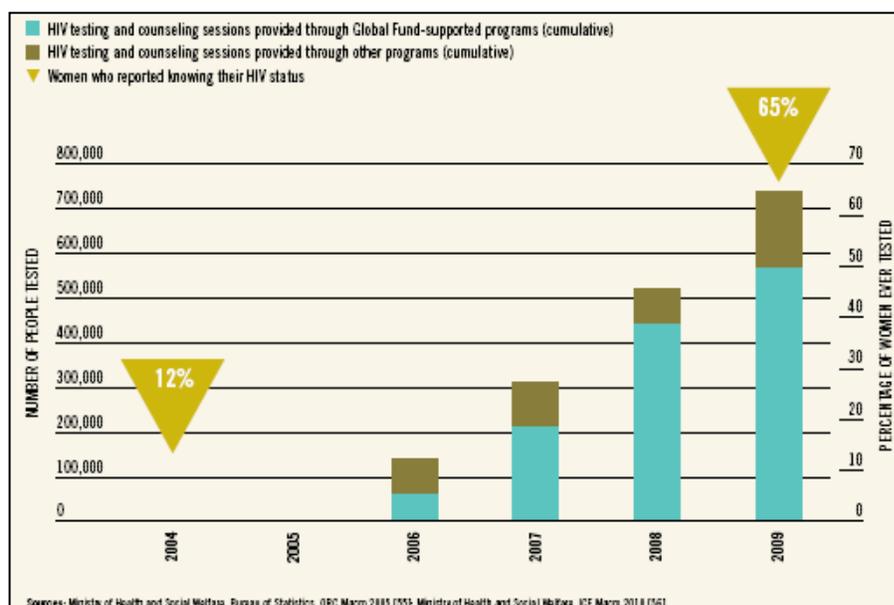
2.24 The impressive global progress against malaria in just a few years illustrates how quickly interventions against this disease can have impact and provides strong basis for hope that, if these efforts are sustained, the MDG targets for malaria can be achieved by 2015.

MDGs 4 and 5

2.25 TB causes more deaths among women than all causes of maternal mortality combined. More than half the 33 million people living with HIV globally are women, and more than 400,000 children acquire HIV every year. Pregnant women and children are the most vulnerable to malaria. Interventions against the three diseases therefore have a tremendous impact on maternal and child health, and the Global Fund estimates that between 44 and 54 per cent of its financing benefits women and children directly or indirectly. Zanzibar and Lesotho provide just two examples of how Global Fund-supported programs are accelerating progress towards MDGs 4 and 5 respectively.

2.26 Global Fund supported programs in Lesotho - where women account for 55 per cent of all HIV cases - have financed more than 60,000 HIV tests and trained thousands of health workers to provide comprehensive PMTCT services. The grants have also supported the integrated management of TB/HIV, condom distribution, treatment of sexually transmitted infections and post-exposure prophylaxis for victims of sexual violence. The proportion of women who reported knowing their HIV status in Lesotho increased from 12 to 65 per cent between 2004 and 2009 (Fig 11). At the same time, unmet need for family planning decreased from 31 per cent to 23 per cent.

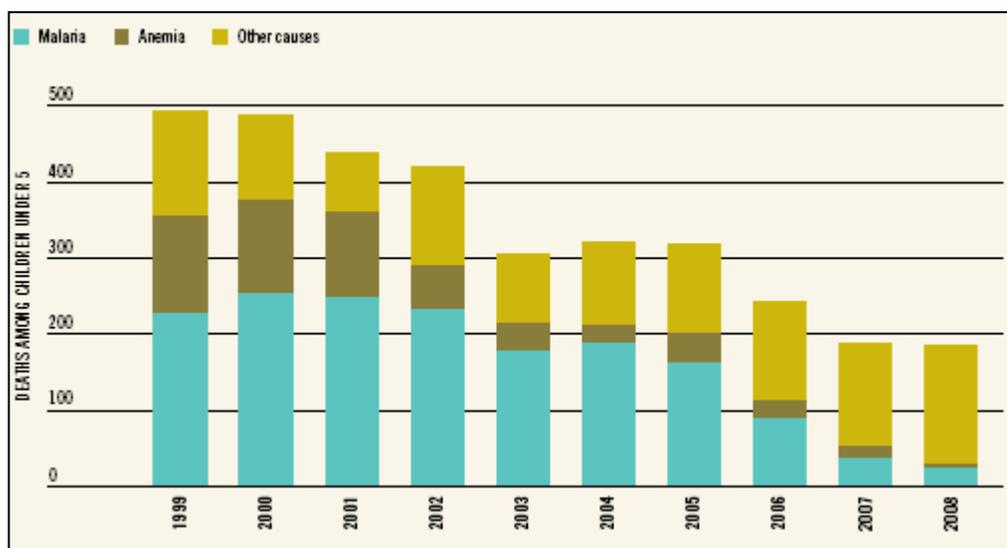
Fig. 11. Knowledge of HIV status among women in Lesotho, 2004-2009



2.27 Zanzibar began distribution of insecticide treated nets in 2003 and achieved universal coverage in 2009. Indoor residual spraying covering nearly all households has been carried out since 2009. These efforts have had a dramatic impact, including an 80 per cent reduction in hospital admissions and deaths due to malaria and anemia in children under 5 in six of Zanzibar's seven hospitals between 2001 and 2008. These reductions contributed to a 50 per

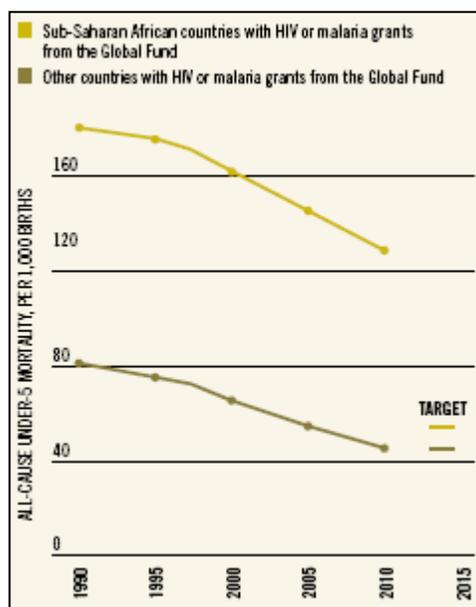
cent reduction in overall hospital deaths and admissions among children in the same period (Fig. 12).

Fig 12. Inpatient deaths due to malaria, anemia and other sources in children under 5 in six hospitals in Zanzibar, Tanzania



2.28 Low- and middle-income countries with HIV or malaria grants from the Global Fund are achieving steady declines in under-5 mortality. However, this will need to accelerate to achieve MDG targets by 2015 (Fig. 13). In sub-Saharan Africa as a whole, the annual decline in under-5 mortality among grant recipients between 2005 and 2009 was 2.8 per cent per year compared to 3.8 per cent per year in other regions.

Fig. 13. All-cause mortality in children under 5 in countries with Global Fund HIV or malaria grants, 1990-2015



Note: The 2015 target represents the MDG goal 4 target of a 67 per cent reduction in all-cause child mortality from a 1990 baseline. Included are low- and middle-income countries with at least one Global Fund grant. Source: UN Inter-agency group for Child Mortality Estimation 2010.

2.29 A few weeks ago, the World Bank reported that around 40 per cent of developing countries are far from achieving the MDG maternal and child mortality targets. While improved access to malaria, TB and HIV interventions will contribute to further child survival gains and improvements in maternal health, accelerated progress is urgently needed on other aspects of maternal and child health services and health systems, and on improving the overall quality of health services. The Global Fund has been actively involved in discussions on design and implementation of the UN Secretary General's Global Strategy for Women and Children's Health which aims to enhance financing, strengthen policy and improve service delivery for women and children.

Health and community systems strengthening

2.30 Since the Fund was established, countries have not only requested funding for commodities and prevention interventions, but also for related health and community systems support including salaries and training, infrastructure and monitoring and evaluation. An estimated 36 per cent or \$7.8 billion of total approved Global Fund financing addresses these needs.

2.31 Countries may request funding for health systems strengthening activities that cut across more than one disease area. The amounts in this category recommended by the TRP have fluctuated over the last three rounds with a drop occurring in Round 10 (Table 2). This is likely to be due to a range of factors including availability of funding from other sources, previously approved requests and quality of proposals.

Table 2. Number and value of recommended HSS requests Rounds 8 - 10

	Round 8	Round 9	Round 10
Number of cross-cutting HSS requests (sections 4B/5B) recommended	25	17	11
Phase 1 value of cross-cutting HSS requests (sections 4B/5B) recommended	\$283 m	\$363 m	\$128 m

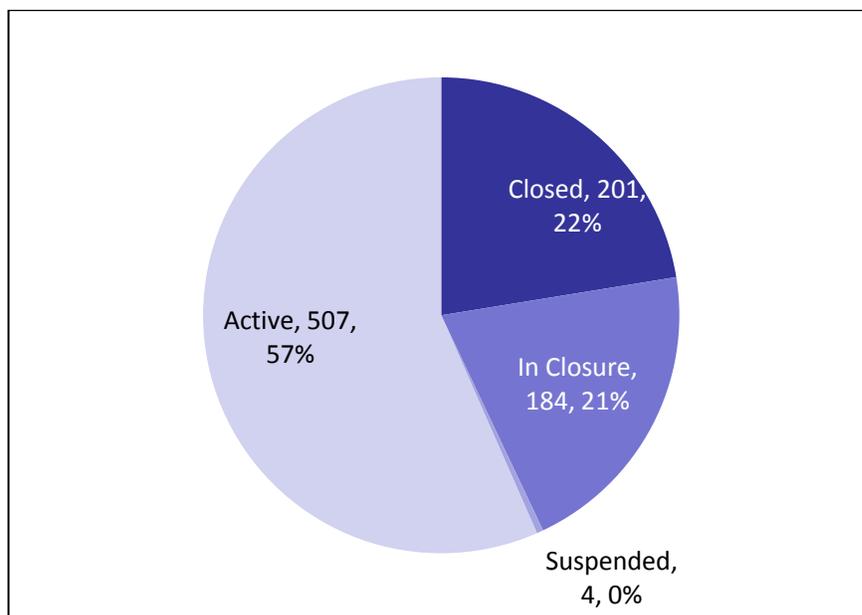
2.32 In Round 10, for the first time, applicants could refer to the Community Systems Strengthening Framework to include support for CSS in their disease proposals or cross-cutting HSS funding requests. Around half of the 150 disease proposals and six of the 28 cross-cutting HSS requests reviewed by the TRP in Round 10 included CSS interventions. Of these, 28 were recommended for funding. The total 5-year recommended upper-ceiling for funding for CSS interventions amount to \$145 million.

OVERVIEW OF THE PORTFOLIO

Composition

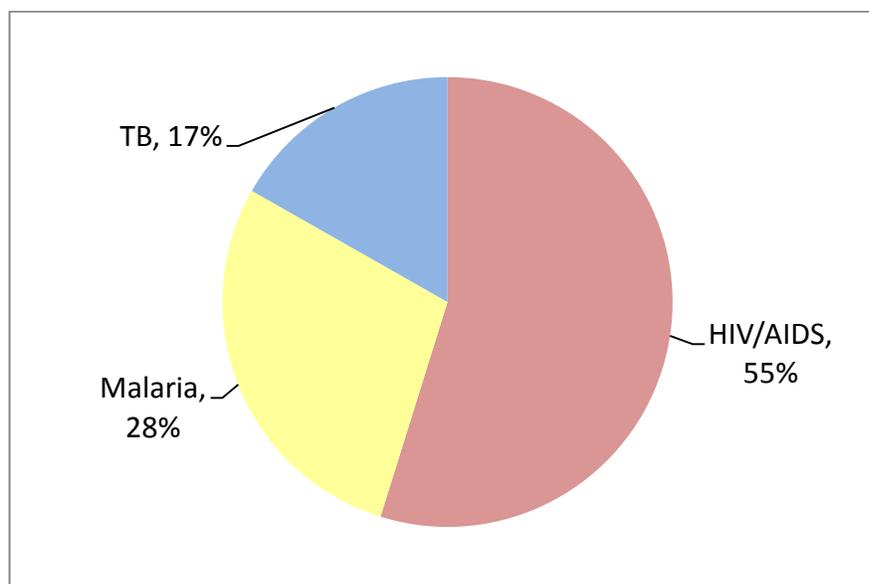
2.33 By the end of March 2011, the Global Fund had disbursed a cumulative total of \$13.4 billion through 890 grants in 150 countries. There were 507 active grants (Fig.14).

Fig 14. Grant status at March 31, 2011



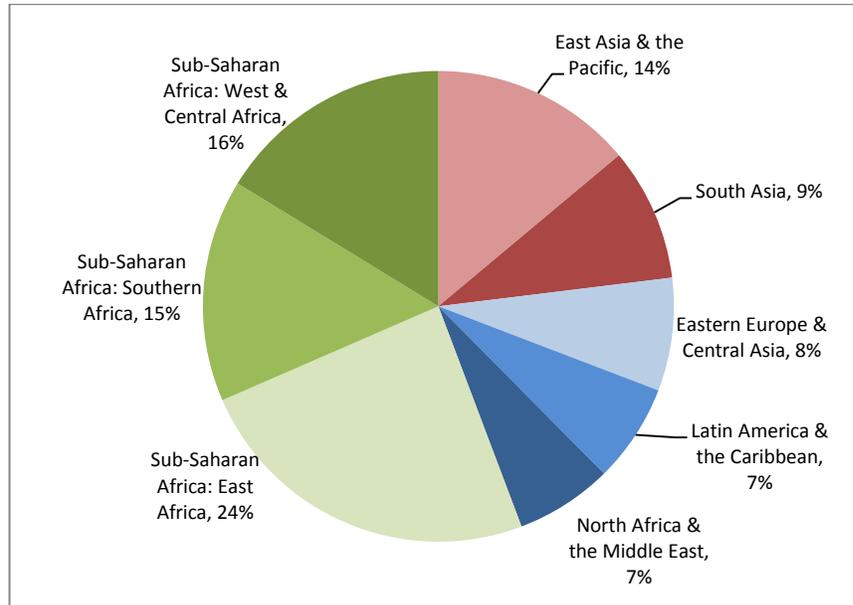
2.34 Fifty-five per cent of the portfolio is invested in AIDS programs, 28 per cent in malaria programs and 17 per cent in TB programs (Fig. 15).

Fig. 15. Composition of portfolio by disease, Rounds 1-10



2.35 Nearly 60 per cent of the portfolio is invested in sub-Saharan Africa (Fig. 16).

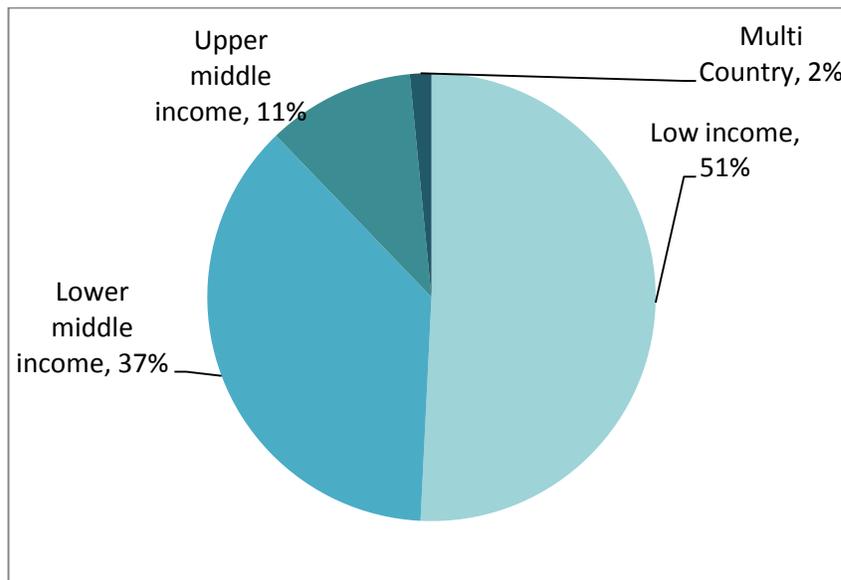
Fig. 16. Composition of portfolio by region, Rounds 1-10



Note: Global Fund regions differ from WHO regions. The Global Fund region of the Middle East and North Africa comprises Algeria, Chad, Djibouti, Egypt, Iraq, Jordan, Mali, Mauritania, Morocco, Multi-country Middle East - North Africa (MENAHR), Niger, Somalia, Sudan (North and South), Syrian Arab Republic, Tunisia, West Bank and Gaza, and Yemen.

2.36 Nearly 90 per cent of the portfolio is invested in low-income and low-middle income countries (Fig. 17).

Fig. 17. Composition of portfolio by income level, Rounds 1-10



- 2.37 “Enhanced Financial Reporting”, introduced in 2008, has now captured \$6.8 billion in expenditure in 448 grants. At the end of 2009, Ministries of Health and other government entities accounted for just over half of cumulative expenditure, while civil society organizations, the private sector and faith-based groups accounted for 38 per cent (Fig. 18).
- 2.38 By the end of the 2009 reporting cycle, medicines accounted for one fifth of cumulative expenditure, other health products and equipment 17 per cent and human resources 15 per cent (Fig. 19).

Fig. 18. Cumulative expenditures by the end of the 2009 reporting cycle, by implementing entity

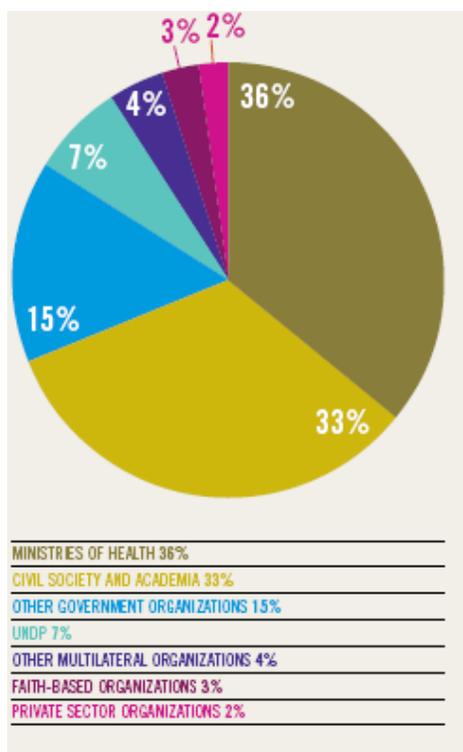
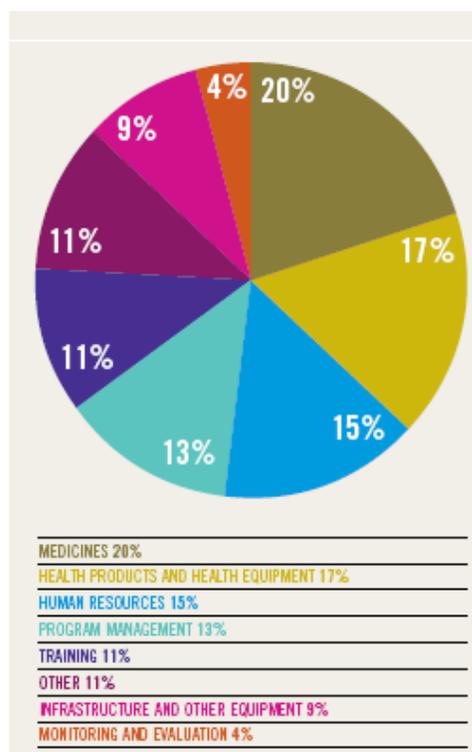


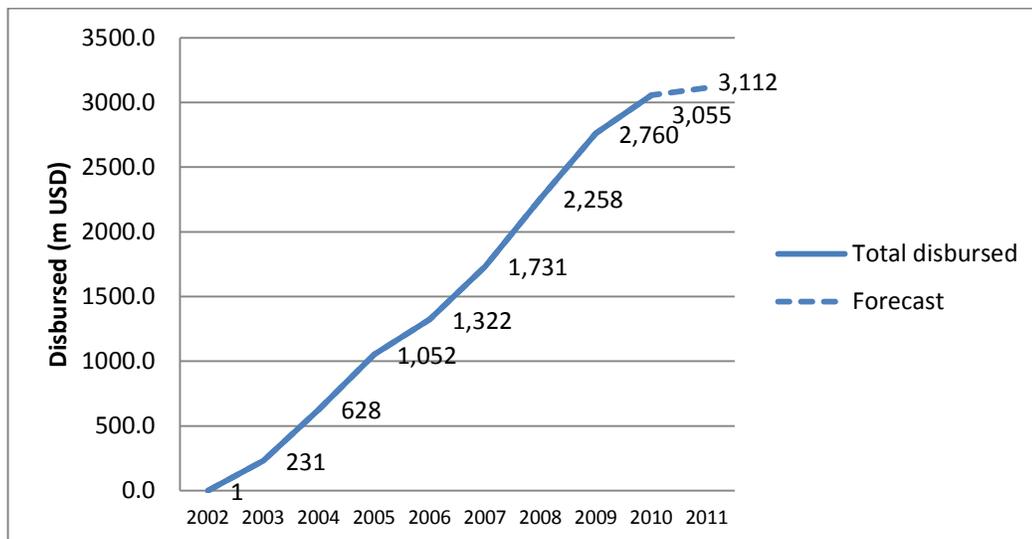
Fig. 19. Cumulative expenditures by the end of the 2009 reporting cycle, by cost category



Disbursements

- 2.39 The Global Fund disbursed \$3.049 billion in 2010, in line with the annual target (Fig. 20). Disbursements were distributed much more evenly throughout the year than in previous years. The median time for disbursement processing was greatly improved, reaching 23 calendar days against a target of 21 days and compared to the end-2009 result of 35 days. An ambitious disbursement target of \$3.112 billion has been set for 2011.
- 2.40 KPI results reflected increased transparency of data in 2010 with 85 per cent of grant performance reports published within two weeks of disbursements (against a target of 90 per cent), compared to 60.5 per cent in 2009.

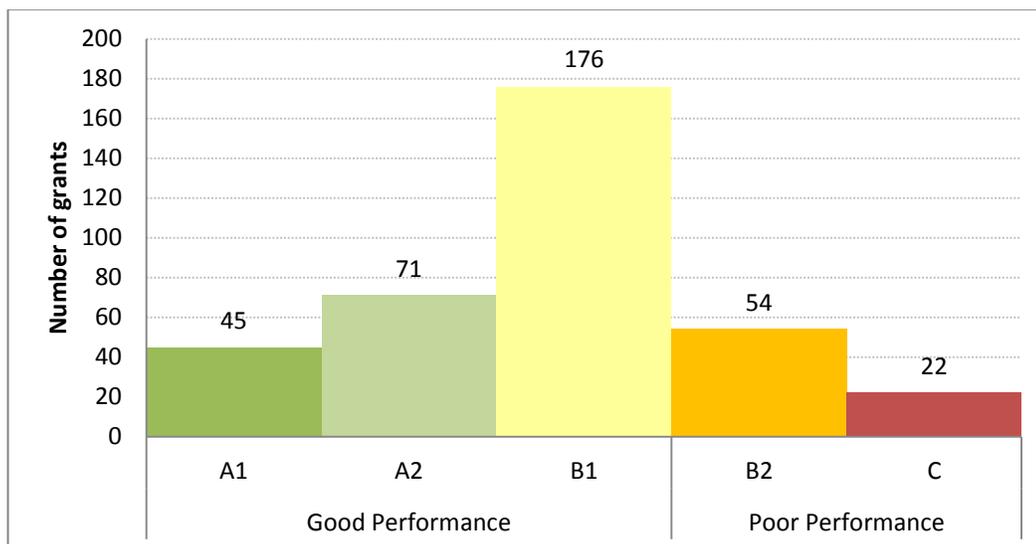
Fig. 20. Annual Global Fund disbursements, 2002 - 2011



Grant performance

2.41 Portfolio performance remains consistently strong with 80.5 per cent of active grants performing well in 2010, against a target of 85 per cent. Furthermore, 49 per cent of the grants that performed poorly in 2009 improved to a B1 rating or better in 2010. Consistent with these findings, analysis at the end of March 2011 showed that around 20 per cent of the active portfolio was rated B2 or C at the last disbursement (Fig. 21).

Fig 21. Latest disbursement rating for active grants at 31 March 2011



Round 8 and 9 grant signing

- 2.42 KPI results for end-2010 showed an average time of 11.1 months taken to negotiate and sign Round 8 grants and 11.2 months for Round 9 grants against the target of 8 months (that has never been met). Average time from Board approval to grant signing for Round 9 overall has been 10.2 months.
- 2.43 Of the 143 grants approved for Round 9, 135 have been signed, 55 of which are single-stream funding agreements. Disbursements have already been made to 116 grants. The eight grants that remain to be signed have received exceptional extensions. Overall efficiency gains achieved on fully-signed components presently amount to 13 per cent of the total two-year ceiling approved by the Board.

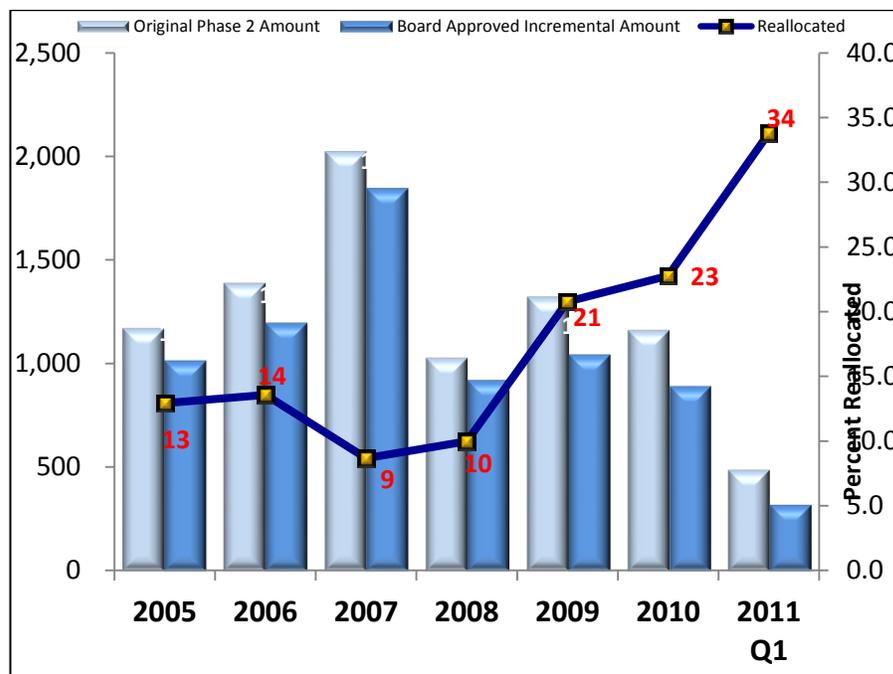
Round 10 status

- 2.44 Of the 80 proposals approved in Round 10, 49 had completed the TRP clarification process by early March. The first grants are expected to be signed in June. Around 40 per cent of Round 10 grants are expected to be signed as single-stream funding agreements. Consistent with increasing the Fund's efficiency, the Secretariat has developed a value for money checklist to help teams negotiating Round 10 grants ensure that different aspects of value for money - including effectiveness, efficiency and additionality - are considered in the negotiation process.

Phase 2 Review

- 2.45 Of the 522 grants that had undergone Phase 2 review by the end of 2010, 76 per cent received an A or B1 rating. More than 80 per cent of the grants managed by civil society organizations received an A or B1 rating, compared to 75 per cent for government agencies. Grants in Eastern Europe and Central Asia have performed particularly well, with 95 per cent receiving an A or B1 rating.
- 2.46 Since 2010 a number of improvements have strengthened the Phase 2 process by more stringent application of performance based funding approaches and the introduction of a new grant scorecard for decision-making. The scorecard emphasizes risk management and value for money and is a bridge to the forthcoming periodic reviews.
- 2.47 Of the 27 phase 2 decisions in 2011, 52 per cent were given a "GO"; 41 per cent "Conditional GO" and 7 per cent (two grants from one country) "No GO". Overall, since 2005, 49 per cent of reviewed grants have been given a "GO", 48 per cent "Conditional Go" and the residual are those where the tough decision of discontinuing funding has been taken.
- 2.48 Fig. 22 shows how in the last three years Key Performance Indicator 7 (funding following performance at grant renewal) has followed a significant upward trajectory, with the percentage of funding reallocated increasing from 21 per cent in 2009 to 34 per cent in the first quarter of 2011. This reflects a sustained improvement in application of value for money principles at Phase 2 leading to total efficiencies since 2005 of \$1.3 billion.

Fig. 22. Phase 2 savings, 2005-2011

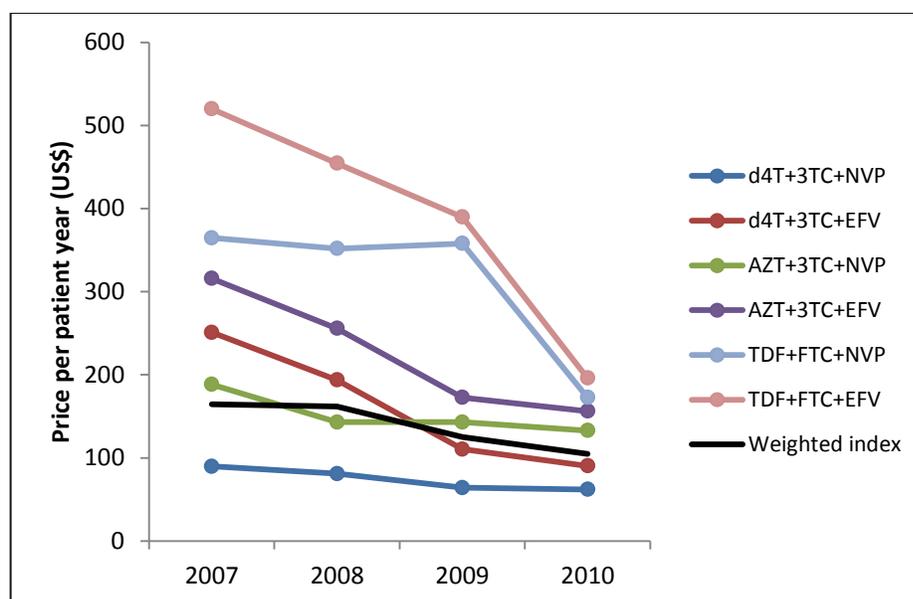


2.49 Since October 2010, the Secretariat has systematically incorporated data on procured pharmaceutical and health products from the Price and Quality Reporting Mechanism into Phase 2 Reviews. Prior to every review, Local Fund Agents are required to verify all data within the PQR for the respective grant and the reporting completeness is crosschecked against Procurement and Supply Management Plan forecasts. The Secretariat then reviews the transactions, confirms compliance with Quality Assurance Policies and benchmarks the prices achieved by the grant against international reference ranges and manufacturer tiered pricing schemes. This analysis is shared with the Country Team and included in the Grant Scorecard. Follow-up actions may be taken if prices exceed reference ranges or if reporting is deemed to be incomplete.

Procurement trends

2.50 The downward trend in the cost of the most common ARV regimens continued in 2010 (Fig. 23). Based on the median prices that principal recipients reported for individual ARVs, as well as WHO guidelines for ARV regimens, the estimated cost for the eight most common first-line regimens for adults fell by 23 percent between 2008 and 2009 (from \$162 in 2008 to \$125) and by another 16 percent from 2009 to 2010 (from \$125 to \$105). These decreases were largely driven by falling global prices for the most utilized medicines, including efavirenz. However, it is likely that the average cost of first-line ARV drugs per patient will increase in the future because the revised WHO treatment guidelines call for a shift away from stavudine-based regimens which are the least expensive of the regimes currently available and accounted for 58 percent of first-line treatments globally in 2009.

Fig. 23. Estimated median costs for common first-line adult ARV regimens



Notes: Estimated costs for the six most common regimens are based on weighted medians of unit prices in transactions reported in the Price and Quality Reporting system as of 14 January 2011. The weighted index for the regimens reflects the global distribution of patients by regimen, as reported by WHO in a 2009 survey. The weighted index also reflects data for the next two most common regimens, TDF+3TC+NVP and TDF+3TC+EFV, which each accounted for 1 per cent of all antiretroviral patients in 2009.

Sources: Global Fund, WHO, UNAIDS, UNICEF

2.51 Data from the Price and Quality Reporting Mechanism suggest that there have also been moderate declines in the prices of key malaria products. The median unit price for all reported purchases of insecticide-treated nets declined from \$5.10 in 2007 to \$4.60 in 2009. Prices varied considerably, however, reflecting heterogeneity in product characteristics (such as the size and shape of the net) as well as whether or not shipping and insurance were included in the price. For the two most common sizes of insecticide treated nets, prices declined on average 2 to 7 percent annually between 2007 and 2010. The median prices reported for artemether-lumefantrine, the most common ACT, have also fallen since 2007. The most recent prices reported for orders in 2010 imply a cost for drugs alone of approximately \$1.30 to treat each adult and \$0.36 to treat each child weighing between 5 and 15 kg.

Voluntary Pooled Procurement

2.52 As of March 2011, principal recipients from 43 countries (84 grants) have utilized the Voluntary Pooled Procurement mechanism to purchase health products. In addition, three countries are receiving extensive support to address challenges in procurement and supply management through the Global Fund's Capacity Building Services (CBS) and Supply Chain Management Assistance.

2.53 Over the 21 months since the operationalization of VPP, orders worth \$558 million have been confirmed, of which 87 per cent in dollar value are for core health products. These include 81 million LLINs, 26 million courses of ACTs, and ARVs to maintain 270,000 people on treatment for the period during which VPP has been operational.

2.54 Preliminary analyses indicate that competitive prices have been attained through VPP, with ARV prices at or below those recommended by MSF and CHAI. LLINs procured through the VPP also demonstrated on average 6.5 per cent lower prices than those reported through the Global Price and Quality Reporting Mechanism. Awards have been made to a range of manufacturers, contributing to building of a sustainable market. All relevant data on VPP prices are available on the Global Fund website.

Market Dynamics

2.55 I welcome the recent work of the Market Dynamics Committee that is proposing a comprehensive market shaping strategy for key health products financed by the Global Fund for the Board's consideration at this meeting. The objectives of the strategy are to increase value for money through optimized product selection, ensure sustainable product availability and strengthen national procurement. The strategy's initial focus is on increasing value for money in the purchase of antiretroviral drugs, including pediatric formulations, and expediting the transition to single dose ACTs. I look forward to the Board discussion on this important work.

Data Quality

2.56 The Global Fund Data Quality Strategy developed in 2009-2010 involves work in four areas: strengthening data governance and the overall data environment; streamlining data architecture; strengthening monitoring and evaluation and health information systems in countries, and reinforcing data quality assessments in grant management.

2.57 During the grant life cycle, the Global Fund assesses the quality of data it uses to assess performance and make funding decisions through On-Site Data Verification (OSDV) conducted by the LFA, as well as Data Quality Audits (DQA). The proportion of eligible grants with OSDV has risen substantially from 27 per cent in 2008 to 92 per cent in 2010, with an ambitious target of 95 per cent set for 2011.

2.58 In 2009, the 340 grants with on-site data verifications performed by the Global Fund involved the assessment of 924 indicators. Of these indicators, 63 per cent had no data quality issues while 14 per cent had minor data quality issues and 23 per cent had major data quality issues, including both under- and over-reporting.

2.59 The Global Fund also contracts external auditors to conduct independent data quality audits (DQA). The DQA tool and methodology were developed by the Global Fund in collaboration with WHO, OGAC, UNAIDS, MEASURE-Evaluation and other partners. On average, 12 to 20 selected grants undergo DQA every year. Only two of the 41 DQAs conducted from 2008 to 2010 found major data quality issues (Table 3). A bi-annual report on the implementation of the data quality strategy will be available from July 2011.

Table 3. Data Quality Audit results

Year	No of DQAs conducted	No. of DQAs with No Data Quality Issues	No. of DQAs with Minor Data Quality Issues	No. of DQAs with Major Data Quality Issues	No. of DQAs currently being finalized
2008	8	4	4	0	0
2009	17	6	11	0	0
2010	16	4	5	2	5
TOTAL	41	14	20	2	5

Additional Safeguards Policy and grant suspension

2.60 Grants in Chad, Cote D'Ivoire, Djibouti, Haiti, Iran, Mali, Mauritania, Myanmar, North Korea, Papua New Guinea, Sudan (North & South) and Zimbabwe are currently managed under the Additional Safeguard Policy (ASP). ASP measures are also applied *de facto* to grants in Iraq, Syria and West Bank & Gaza. The application of the ASP is tailored to each country based on the risks identified. For example, in the case of fiduciary risks, implementers may be asked to increase the frequency of financial reporting, to tighten procurement arrangements, to make direct payments to contractors or procurement agents or to adopt measures to minimize exchange rate distortions.

2.61 In the first week of March this year, I suspended HIV grant number MAL-809-G07 in Mali until a new principal recipient is identified. The decision came after evidence from the Office of the Inspector General that grant money had been misused and is part of a process of restoring confidence in the ability of Mali's health sector to manage Global Fund resources appropriately. The grant suspension does not affect any of the 22,500 patients on antiretroviral treatment in Mali whose medicines are financed by a second HIV grant with a different principal recipient.

Audits and investigations

2.62 The OIG has now concluded 11 country audits and 6 audits of Global Fund systems. While the country audits emphasize problems and the need for improvements, they include positive findings, among which the three disease programs in Rwanda were particularly noted for their effectiveness, efficiency, technological and operational innovation, strong engagement and oversight by the CCM and effective risk management by the LFA.

2.63 Some 750 recommendations have been made in the completed audit reports. These recommendations are being acted upon across all levels of the Global Fund including Board and Technical Review Panel, Secretariat, CCMs, LFAs and among country partners. The recommendations address a wide range of matters such as institutional arrangements including governance and program oversight; financial management; procurement and supply chain management; compliance with terms of grant agreements; monitoring and evaluation, and service delivery. More than 30 additional audits are presently scheduled or in the reporting or data collection phases.

2.64 In addition to the steps being taken to address specific OIG recommendations and lessons learned from audits and investigations, the reform agenda has a strong focus on strengthening fiduciary oversight and fraud prevention and detection in countries and at the Secretariat.

- 2.65 The Inspector General has recently communicated the report of his first completed investigation, for Mali, and indicated that an additional 32 cases are under active investigation.
- 2.66 The Secretariat has taken action to recover funds where there is evidence of misuse. So far, a total of \$7.6 million has been refunded, deducted from future disbursements or accounted for. Most recently, Zambia and Mauritania have committed to pay back a total of \$9.5 million. This is additional to previous commitments from Uganda, Cameroun and Cambodia to refund \$4.99 million.
- 2.67 The Secretariat and the OIG are working with UNDP and UNICEF to obtain access to the internal audits of those organizations. This issue will be discussed at the next UNDP Board meeting later this year. I am grateful to Helen Clarke and Tony Lake for their support and cooperation in this area.

PART 3: PARTNERSHIPS

"This battle can be won only if we mobilize and focus the efforts of a wide range of stakeholders: national leaders like yourselves, donor governments, the United Nations system, pharmaceutical and other companies, foundations, and voluntary groups - especially those that represent people living with HIV. In other words, we need a complete mobilization of society at large. Everyone has his or her part to play."

- Kofi Annan, Abuja, April 26, 2001

Summary

- The range of activities underway between Global Fund partners on strategic and technical issues and to support implementation at country level shows that in many ways the partnership is flourishing. Collaboration with multilateral partners at the global level is extensive.
- Prevention of mother-to-child transmission, the Affordable Medicines Facility for malaria, action on drug theft and health systems strengthening are some of the key areas in which partners are currently engaged.
- The Global Fund Partnership Forum in Sao Paulo in June is a key event in the life of the Global Fund. The draft five-year strategy framework will be a key topic for discussion.

3.1 By their nature partnerships require constant attention and effort. A key focus of concern over the last few years and of the current reform agenda and five-year strategy development process is how best to improve the operational partnership of the Global Fund in countries while maintaining Secretariat staff based only in Geneva.

3.2 As I reflected on the content of this report, I was struck by the many ways in which the Global Fund partnership is actually flourishing, embracing an ever-expanding range of activities, creating opportunities for dialogue, involving new and diverse actors and generating results more effectively because we are jointly engaged in a common endeavour. This section highlights some of the major partnership activities currently underway in three key areas: collaboration on strategic and technical initiatives; work with the key multilateral partnerships, and examples of the partnership in action to support implementation at country level.

Strategic and technical initiatives

3.3 The Global Fund has recently helped to mobilize important action in a number of key strategic and technical areas in global public health.

Affordable Medicines Facility - malaria (AMFm)

3.4 The AMFm is making good progress. First-line buyers are placing orders; the Secretariat is making co-payments; medicines are being delivered, and buyers are purchasing subsidized medicines at reduced prices. As of early April 2011, the Global Fund has co-paid over 75 million courses of ACT treatment. The majority of these were due to arrive in AMFm countries by the end of April 2011.

- 3.5 Early findings show dramatic falls in prices observed in several African countries. A formal price survey in Kenya conducted by a team from the Massachusetts Institute of Technology showed that most retailers were selling subsidized ACTs at or slightly above the recommended local price, equivalent to about US\$0.50 or about one-twentieth the price of unsubsidized ACTs. In Madagascar in early 2011, the private sector retail price of AMFm co-paid ACTs was about US\$0.40 per adult treatment in the capital city of Antananarivo and about US\$ 0.50 outside the city. Before AMFm, WHO-recommended ACTs in the private sector sold for US\$8.51 to \$9.36 per adult treatment. Ghana continues to make progress, with co-paid ACTs selling in outlets in Accra at prices ranging from US\$0.60 to \$1.20, down from US\$9 per adult treatment before the AMFm. Early indications from Niger are also encouraging.
- 3.6 The AMFm is beginning to provide strong evidence that, in addition to our continued investments in the public sector, the commercial private sector is a key channel for expanding access to life-saving treatments.

Prevention of mother-to-child HIV transmission

- 3.7 Since our efforts began 18 months ago to increase the Global Fund's contribution to PMTCT, significant progress has been made in 19 of the 20 high burden countries selected for special attention in the reprogramming initiative. Additional funds to the value of \$83 million have now been reprogrammed in 13 countries. Reprogramming in another three countries is currently under way and will be completed by the third quarter of 2011. A further three countries where no reprogramming opportunity existed in active grants have had funding for PMTCT approved in their Round 10 applications.
- 3.8 These additional funds will finance improvements in scale as well as the quality of PMTCT interventions. A requirement of the reprogramming (and all new proposals) is that the country will switch to the package of care recommended by WHO that includes more efficacious drug regimens in the antenatal and breastfeeding periods, CD4 screening in pregnancy, early infant diagnosis and measures to address all four prongs of the PMTCT strategy. All countries undergoing reprogramming have agreed to report against targets for the full package of PMTCT and have committed to the ambitious goal of reducing transmission to less than 5 per cent by 2015.
- 3.9 In 2009, the Global Fund contributed funding for PMTCT to 300,000 mother-infant pairs, or nearly half of the total number receiving this intervention globally. This number will likely increase when all outstanding reports for 2010 have been submitted by the 20 focus countries. The Global Fund should be financing an even higher proportion of PMTCT globally from 2011 with the scale-up of PMTCT in countries such as South Africa, Kenya and Nigeria.
- 3.10 The results of the reprogramming of PMTCT align well with a further push for turning the tide against vertical transmission of HIV signaled by the creation of a Global Task Team on PMTCT to be chaired by Michel Sidibè of UNAIDS and Ambassador Eric Goosby. The Global Fund stands ready to work closely with our multilateral and bilateral partners in the important work to virtually eliminate the transmission of HIV from mother to child by 2015.

Gender and SOGI

- 3.11 The Global Fund Secretariat has commissioned an independent formative evaluation of the Gender Equality Strategy and the Sexual Orientation and Gender Identities Strategy. The two strategies, approved by the Board in 2008 and 2009 respectively, require the evaluation to

take place by the end of 2011. The evaluation process has been designed to make strategic use of the Partnership Forum and the five-year strategy development process. It will draw on analysis of existing data and studies, key informant interviews and focus group discussions and solicit inputs from national, regional and international organizations, networks and other country level stakeholders. Pangaea has been appointed to manage the evaluation and its findings will be presented to the PSC in October.

- 3.12 Partners remain crucial to our efforts to strengthen disease responses from a gender and SOGI perspective. Outreach and engagement, supported by the strategies, have generated a high level of support from partners and more opportunities for the engagement of most-at-risk and vulnerable populations. Although there is some indication that the strategies are starting to have a positive impact on CCM membership and the content of proposals submitted to the Global Fund, it is likely to be several years before we can measure the full impact of the strategies on Global Fund-supported programming.

Joint health systems funding platform

- 3.13 The health systems funding platform (HSFP) is being rolled out with the GAVI Alliance, the World Bank and the WHO. A draft common proposal form for cross-cutting health systems strengthening (HSS) support is currently being field tested together with GAVI and will be launched in August 2011 to coincide with Round 11. This will allow countries to request HSS funding from the Global Fund and GAVI using the same form, with harmonized frameworks for monitoring, evaluation and financial management.

- 3.14 The Global Fund invited seven countries (Nepal, Ethiopia, Uganda, Ghana, Vietnam, Malawi and Kyrgyzstan) to participate in the HSFP pilot. Participants will submit funding requests for HSS using their jointly assessed national health strategies. The invited countries met basic criteria for participation, having conducted or planning to conduct a joint assessment of their national health strategy and a strategy that is long enough to secure at least a two-year initial funding commitment. GAVI and the World Bank are also engaged in discussions with these countries to provide funding based on the strategy.

- 3.15 Work has further progressed in countries to which the Global Fund and partners are already providing HSS support. Four countries have been chosen as initial focus countries (Cambodia, Benin, Democratic Republic of Congo, and Sierra Leone). In all of these countries joint partner missions have resulted in concrete actions towards further harmonization and alignment in the areas of monitoring and evaluation and financial management. Benin, for example, is currently harmonizing the project management units used for implementation, and partners have agreed to rely on one external financial audit and report financial data based on one financial report. In Cambodia, funding agencies have agreed to align their performance indicators with those of the country and to strengthen the national monitoring and evaluation system.

Drug theft and diversion

- 3.16 Drug theft and illegal diversion of medicines are an issue for all national and international funding agencies, including the Global Fund. Because theft and diversion increasingly contribute to reported stock-outs and are a predictor of more to come, they are not only an abuse of donor resources but a public health problem. While a recent media report by Associated Press grossly exaggerated the scale of theft of malaria drugs detected in Global

Fund-supported programs, it also served to highlight the leading role that the Global Fund has begun to play in tackling this problem.

- 3.17 Following discussions on this issue at the Global Fund Board meeting in Sofia, the Global Fund hosted a meeting for leaders of key partner agencies in February to identify the magnitude of the problem and begin developing an international action plan to address theft and illegal diversion of medicines with an initial focus on malaria, tuberculosis and HIV medicines. The high-level representation at the meeting signaled the strong commitment of the partnership to this issue. Another meeting to further define the action plan is scheduled for the end of June.
- 3.18 The Secretariat has recently identified 56 countries at higher risk for drug theft based on a number of criteria, including the value of health products financed, the LFA assessment of country systems and countries with on-going or pending OIG investigations related to potential drug theft. For each of the 56 countries, a closer assessment of pharmaceutical and health product management risks will be undertaken, including the risk of drug thefts, and the Fund will collaborate with partners to develop action plans to mitigate those risks. Progress against action plan targets will be monitored as part of the disbursement process, with funding tied to performance against the plan. The Secretariat is also planning to commission a cross-portfolio assessment of the main drug theft risks to inform country-level responses.
- 3.19 The Global Fund and the US Government are currently discussing how to best ensure that their drug supply chain assessments are complementary in managing drug theft risks and that the Global Fund, PEPFAR and PMI take joint positions and develop joint country-specific action plans in higher risk countries when USG and Global Fund-financed programs use the same supply channels.
- 3.20 In line with its policy of zero tolerance for fraud, the Secretariat will take the same strong and swift action to address drug theft and illegal diversion as it does in the case of misused money, including suspending grants, freezing disbursements and seeking restitution of the value of misappropriated goods.

Prevention of stock-outs and treatment disruptions

- 3.21 Since the last Board meeting, stock-outs of several ARV drugs were experienced in one country as a result of several factors, including weak forecasting; accelerated enrollment of patients; a lengthy procurement process and transfer of patients from other treatment cohorts to the Global Fund-supported program. The Secretariat has since worked with partners to initiate emergency procurement; revise peripheral stock levels to reallocate medicines and prevent treatment interruptions; monitor delivery; introduce monthly monitoring of central stock levels and provide longer-term technical assistance. The Secretariat is aware of stock-out risks in 19 other countries and is working with partners to mitigate, monitor and respond to them appropriately.
- 3.22 Recent improvements to the Secretariat's approach to mitigation of stock-outs include roll-out of the Country Team Approach which has allowed greater attention to disbursement schedule and in-country procurement and supply management issues, and more effective collaboration with partners - notably USG/PEPFAR/SCMS, UNITAID, CHAI, GDF, WHO and UNICEF - in areas such as mapping of risks; joint emergency actions to identify short-term solutions for countries with imminent stock-outs, and strategic discussions on addressing root-causes of stock-outs. The Secretariat is also assessing the benefits and risks of joining existing

emergency stock schemes rather than misusing the VPP mechanism for emergency procurement.

Multilateral agencies and partnerships

- 3.23 The Global Fund continues working closely with UN partners at global, regional and country levels. I remain in close contact with the Secretary-General's office and I am grateful for his ongoing advocacy for the Fund since the replenishment. Recent collaboration with UNAIDS includes joint advocacy and political outreach in preparation for the High Level Meeting in New York in June, as well as strengthening the capacity of CCMs and principal recipients to access and manage Global Fund resources in West and Central Africa.
- 3.24 The Global Fund now enjoys full Observer Status at the World Health Assembly and recent work with WHO has included participating in discussions on the reform of global health governance. Senior Secretariat staff members have participated in several events with regional offices and over the past few months the Deputy Executive Director and I have visited WHO AFRO, EURO, SEARO and WPRO regional offices to undertake joint planning. A key focus of these efforts is to improve the collaboration at country level by mobilizing WHO support to the health system components of grants, jointly advocating for increased cost-share in national budgets to sustain the benefits of Global Fund investments and strengthening public private partnerships in the health sector.
- 3.25 In February of this year I attended the UNICEF Board meeting in New York. I believe there is considerable potential to further strengthen this partnership in the coming years in key areas such as health systems strengthening, maternal and child health and procurement.
- 3.26 At its meeting in December 2010 in Lusaka, the Board of the Roll Back Malaria Partnership stressed the need for all partners to strengthen assistance to countries throughout the Global Fund grant cycle. At the operational level, the Secretariat now regularly works with RBM focal points in the sub-regional networks to resolve grant bottlenecks. Similarly, at its meeting in March 2011 in Washington, the Stop TB Partnership Board emphasized the importance of providing technical assistance related to Global Fund grants and agreed that TB-TEAM - the Stop TB Partnership mechanism mandated with the coordination of technical assistance - should prioritize activities to support countries in applying for and implementing Global Fund grants.
- 3.27 The Global Fund is collaborating with Unitaid in four main areas: Round 6 support (\$39 million); MDR-TB scale-up (\$54 million), ACT scale-up (\$50 million) and the AMFm (\$130 m). As both Unitaid and the Global Fund are developing new strategies in 2011 we will continue to explore opportunities to collaborate on innovative financing and innovative ways of delivering funding.
- 3.28 The group of "H8" agency heads (Global Fund, GAVI, Gates Foundation, WHO, World Bank, Unicef, UNAIDS and UNFPA) continues to meet twice a year for informal discussions and information sharing. At the most recent meeting in February hosted by UNAIDS, discussions focused on the UN Secretary General's Global Strategy for Women's and Children's Health.
- 3.29 The Global Fund has accepted an invitation to join the Harmonization for Health in Africa (HHA) initiative involving WHO, the African Union, African Development Bank, USAID and other partners. The aim is to contribute to a shared sense of responsibility for health sector governance in Africa and increase aid effectiveness in the region.

3.30 One of the aims of the Global Fund Partnership Strategy is to enhance co-investment by key regional political and financial institutions and increase their roles in resource mobilization, advocacy and governance. The Secretariat is therefore continuing to build its relations with the African Union, the UN Economic Commission for Africa's New Partnership for African Development (NEPAD) and the Islamic Development Bank. For example, closer understanding of and engagement with NEPAD's African Peer Review Mechanism (APRM) could help to strengthen country accountability for health sector investments and achievements, and the Fund is exploring the development with IDB of a grant-making mechanism to support up to six CCMs and country-level CSO networks. Last month I spoke at the annual meeting of AU Ministers of Health.

The partnership in action to support implementation

3.31 Over the years, the responsibilities of the 130 CCMs around the world have progressively increased. Many CCMs are highly functional, while others struggle to fulfill their roles. As countries receive more funding and CCM members increasingly become recipients themselves, mitigating conflict of interest and providing meaningful, transparent oversight become key challenges. The Secretariat has provided 87 CCMs with a total of \$4.5 million to support their work, particularly for grant oversight. Many of these CCMs are also supported by national and/or other donor partners.

3.32 Since the Board did not approve revised CCM guidelines at its last meeting, further consultations have taken place with most Board constituencies and the PIC endorsed a revision of the guidelines in March that I hope the Board will now be able to approve. These guidelines provide valuable, practical advice to help operationalize governance for proposal development and grant oversight.

3.33 The involvement of partnership and civil society officers in Country Teams is providing an opportunity for broader and more consistent engagement with country-level partners.

3.34 The Secretariat's country-level co-investment work has already led to many innovative partnerships in strengthening grant performance and providing services worth more than \$100 million. Currently, new opportunities are being explored in Africa, India and China. In Tanzania, the Global Fund has partnered successfully with the Coca-Cola Company and Accenture to improve procurement and supply chain management systems. Following initial assessments, the model is likely to be rolled out in other African countries. Similarly, the successful partnership with Standard Bank to provide capacity building for financial management will be expanded in additional countries.

3.35 Recognizing the importance of synergizing our work with bilateral technical assistance, the Secretariat continues to work with USG/PEPFAR, France, Germany and Japan to identify suitable TA coordination platforms and financing mechanisms whereby country grant implementation benefits from a broader range of predictable, affordable and responsive technical assistance suppliers. The Global Fund also continues its strong collaboration with PEPFAR in the areas of harmonization of program results, costing studies and developing joint approaches to expenditure tracking at country level. PEPFAR is contributing to the Technical Advisory Group on value for money convened by WHO in which approaches to measurement at country level have been discussed and developed.

3.36 The Secretariat works closely with national and international NGOs that act as principal recipients to update them regularly on Global Fund processes. This important group of

implementers that consistently demonstrates excellent performance is actively collaborating on a platform to exchange best practices and further improve grant implementation.

The 2011 Global Fund Partnership Forum

3.37 The biennial Global Fund Partnership Forum will take place this year in Sao Paulo, Brazil from June 28-30 with the theme “Working together, Shaping the future: Access, accountability and rights”. The three-day event will involve more than 400 participants representing the eight Global Fund regions and the three diseases. A major aim of the forum as the “global parliament of the Global Fund” is to involve organizations and individuals that do not already have access to the Fund’s other governance mechanisms. The Board has specifically requested that this year’s forum consider and provide input on the draft five-year strategy. The Forum includes e-forum consultations taking place in April and May. I look forward to the active contribution of all Board delegations to this exciting and important event in the life of the Global Fund.

PART 4: RESTORING TRUST AND LEADERSHIP

Summary

- The negative and misleading media reports about the Global Fund in January this year caused reputational damage to the Fund among donors, implementers and the public that we are now working to repair.
- The Secretariat announced measures last December to respond to the reports of fraud in four countries, as well as to address portfolio-wide risks identified by the Inspector General.
- Additional measures to strengthen the Global Fund's financial safeguards were announced in February, including a review by an independent, high-level panel. The work of the panel has begun and its final report will be presented to the Board in September.
- The reform agenda includes additional measures to reinforce the Fund's financial safeguards and strengthen fraud prevention and detection.
- The Secretariat reaffirms its commitment to transparency and accountability while recognizing that it is not possible to eliminate risk in every setting where the Global Fund is supporting programs.

Responding to fraud and managing risk

- 4.1 Addressing the negative media reports about fraud and corruption in Global Fund grants that began with a misleading article from the Associated Press in late January has occupied much of the Secretariat's time and energy over the last three months. As we remain committed to full transparency, the Secretariat is currently working with the Inspector General, the leadership of the Board and the FAC to establish clear modalities for how and when information on fraudulent, unsubstantiated or ineligible expenditure will be made public so as to prevent destabilization of the Fund in the future.
- 4.2 The reputational damage arising from the media reports, subsequent decisions by some donors to suspend contributions and the concerns expressed by implementing countries all mean that we now face an additional challenge this year to restore trust in and leadership by the Global Fund as one of the world's main health financing institutions.
- 4.3 The media reports focused on the misappropriation of funds from Global Fund grants in four countries. As I reported in Sofia in December and reminded the Board when it met by teleconference on February 2, swift action was taken in those countries last year, including the suspension or termination of grants and the imposition of additional safeguards. The Global Fund has cooperated closely with law enforcement authorities in the countries, leading to the arrest of people implicated, and every possible effort has been made to seek recovery of stolen funds.
- 4.4 In Sofia I also reported on a number of portfolio-wide measures were being taken as a result of lessons learned from the Inspector General's findings. These included a temporary freeze on training, closer scrutiny of higher-risk expenditures such as per diems and other cash payments and measures to enhance the role of LFAs in fraud prevention and detection. The Board also agreed to double the budget of the Inspector General.

- 4.5 On February 4, I announced several additional measures to help strengthen and provide reassurance about the Global Fund's financial safeguards. These measures included revising policies for round 10 negotiations to ensure that a proportion of grants will be devoted to assessing and strengthening fiduciary controls at country level. Importantly, a high-level, independent panel was established under the oversight of the Board to review the financial policies and procedures, oversight structures and anti-corruption measures of the Global Fund.
- 4.6 The Executive Management Team has also recently reviewed the Fund's risk management framework - of which fraud mitigation is just a part - to ensure that it is aligned with the reform agenda and the evolving context. The Board and its committees are also reviewing their roles with regard to corporate risk management. The PSC will now present to each Board meeting an update on corporate risk management, including input from all committees.
- 4.7 Board members recently received the document *Results with integrity: The Global Fund's response to fraud*, that provides more detailed information about the Global Fund's system of financial safeguards and the steps being taken to strengthen it. I am confident that, taken together, the measures we announced in Sofia, the additional measures announced in February, relevant aspects of the reform agenda, other key initiatives such as the Data Quality Strategy, supported by the review and recommendations of the high-level panel, all constitute a strong financial integrity plan for the Global Fund that will significantly contribute to restoring trust and leadership.
- 4.8 In March I met with the Associated Press in London to voice my concerns about the impact of its misleading coverage of the Global Fund. Unfortunately, this did not prevent the publication by AP of another misleading article about the Fund, this time on drug theft, in mid-April. Fortunately, the Global Fund issued a strong rebuttal and AP published a correction of the inaccuracies in its report.
- 4.9 A significant amount of outreach to key donors has been undertaken, with a focus on national parliaments in Germany, Spain, Canada, the Netherlands, Denmark and Switzerland, the EU parliament and the US Congress. Board members also have a key role to play in restoring trust in donor countries.
- 4.10 Ensuring that life-saving programs continue when grants are suspended is a high priority. In Zambia, programs have resumed normally under an alternative principal recipient and we expect this to occur over time in the other three countries. To minimize the impact of future grant suspensions on people, the Comprehensive Reform Working Group and the Secretariat are currently exploring how to best protect the uncontaminated components of grants from disruption while at the same time mitigating identified risks, consistent with a policy of zero tolerance for fraud.

High-level review panel

- 4.11 The independent, high-level review panel will assess the risk of fraud in the current Global Fund portfolio and review the system of financial controls currently in place, making recommendations for enhancement as appropriate. In March, the Board strongly endorsed the appointment of Mr Festus Mogae, former President of Botswana and member of the advisory council of Transparency International, and Mr Mike Leavitt, former US Secretary of Health and Human Services, as co-chairs of the panel. I am grateful to them both for agreeing to serve in this role.

- 4.12 The Board has now been asked to approve the final terms of reference for the panel and the additional five panel members. The other proposed panel members are Mr Gabriel Jaramillo, Chairman of the Board of Sovereign Bank and Special Advisor in the Office of the UN Secretary-General's Special Envoy for Malaria; Ms Zeinab Bashir El Bakri, former Vice President for Sector Operations at the African Development Bank; Mr Barry O'Keefe, former Justice, Supreme Court of New South Wales, Australia and Chairman of Interpol's International Group of Experts on Corruption; Mr Claude Rubinowicz, Chief Executive, *Agence du patrimoine immat riel de l' tat*, France and former Inspector General in the French Ministry of Economy, Finance and Industry, and Mr Norbert Hauser, Vice President of the Federal Court of Germany and Chairman of the panel of external auditors of the United Nations. I am delighted that such a diverse and well qualified group of high calibre professionals has been selected.
- 4.13 As the panel will hold its first meeting in Geneva on May 10, the Board will have the opportunity to interact with its members at this Board meeting.
- 4.14 The panel will be supported by a group of consultants led by Bill Steiger who is well known to many Board members as a former member of the Board for the US Government. Bill is working together with Charlie Johnson, who brings extensive experience in the private and public sectors including as former Assistant Secretary for Budget, Technology and Finance at the Department of Health and Human Services. Bill and Charlie have already spent a week in Geneva for a series of briefing, engaging with the CRWG and interacting with the on-going audit by the European Commission.
- 4.15 The Co-Chairs have proposed that the panel's final report be delivered in early September, with the possibility of an interim document at the end of June.
- 4.16 The Secretariat, together with the OIG, will provide all possible cooperation and support to the panel's work. I look forward to following its progress and receiving its recommendations.

Looking forward

- 4.17 I am conscious of the importance of working with donors and implementing countries in the coming months to fully explain the work that we are doing to strengthen our fiduciary controls and provide reassurance with regard to the Fund's risk assessment and mitigation practices, including fraud prevention. This will involve a new effort in communications and extensive dialogue with partners.
- 4.18 To some extent the Global Fund has paid a price in recent months for its transparency and in such circumstances some may feel a temptation to be less open. However, recent events have only strengthened my belief that we need to strongly and consistently reaffirm our commitment to transparency and accountability as a key strength and value of our institution. At the same time, sound risk management is not the same as risk elimination, and we must be clear that the Fund can never completely eliminate risk in all the settings where it supports programs. As the *Results with Integrity* report states, our challenge is "to ensure that the criminal deeds of a few do not undermine the essential support of the Global Fund to the hundreds of organizations and tens of thousands of dedicated people who utilize our funding with efficiency and effectiveness to achieve results."

PART 5: RESOURCE MOBILIZATION

"Somehow we have to bring about a quantum leap in the scale of resources available... We need to mobilize the widest possible range of donors - who must all agree on the same broad objectives - and we need to win their commitment for the long haul."

- Kofi Annan, Abuja, April 26, 2001

Summary

- The Global Fund presently faces a challenging resource mobilization environment due to continuing constraints in donor budgets and the business sector. Several European governments decided to not pay, or to pay only part of their pledge in 2010 due to fiscal difficulties or in response to negative media reports about the Global Fund.
 - A mid-term review of the Third Replenishment is expected to take place in March/April 2012. Effective implementation of the reform agenda will be critical in maintaining and increasing donor support.
 - A key focus of the Secretariat's resource mobilization efforts continues to be on working with major government donors that have not yet announced further pledges.
 - The findings of the UK Multilateral Aid Review and maintenance of full funding by the US for 2011 are seen as strong signals of support for the Global Fund.
 - Private sector contributions as a whole fell in 2010, but are expected to rise this year as the business climate improves and additional donors are mobilized.
- The Secretariat has made significant progress in developing collaborations with financial sector partners, notably through the on-going roll out of Exchange Traded Funds around the world.

Current environment

- 5.1 The Global Fund presently faces a challenging resource mobilization environment due to continuing financial and business constraints. The OECD recently estimated that overseas development assistance (ODA) from traditional public donors will grow by only about 2 per cent per year for the next three years, well below the average 8 per cent annual growth experienced during the past three years. In this context, the Secretariat will need to ensure that the funding commitments made for the 2011-13 Replenishment in New York last October are delivered and that the Global Fund's donor base is broadened through enhanced contributions from emerging economy donors, the private sector and innovative funding sources.
- 5.2 Donors will have the opportunity to take stock of the funding environment and consider announcing further pledges during the mid-term review of the Third Replenishment, expected to take place in March or April 2012. This meeting will be a key opportunity for donors to review the Global Fund's resource mobilization needs prior to Board consideration of Round 11 proposals (which will include National Strategy Application and Health Systems Funding Platform proposals) in May 2012. The continuing effective implementation of the reform agenda will be critical in maintaining and increasing donor support and confidence in the lead up to the mid-term review.

Public donors

- 5.3 The challenging fiscal environment had a significant impact on Global Fund financing during 2010, with several European governments deciding to not pay, or to pay only part, of their pledges for 2010 due to fiscal difficulties, notably Italy, Spain, Netherlands, Ireland and Portugal. Continuing programs of fiscal retrenchment will affect several major donors during the remainder of 2011, and this will continue to put pressure on national ODA budgets.
- 5.4 The negative media reports on cases of fraud in early 2011 have exacerbated these existing challenges. Three public donors - Germany, the European Commission and Denmark - have indicated that they will not be paying their 2011 pledges until additional measures to strengthen fiduciary controls are in place and/or until the conclusion of different independent reviews, including the high-level, independent review panel. Spain has indicated that its announcement of a replenishment pledge is subject to similar conditions. These decisions to temporarily suspend funding will necessitate closer monitoring and forecasting for the remainder of 2011 to minimize any impact on grant signing and the delivery of services.
- 5.5 A key focus of the Secretariat's resource mobilization efforts continues to be on working with those major government donors that have not yet announced further pledges. These donors include Belgium, Italy, the Netherlands, Spain, Sweden and the UK. I was very pleased when the UK indicated in March that the Global Fund would be one of nine international organizations that would receive increased funding from the UK Government in the future. The announcement followed the finding of the UK's Multilateral Aid Review, which identified the Global Fund as having an "excellent track record" and as giving "very good value to the UK taxpayer". The Government of the Netherlands has also announced that it will contribute €54.5 million to the Global Fund in 2011, a reduction compared to 2009 but a higher level of funding than originally proposed given funding reductions and changes in Dutch ODA priorities.
- 5.6 The Secretariat has continued working to convert pledges into contributions. The Global Fund's largest donor, the United States, decided in April on an allocation of \$1.05 billion to the Global Fund for 2011. The maintenance of full funding despite record cuts elsewhere in the US budget was a strong vote of confidence in the Global Fund that we all deeply appreciate.
- 5.7 During the remainder of 2011 the Secretariat will be giving priority to broadening the donor base to include new donors from emerging economies. Constructive missions have been made this year to Korea and Brazil. The Secretariat will also be increasing its engagement with several G-20 donors that have not yet pledged, notably India and Saudi Arabia, and will be working to enhance cooperation with Mexico and Turkey. Building on the foundations laid during the replenishment process, the dialogue with China regarding an increased level of contributions will continue. In addition, we will seek to expand the footprint of the Debt2Health mechanism to include new creditor and debtor countries during the course of 2011.

Private sector

- 5.8 Nearly \$33 million was received in private contributions in 2010, excluding the Bill and Melinda Gates Foundation. This reflects the difficult operating conditions following the financial crisis and flat performance of (PRODUCT) RED. However, there are some encouraging signs. Anglo American plc and Takeda Pharmaceuticals issued a joint call for collective support at the G20 Business Summit and new pledges by corporates that the private sector delegation has been cultivating are expected by the time of the Partnership Forum in June.

- 5.9 Anglo American made a pledge of \$3 million last November and allocation of funds is now underway for the renewed \$25 million pledge by Chevron Corporation. The Gift from Africa campaign has continued to gather support and momentum from the private sector in Africa with South African philanthropist and businesswoman Dr Precious Moloi-Motsepe agreeing to champion the campaign. Further pledges are expected to be announced at an event at the World Economic Forum event in Cape Town in May. The Secretariat is now exploring similar regional giving initiatives in other regions.
- 5.10 The first contributions are expected to be received shortly from the United Methodist Church's \$28 million pledge, while Lutheran World Relief and Lutheran Church Missouri Synod will launch their own malaria campaign in June, expecting to raise \$13.5 million. PRODUCT (RED) launched a new partnership with Penfolds, an Australian wine company, as well as new products such as the (RED) iPad smartcover from Apple. A major contribution was received from the band U2 which donated a portion of the concert sales - ((RED) ZONE tickets - during their recent world tour. The Secretariat has expressed its thanks to Susan Smith Ellis, whose tenure as CEO of (RED) saw contributions reach \$160 million, and is now collaborating with (RED) as it plans its next stage of strategic development.
- 5.11 A United States-registered charity, U.S. Fund for the Global Fund, has been established to serve as a tax-efficient vehicle for giving in the United States, with the first board meeting taking place in March. Overall, private sector contributions are expected to experience a return to growth in 2011 compared to 2010, with continued growth in prospect for the following years.

Innovative finance

- 5.12 Since the last Board meeting in December 2010, the Secretariat has made significant progress in developing collaborations with financial sector partners. The Global Fund has had a strictly defined role in these collaborations, limiting its activities to 1) identifying potential financial sector partners, 2) providing information on the Global Fund to the partners as they conceptualize and design financial products and 3) providing information about the Global Fund, its mission and impact on certain occasions where the partner has presented the product to potential investors. I have met with finance industry leaders in both Geneva and London this year.
- 5.13 The Secretariat has successfully partnered with the Dow Jones Indexes to create the Dow Jones Global Fund Index “family” that is being distributed worldwide to financial institutions and from which the Global Fund receives half of the licensing revenue net expenses. The Dow Jones Global Fund Index has been licensed to Deutsche Bank and Deutsche Bank db X-trackers Global Fund Supporters Exchange Traded Funds (ETFs) have been launched at Xetra Frankfurt and London Stock Exchanges respectively. Deutsche Bank has undertaken to donate all fees (less expenses) from the Global Fund Supporters ETFs to the Global Fund.
- 5.14 The ETFs will be launched in additional European stock exchanges as well as Singapore and Hong Kong in 2011, and have also been registered in Japan. Through the partnership with National Bank of Abu Dhabi (NBAD), the launch of “OneShare Global Fund Supporters ETF” on the Abu Dhabi Securities Exchange (ADX) is planned for the end of May 2011. The NBAD ETF uses the Dow Jones Indexes Global Fund Islamic 30 Index.
- 5.15 The ETF project has enabled the Global Fund to increase awareness of its activities across the financial sector.

PART 6: SECRETARIAT UPDATE

"Everyone has his or her part to play. Let us now lay aside all turf battles and doctrinal disputes."

- Kofi Annan, Abuja, April 26, 2001

Summary

- The 605 people working in the Global Fund Secretariat are an extraordinarily diverse collection of people and talents representing 106 nationalities.
- Staff surveys show high levels of motivation and commitment among staff but a consistent lack of "work-life balance" and limited career development opportunities.
- In 2011 the Secretariat will have finalized the human resources policies and procedures necessary for the organization to function autonomously.
- Reviews will be undertaken of the Human Resources Unit and information technology approaches this year to ensure that they are meeting the Global Fund's future needs.

Staff and human resources

- 6.1 The 605 people working in the Global Fund Secretariat are an extraordinarily diverse collection of people and talents. A remarkable 106 nationalities are currently represented. Staff surveys show consistently high levels of motivation and commitment to the mission of the Global Fund and people feel that they are really making a difference through their work.
- 6.2 The surveys also reflect the challenges that come with working in a dynamic, international organization that has grown rapidly and must frequently adapt to events and changes in the global health landscape. Nearly a third of staff members have been with the organization less than two years. Many work long hours and lack adequate "work-life balance". Opportunities for career development are still limited, as the number of women in leadership roles is below target. The performance framework has improved significantly, but is still evolving since the organization became independent from WHO two years ago. Preliminary analysis from a review of the organizational structure undertaken in Q1 of 2011 suggests that the Secretariat's corporate priorities and the available staff numbers and skillsets are still somewhat misaligned. Addressing these challenges, including through the staff survey action plans, is a high priority for the Executive Management Team and the Human Resources Unit.
- 6.3 While the diversity of the Secretariat is a tremendous asset, it may potentially give rise to tensions. As the Board is aware, anonymous allegations of discriminatory behaviour in the Secretariat were made over the last few months. Although no evidence was provided to support the allegations, they provided an opportunity to remind staff that the Global Fund is an institution based on values that promote tolerance and respect. In March a seminar by a leading expert on diversity was attended by more than 200 staff and a valuable discussion on ensuring respectful work practices has taken place across the organization. I have particularly appreciated the contributions of the Ombudsman, Dr David Miller, the Staff Council and all managers to these discussions.
- 6.4 Feedback from the Leadership and Management Program program - a three-day residential course for managers - has been very favourable. Staff members clearly appreciate the

opportunity to get to know colleagues and have in-depth discussions on management challenges away from the often frenetic office environment.

- 6.5 In 2011 the Secretariat will have finalized the human resources policies and procedures necessary for the organization to function autonomously. With the completion of this transition, I intend to undertake a review of the size, structure and functionality of the Human Resources Unit to ensure that it is able to serve the future needs of the organization, particularly in light of the reform agenda and the need to focus on increasing the number and variety of longer-term career development opportunities.
- 6.6 A significant amount of work has been undertaken in the last year on the information technology platform. The five work streams of the IT Roadmap for 2010 and 2011 are integrated grant management; information management; administration and finance including a new budgeting system; improved help desk operations and other new infrastructure. A Roadmap for 2012 to 2013 has also been developed and budgeted. Because IT is a large investment and a critical area for development if the Global Fund is to become as effective and efficient as possible, the Secretariat is also planning for a review of IT to help further prioritize the program of work and provide reassurance on the investment choices that are to be made.

Operating expenses

- 6.7 Total Global Fund operating expenses in 2010 amounted to \$264.1 million, 94 per cent of the total approved budget of \$281.8 million (Table 4). Within this amount, Secretariat operating expenses of US\$189.9 million reflect a budget utilization rate of 97 per cent. The Secretariat had a full staffing complement in 2010 and this contributed to higher levels of budget utilization compared to previous years. Other factors included accelerated IT implementation and the weakening of the US dollar in 2010 compared to the Swiss franc. Areas contributing to the underspend include savings achieved on travel and meeting costs, underutilized rent budget - as expected additional office space was not required - and LFA fees.

Table 4. Global Fund operating expenses 2010

Operating Expenses	January- December 2010				Year 2010		
	Actual	Forecast	Variance		Budget	Budget	Forecast
	\$'000	\$'000	\$'000	%	\$'000	Utilization %.	Utilization %.
Secretariat Expenses	189,864	195,334	5,470	3%	196,571	97%	97%
LFA Fees	57,945	67,320	9,375	14%	68,000	85%	86%
CCMFunding	4,105	6,930	2,825	41%	7,000	59%	59%
Office of the Inspector General	12,163	12,228	65	1%	10,241	119%	99%
Total Operating Expenses	264,077	281,812	17,735	6%	281,812	94%	94%

- 6.8 At the special FAC meeting in June I intend to present a costing for implementation of the reform agenda.

Secretariat office space

6.9 In March an architecture competition for the building that the Global Fund will occupy from 2015 concluded with the selection of the “Trefle” design by Geneva-based firm LRS, shown to the right. Construction is expected to begin in 2013. I wish to thank all those who have helped us to reach this milestone, included Swiss Ambassador Martinelli and the Swiss Mission to the UN in Geneva, *La Fondation des Immeubles pour les Organisations Internationales*, the authorities from the Canton of Geneva and the City of Grand-Saconnex and the remarkable team at the developer Implenia who helped to make the architecture competition a success. This year Implenia will initiate the search for an investor to finance the construction of the building.



PART 7: THE GLOBAL FUND STRATEGY 2011-16

Summary

- The Global Fund is currently defining an important five-year strategy that includes ambitious goals because it is to propel the world across the finishing line for achievement of the health-related MDGs by 2015. The Board will review a draft strategy framework at this meeting.
- The goals proposed in the draft strategic framework are based on an initial analysis by the Secretariat of what may be achieved in the next five years: 20 million additional lives saved and 200 million infections averted.
- The draft goals reflect a balance between bold ambition and realism and are consistent with international targets and those of key partner organizations. Achieving them will require substantial improvements in efficiency and effectiveness, increased replenishment and/or more targeted portfolio allocation.
- The draft framework will now enter a six-month period of technical and regional consultations, as well as being a major issue for consideration at the Partnership Forum.
- The Secretariat has begun working on an internal process for development of the strategy implementation plan.
- The Evaluation Strategy for 2011-16 is being developed as an integral part of the five-year strategy and will enable an assessment of whether the goals and objectives of the five-year strategy have been achieved.

Progress to date

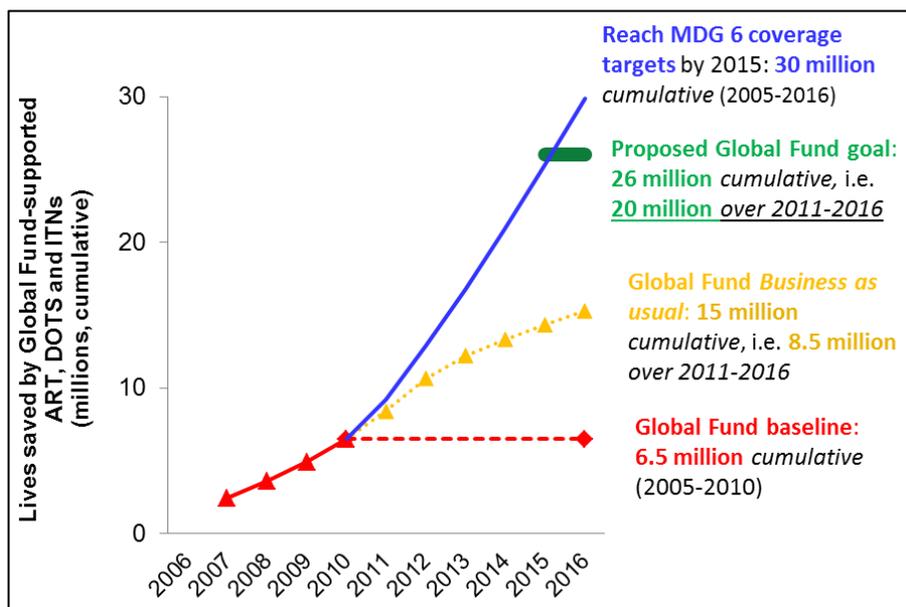
- 7.1 This year the Global Fund is defining an important five-year strategy that includes ambitious goals because it is to propel the world across the finishing line for achievement of the health-related MDGs by 2015. At this meeting, the Board will review a first draft of the strategy framework.
- 7.2 The strategy development process began with the Board retreat in Sofia in December where Board members agreed that the strategy should have quantifiable goals and targets linked to a number of strategic initiatives. The PSC leadership and Secretariat then developed a “zero draft” consistent with this framework that was reviewed by the PSC in March and that elicited contributions from PSC members (mostly from donor countries at this time) that have been incorporated to the extent possible. I welcome the strong collaboration on this work so far between the PSC leadership and the Secretariat.
- 7.3 The draft strategic framework affirms the mission and founding principles that have served the Global Fund since the drafting of the Framework Document nearly ten years ago. It also reiterates the original vision of the Global Fund to achieve a world free of the burden of the three diseases, while at the same time articulating the Fund’s contribution to better health for all.
- 7.4 The goals proposed in the strategic framework are based on an initial analysis by the Secretariat of what may be achieved in the next five years. Sustained - or in most cases

increased - funding and service provision will be critical in many countries in order to reach 2015 targets for MDG 6.

7.5 The Secretariat estimates that scale-up of Global Fund-supported service deliveries to reach the MDG 6 coverage targets of universal ITN coverage, universal access to ART and a 70 per cent TB case detection rate would result in a cumulative 30 million lives saved in supported programs by 2016 (Fig 24). By comparison, service levels according to targets of on-going grants and approved proposals - assuming the same level of efficiency and effectiveness of supported programs - would result in a projected cumulative number of lives saved for these three key indicators alone of 15 million by 2016. Compared to this 'business as usual', the Board at its retreat in Sofia in December 2010 suggested a target interpreted as 26 million cumulative lives saved by 2016, which corresponds to 20 million additional lives saved in the period 2011 to 2016.

7.6 Achieving the goals and targets in the draft strategy framework will require substantial improvements in efficiency and effectiveness, increased replenishment and/or more targeted portfolio allocation, all of which are envisaged in the draft framework. While further technical consultation will be needed to verify the goals and targets proposed, I believe that they reflect an appropriate balance between bold ambition and realism. They are also consistent with international targets and those of key partner organizations such as WHO, UNAIDS, Roll Back Malaria and Stop TB.

Fig. 24. Estimated and projected lives saved by Global Fund-supported ART, DOTS and ITNs, 2006-16



7.7 The strategic objectives in the draft framework correspond closely to those that emerged from the Board retreat in Sofia. The strategic initiatives recognize the need to target investments, interventions and populations more effectively; to take performance-based financing to a new level; to further leverage partnerships and the Fund's purchasing power while also being more efficient so that optimum value for money is achieved; to further innovate and extend our reach in resource mobilization, and to pay more attention to the social and legal environment needed for health programs to be effective. Both the proposed

strategic objectives and the initiatives are highly consistent with the longer-term elements of the comprehensive reform agenda. Board Members will appreciate that the implications of some elements of the draft framework for the current business model are potentially extensive. The thinking in coming months will particularly need to focus on how best to reconcile (or adapt) the business model so that investments achieve the greatest impact on the epidemics, on enhancing our fiduciary controls and on our ability to catalyze partnerships at the country level without having a country presence.

7.8 Guided by the Board's discussions at this meeting, the draft framework will now enter a six-month period of technical and regional consultations, as well as being a major issue for discussion at the Partnership Forum. The Board is to consider at this meeting its manner of engagement with the process during the coming months. Meanwhile, the Secretariat is working on an internal process for development of the implementation plan that the Board will approve together with the final strategy at its meeting in November.

7.9 The strategy is a unique opportunity for the Global Fund to thoughtfully refocus on its mission and what needs to be done to accomplish important global goals in the next five years.

Evaluation strategy

7.10 The Evaluation Strategy for 2011-16 is being developed as an integral part of the five-year strategy. It is designed to demonstrate the effectiveness of Global Fund investments and their health and socio-economic impact and will help us to assess whether the goals and objectives in the five-year strategy have been achieved.

7.11 At this Board meeting I begin my second term as Executive Director. I thank the Board for its confidence and support and I look forward to a close and productive working relationship in the next three years. I am also looking forward to continuing to work with the remarkable staff of the Global Fund.

7.12 Speaking to African heads of state in Abuja 10 years ago, Kofi Anan described the potential creation of a global fund as "a moment of hope, and potentially a turning point". He was right. The organization that he helped to create has contributed to progress in the fight against AIDS, TB and malaria beyond what many of us thought possible at that time. In my travel around the world as Executive Director, I am fortunate to hear so many stories, to meet countless people and to visit the communities that are living proof of that progress.

7.13 This year, we stand at another turning point. As we work to fully realize the Global Fund's potential through a process of reform and strategic planning, we are laying the foundations for a second decade of progress and hope in global health.

7.14 I wish the Board well at its twenty-third meeting.

Michel D. Kazatchkine
Geneva, May 3, 2011

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