



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

Twenty-Third Board Meeting
Geneva, Switzerland, 11-12 May 2011

GF/B23/13
Board Decision

REPORT OF THE COMPREHENSIVE REFORM WORKING GROUP

PURPOSE:

The purpose of this report is to present the recommendations of the Comprehensive Reform Working Group for consideration by the Global Fund Board at its meeting on 11-12 May 2011.

EXECUTIVE SUMMARY OF THE REPORT OF THE COMPREHENSIVE REFORM WORKING GROUP

Background. The rapid expansion of the Global Fund has been an unprecedented development in the history of global health, and the Fund has produced exceptional results in saving and improving millions of lives in less than ten years of operation. At the same time, the Fund, as a learning and evolving organization, is committed to examining and adjusting its operations, processes, structure, and funding model to reflect a decade of hard-earned experience, respond to changing circumstances, and maximize the health impact of its resources.

CRWG. To advance this critical agenda, in December 2010, the Board established a Comprehensive Reform Working Group (CRWG), which was charged with: (1) developing and defining a comprehensive reform agenda of specific action steps that will maximize the cost-effectiveness and impact of the Global Fund investments in saving and improving lives affected by AIDS, TB, and malaria; (2) establishing clear timelines and measures of progress for implementing each of the action items on the reform agenda; and (3) creating one or more practical mechanisms for the Board, Secretariat, stakeholders, and the global public to track the Global Fund's implementation of items contained in the reform agenda. The CRWG engaged expert analysis and consulted broadly with the Secretariat, Board constituencies, Inspector General, as well as a broad range of Fund stakeholders (including four regional meetings and an online survey). To ensure coherence of efforts, the CRWG also coordinated closely with the High-Level Panel on Fiduciary Controls (HLP) and the Board leadership developing the Fund's Five-Year Strategy (2012-2016).

Situation Analysis. Based on the CRWG's analysis and building on work already underway by the Secretariat, the conclusion is that there are opportunities for the Global Fund to pursue improvements towards the following nine objectives: (1) enhanced fiduciary control and risk-management; (2) improved resource allocation and increased value for money; (3) improved proposal development and review processes; (4) improved grant management/reduced transaction costs; (5) improved Global Fund internal management; (6) improved partnership and in-country structures; (7) improved governance; (8) enhanced resource mobilization; and (9) increased sustainability and efficiency.

Plan for Comprehensive Reform. The CRWG Report annexes a detailed **Plan for Comprehensive Reform (PCR)** (Annex 1) that captures major reform efforts currently underway, as well as those identified by the CRWG. The PCR includes timelines, deliverables, and rationale for action, and builds primarily on important reforms launched and presently driven by the Secretariat. It is expected that the PCR will evolve based on lessons learned, as well as recommendations from the HLP, the Strategy process, and ongoing work of Board committees.

Reform Recommendations for Consideration by the Board. The CRWG asks the Board to welcome CRWG Report, embrace the need for continuous reform, and endorse the broad direction of the PCR, recognizing the reform objectives. More specifically, the CRWG also selected five areas as particularly good opportunities to achieve early gains from reform. These are in the areas of: (1) fiduciary controls; (2) value for money; (3) partnerships; (4) business model; and (5) governance. In these areas, the Board is asked to:

- **Fiduciary Controls.** Request the Secretariat to: develop *an accountability framework* for fiduciary control and risk management; strengthen the application and enforcement of

minimum PR requirements; develop a fully transparent information system and timely communications strategy; and develop a calibrated and differentiated response mechanism. The Board is also asked to request that the Finance and Audit Committee (FAC) review and refine *audit and investigation functions* in relation to country-level authorities.

- **Value for Money (VFM).** Recognize that value for money is not about cost-cutting, but involves getting the maximum health impact for resources provided, the Global Fund should become more of a proactive “market shaper” and give full support to the Market Dynamics Committee’s VFM recommendations. Additionally, the Board should request the Secretariat to: (1) to take all necessary and appropriate measures to implement voluntary pooled procurement and to execute the MDC recommendations to expand use for its “toolkit” of interventions, including opt-out mechanisms and other interventions; (2) establish benchmark prices to establish maximum levels of Global Fund funding for appropriate products; (3) set limits on how much support it will provide in categories of expenditure where there is a risk of overuse or inefficiency (“yellow light” items); (4) to advance the appropriate use of reprogramming. This process will require partners to provide technical and other appropriate guidance to the Fund regarding which interventions should be prioritized, in close collaboration with implementers (see Parts 5.4-5.7; Parts 7.5-7.8).
- **Partnerships.** Request that the strategy process take forward broader questions around partnerships and focus on certain questions, and request the Secretariat to: (1) pilot country-level mechanisms to build on goodwill-based partnerships with formalized agreements between in-country stakeholders, and (2) use flexible funding models to utilize existing grant budgets to improve financing of partner support for grant implementation, particularly in bottleneck situations (see Parts 5.8-5.10; Part 7.9).
- **Business Model.** Adopt three broad principles and request the Secretariat to strengthen specific reforms to guide further business model development towards a differentiated and calibrated model appropriate to specific country contexts (see Parts 5.11-5.13; Parts 7.10-7.11).
- **Governance.** Request the incoming Chair and Vice-Chair, working with committees and Secretariat as appropriate, to lead and oversee an ambitious process for governance reforms (see Parts 5.14-5.18; Parts 7.12-7.13).

These select reform steps are outlined in greater detail in Part 5 of the CRWG Report and contained in decision points recommended for consideration by the Board at its Twenty-Third Meeting in Part 7.

Next Steps. The Executive Director and incoming Chair and Vice-Chair are asked to jointly submit a report at Twenty-Fourth and Twenty-Fifth Board Meetings, which outlines overall progress in relation to the nine reform objectives.

PART 1: INTRODUCTION

1.1 The rapid expansion of the Global Fund has been an unprecedented development in the history of global health and has produced exceptional results in saving and improving millions of lives over a very short time period. One of the Fund's founding principles is that it is a learning organization that will evolve over time. To that end, it must examine and adjust its operations, processes, structure, and funding model to reflect a decade of hard-earned experience, respond to changing circumstances, and maximize the health impact of its resources. Indeed, based on lessons learned, the Global Fund has recently launched a major re-design of its grant architecture, and has since introduced a series of reforms to its grant management processes, which the Secretariat presented at the last Board Meeting in Sofia. Admirably, the Global Fund Board has embraced the need to support and build upon the ongoing reform efforts, initiated by the Secretariat, to increase the effectiveness and efficiency of its operations, develop a comprehensive reform agenda, and accelerate progress in key areas.

1.2 To advance this critical agenda the Board established a Comprehensive Reform Working Group (CRWG) in December 2010. The CRWG aimed to take stock of where the Global Fund worked well, where it did not, and what specific improvements could be made overall to improve the efficiency and effectiveness of the Global Fund in order to effect positive and necessary change to protect and save more lives from HIV, tuberculosis (TB), and malaria. Importantly, the goals of the CRWG are not to save money or tighten operations as ends in and of themselves, but instead to identify smart reforms that will allow the Fund to save and improve more lives around the world.

1.3 As there is an ongoing and separate process for the development of a new strategy for the Global Fund, the findings and recommendations in this report are not intended to address broader strategy questions. The CRWG has developed recommendations aimed at improving the operation of the Global Fund as it currently exists, and would be applicable under any of the potential new directions under discussion for its future. The result of these reforms will be a Global Fund that is better positioned to undertake the implementation of a new strategy to support countries in implementing sustainable interventions against the three diseases, according to their respective contexts.

1.4 This report outlines the CRWG's findings from analyses and recommendations to the Board for adoption at the Twenty-Third Board meeting in May 2011, and is organized as follows:

- i. Part 2: Comprehensive Reform Working Group (CRWG)
- ii. Part 3: Situation Analysis and Main Conclusions
- iii. Part 4: A Comprehensive Approach to Reforms
- iv. Part 5: Selected Reforms for Board Consideration
- v. Part 6: Implementation of Reforms, Monitoring, and Learning
- vi. Part 7: Proposed Decision Points for Discussion at the 11-12 May 2011 Global Fund Board Meeting

PART 2: COMPREHENSIVE REFORM WORKING GROUP (CRWG)

2.1 According to its terms of reference (TORs) (Annex 2), the CRWG was charged with: (1) developing and defining a comprehensive reform agenda of specific action steps that will maximize the cost-effectiveness and impact of Global Fund investments in saving and improving lives affected by AIDS, TB, and malaria, (2) establishing clear timelines and measures of progress for implementing each of the action items on the reform agenda, and (3) creating one or more practical mechanisms for the Board, Secretariat, stakeholders, and the global public to track the Global Fund's implementation of items contained in the reform agenda.

2.2 The CRWG is comprised of the Global Fund Board Chair (Tedros Adhanom Ghebreyesus), Board Vice-Chair (Ernest Loevinsohn), Executive Director (Michel Kazatchkine), three representatives of Implementing Bloc constituencies (Nataliya Nizova, Eastern Europe and Central Asia; Allan Ragi, Developing Countries Non-Governmental Organizations (NGOs); Jorge Saavedra, Latin America & Caribbean), three representatives of Donor Bloc constituencies (Patrice Debre, France; John Monahan, United States of America; Anders Nordstrom, Point 7), and one representative of the United Nations (UN) and Partners Bloc (Hiroki Nakatani, World Health Organization).

2.3 To underscore the importance of this effort, the Chair and Vice-Chair of the Board assumed direct responsibility for leading the CRWG. Co-coordinators, identified by the Implementing and Donor Bloc representatives (Anders Nordstrom and Jorge Saavedra), supported them in undertaking various duties and advancing the work of the CRWG. In addition, the Inspector General was invited to join CRWG deliberations and provide specific recommendations and cross-cutting lessons learned for improving the impact of the Global Fund based upon the OIG's experiences conducting reviews, audits, and investigations.

2.4 Between December 2010 and May 2011, the CRWG remained in regular contact through teleconferences, videoconferences, email exchanges, and face-to-face meetings. Teleconferences were held every two weeks during this period and CRWG members attended three in-person meetings. The Secretariat facilitated meetings and teleconferences and provided the CRWG with any administrative and logistical support required for the efficient operation of the group (see Annex 3 and Attachment 1 for CRWG Administrative Materials).

2.5 The following parties also provided vital insight into group's deliberations: the Secretariat, board constituencies, Board Committees, and outside experts.

- i. *Secretariat*: The Executive Director, Deputy Executive Director, Secretariat leadership, and staff worked closely and collaboratively with the CRWG to develop and share ideas, strategies and analyses (e.g., Review of Literature in Annex 3 and Attachment 2) for enabling the Global Fund to work more efficiently and effectively. The Executive Director and Deputy Executive Director participated on the CRWG and facilitated interactions with Secretariat staff. The recommendations of the CRWG build on the reform agenda outlined by the Secretariat and on work the Secretariat has already initiated.
- ii. *Office of the Inspector General*: The IG provided valuable inputs, taking part in working group discussions and providing comments on subsequent recommendations. The IG provided particular support on reforms related to fiduciary control and risk management; and drew from lessons learned from completed audits and investigations to offer guidance for the full reform agenda (see Annex 3 and Attachment 6).

- iii. *Board Constituencies:* The CRWG consulted with all Board constituencies through written reports from the Chair and Vice-Chair, as well as regular updates and dissemination of draft materials by the two co-coordinators for Implementing and Donor Bloc constituencies, respectively.
- iv. *Global Fund Board Committees:* The CRWG frequently consulted with Board committees to solicit ideas, seek advice, and coordinate activities in order to minimize duplication of efforts. Moreover, CRWG representatives made presentations at each committee during their meetings in Spring 2011.
- v. *Outside Experts:* The CRWG did not invite outside experts to join the group, but it did request that relevant outside experts share their advice and insights on issues. In addition, these experts conducted relevant analyses with respect to particular matters under consideration. Specifically, the CRWG expresses its appreciation to the Bill & Melinda Gates Foundation (BMGF), which made available the services of McKinsey & Company (McKinsey) to support critical analytic work, and the US government, which provided support to the drafting of this report.

2.6 To ensure as inclusive and comprehensive a process as possible, the CRWG solicited stakeholder input through a number of different mechanisms. These included:

- i. *Online Survey:* A short, qualitative questionnaire on the relative importance of the reform areas and the reasons why stakeholders considered them important or not. The survey, launched in three languages (English, French, and Spanish) invited suggestions on possible reforms from each of the following groups: Board members and alternates; technical review panel members; Coordinating Country Mechanism (CCM) Chairs and Vice-Chairs; institutional partners; Secretariat executive management team, unit directors, and team leaders; and past Global Fund Partnership Forum participants. The survey provided insight on how a broad range of Global Fund stakeholders prioritize the proposed reform goals, what they perceive as underlying problems, potential solutions, and potential gaps in the reform agenda. A more detailed analysis of the survey's findings can be found in Annex 3 and Attachment 3.
- ii. *In-Country Consultations:* From February to April 2011, the CRWG held four in-person consultations with a wide range of stakeholders in El Salvador, Kenya, Thailand, and Ukraine. There were 79 participants from 23 countries. The CRWG expresses its appreciation to the AIDS Healthcare Foundation for sponsoring and providing logistical support to these meetings and to WHO and the UN Development Programme (UNDP) for providing meeting space and video-connectivity support. Most of the recommendations from these consultations were very specific and derived from in-country experience with managing grant programs. They have been reviewed and considered and these materials could advise future work of the Global Fund (see Annex 3 and Attachment 4).
- iii. *McKinsey Analyses:* At the request of the CRWG, McKinsey prepared in-depth analyses for the following areas: (1) fiduciary controls, (2) increased value-for-money, (3) partnerships, (4) business model, and (5) governance (see Annex 3 and Attachments 5a-5e).

2.7 It was also important to ensure efficient communications and relevant connections for the CRWG with the (1) High-Level Independent Review Panel on Fiduciary Controls (HLP) and

(2) 2012-2016 Strategy Process being led by the Policy and Strategy Committee (PSC) (See Figure 1).

- i. The **High-Level Independent Review Panel on Fiduciary Controls (HLP)** was established to conduct a comprehensive review of the Global Fund’s financial oversight and risk-management systems, and to make appropriate recommendations to the Board by September 2011. The CRWG’s charge extends beyond financial oversight, but within that mandate it makes recommendations concerning fiduciary-control systems. The CRWG did not consider overarching and longer-term fiduciary issues that are reserved for the independent HLP. Because the CRWG’s recommendations in the fiduciary-control area may take a number of months for the Secretariat to implement, the HLP could well offer advice on aspects of these reform initiatives.
- ii. The Global Fund Board requested that the PSC develop and implement a process to create a **Global Fund Strategy for 2012-2016**. The PSC intends to recommend a framework version of the Strategy document for consideration by the Board at its meeting in May 2011, with formal adoption of a final Strategy in December 2011. While the CRWG and PSC will necessarily touch upon several common issues, the CRWG was focused upon reform steps that can be implemented within a shorter term than the Strategy. Additionally, the Strategy is specifically tasked with examining issues such as the mandate of the Fund, possible regional or sub-regional presence, and related fundamental issues. Because the Strategy will likely be formally adopted in December 2011, the PSC should consider the final reports of the CRWG, Joint Working Group on Eligibility (JWGE), and HLP before making its recommendations to the full Board.

The work of the CRWG interfaces with other important on-going processes

Main focus	
High-level panel	<ul style="list-style-type: none"> Reviews and validates the Global Fund’s policies, procedures, practices, control systems with regards to fiduciary controls and prevention of fraud and misappropriation
Strategy process	<ul style="list-style-type: none"> Considers the overall strategic direction for the Global Fund including its vision, mission and goals
JWGE	<ul style="list-style-type: none"> Reviews the Global Fund’s current eligibility and prioritization policies and make recommendations to the Board at its 22nd Meeting
Secretariat	<ul style="list-style-type: none"> A broad on-going reform agenda that in particular looks at strengthened fiduciary control, changes to the proposal development process, grant architecture and management, as well as internal management processes
CRWG	<ul style="list-style-type: none"> Takes a comprehensive approach to reforms and defines a framework and plan with 9 reform objectives Identifying selected reform actions for Board consideration within 5 areas: <ul style="list-style-type: none"> – Fiduciary control, Value for Money, Business Model, Partnerships & Governance

Geneva, April 2011



Figure 1. The work of the CRWG interfaces with other important on-going processes

PART 3: SITUATION ANALYSIS AND MAIN CONCLUSIONS

3.1 The Global Fund was established as an ambitious and innovative financing mechanism, grounded in the principles of performance-based funding, to combat the immediate and overwhelming disease burdens of HIV, TB, and malaria in low-resource settings. Complemented by the principle of country-ownership, these building blocks set the Fund apart from other, traditional financing models, moving toward a new way of providing financing that puts implementing partners in the driver's seat, while insisting upon achievement of results, independent review, and accountability. Many donors have predicated their support for the Fund upon its commitment to performance-based funding, and implementing countries have utilized the Fund's country-driven model to design and finance tailored strategies for addressing the three diseases in their populations.

3.2 With the passage of time and as the Global Fund's geographic reach and grant portfolio have increased, it is clear that the Fund must continue to improve and reform its operations and policies to ensure funds are being used for their intended purposes, strengthen management and oversight processes, maximize the health impact of Global Fund grants on the three diseases, and improve overall Fund governance.

3.3 The challenges facing the Global Fund today are not susceptible to one or two general policy or program changes. Instead, like other maturing organizations, the Fund will benefit from successful implementation of a broad package of tailored reforms that represent pragmatic, targeted solutions to discrete problems and that, taken together, hold out the prospect of substantial overall improvements in organizational performance. This is a process that will need to be carefully rolled out over time.

3.4 A central and cross-cutting finding of the CRWG is that the Global Fund needs to move away from the one-size-fits-all approach of financial, management, and programmatic engagement that has predominated the first nine years of the Fund's existence. Instead, the CRWG believes the Fund should embrace a differentiated and calibrated model that allocates resources based upon the potential health results, risks and resource situation associated with specific and diverse country contexts. The Global Fund should focus proportionately more of its effort on supporting and managing country programs that present a high level of risk or opportunity, while more streamlined engagement may be possible in places that have a strong record of performance. The Global Fund's relative size and role in individual countries should also be better factored in.

3.5 The CRWG recognizes the ongoing reforms initiated by the Secretariat and has built on them. In so doing, the CRWG has reviewed the Secretariat's efforts to implement a wide range of reforms to improve grant management processes and increase accountability. While these reforms are critical to the sustained progress of the Global Fund, more must be done and several reforms require the active commitment of other partners and stakeholders.

3.6 Based on the CRWG's analysis and building on work already underway by the Secretariat, the conclusion is that there are opportunities for improvements with the following nine objectives: (1) enhanced fiduciary control and risk-management; (2) improved resource allocation and increased value for money; (3) improved proposal development and review processes; (4) improved grant management and reduced transaction costs; (5) improved Global Fund internal management; (6) improved partnership and in-country structures; (7)

improved governance; (8) enhanced resource mobilization; and (9) increased sustainability and efficiency.

- i. ***Enhanced fiduciary controls and risk-management:*** Given the diversity, complexity and size of the Global Fund's portfolio, the one-size-fits-all approach is no longer an effective mechanism for risk management. Greater assurance can be placed on the accountability frameworks of high-performing countries compared with those with more challenging implementation environments. This can result in guidelines that unnecessarily slow implementation in some cases, while providing inadequate protection in others. In addition to a calibrated risk-management approach at the country level, opportunities remain for the Secretariat to continue to review its internal performance-assessment and accountability system, particularly with regard to its systems of checks and balances, strengthen grant oversight and risk management systems, and calibrate the Global Fund's grant portfolio to respond to the evolving needs.
- ii. ***Improved resource allocation and increased value for money:*** The CRWG believes the Global Fund has the potential to do much more to take advantage of potential savings in the unit costs of key services and products and to focus its resources upon evidence-based solutions that improve health impacts. It will be important to make greater use of the lessons learned from the work of the OIG and the Technical Evaluation Reference Group (TERG). The CRWG also believes the Fund must revise its eligibility, prioritization, cost-sharing, and additionality policies to ensure they target resources to those with the greatest need and least ability to pay. The Secretariat should enhance its promising review of particularly high-risk areas of resource use, including procurement in general and expenditures on trainings, educational materials, vehicles, other durable goods, and non-evidence-based interventions.
- iii. ***Improved proposal development and review processes:*** Building upon the Secretariat's ongoing work, the Global Fund's proposal development and review process can be improved, calibrated, and streamlined. Proposal formats can be simplified, the Technical Review Panel (TRP) Core Criteria need revision, and partners' engagement in the process of proposal development and pre-submission review needs to be strengthened. In terms of review, TRP criteria can be better applied consistently within and across different rounds of proposals. Responses from the "Proposal Desk" to applicants can be better coordinated, budget review teams can have improved access to reliable, country-specific knowledge on local costs, and the TRP clarification process can be shortened without sacrificing overall proposal quality.
- iv. ***Improved grant management and reduced transaction costs:*** Opportunities to tailor grant management to country-specific contexts and enhance expertise dedicated to country-specific financial issues should be explored. There can be greater clarification and full transparency at the global and country levels as to the roles and responsibilities of various entities, such as LFAs, Fund Portfolio Managers (FPMs), CCMs, and national programs. Similarly, there can be deeper commitment to performance-based funding as well as seamless and efficient sharing of timely information among all parties involved in grant oversight. In terms of transaction costs, the grant management process can be streamlined and

expedited to ensure wise and timely disbursements. The submission process can be better aligned with national funding and planning cycles.

- v. ***Improved Global Fund internal management:*** Important work is ongoing in terms of better aligning the Secretariat's resources, e.g., through the Country Team Approach. The Global Fund can continue to evaluate and improve its internal management systems to reflect the new challenges facing the Fund. The organization has experienced rapid growth, and must avoid becoming increasingly bureaucratic. The Fund can pursue opportunities to focus on strategic engagement and effective interaction with implementers and in-country partners to drive improved results in combating the three diseases.
- vi. ***Improved partnership and in-country structures:*** The Global Fund should explore avenues to improve its in-country operations and the partnerships upon which its business model relies. Specifically, there can be greater clarity as to the roles and responsibilities of actors in-country (e.g., government, CCM, LFA, PR, Sub-Recipient (SR), civil society) and at the global level (UN and multilateral agencies, bilateral agencies, foundations, and international NGOs). The capacity and functionality of these actors can also be strengthened. There are opportunities for greater alignment of Global Fund strategies, policies, and targets to those of countries, which are sensitive to country- and regional-specific disease epidemics, as well as greater alignment with international partners. Specific to its partnerships, the Global Fund can establish clear roles, responsibility, accountability, and more effectively leverage technical capacity and operational mechanisms at all levels, particularly at country level.
- vii. ***Improved governance:*** The governance mechanisms of the Global Fund can be examined and improved. The governance structures are too complex, cumbersome, and slow. The Board can pursue strategies to reform its work processes and focus its energy upon fiduciary oversight and strategic direction. Additionally, constituencies have varying capacities to engage effectively in Board discussions, and some may need support to play their vital and necessary role in Fund governance.
- viii. ***Enhanced resource mobilization:*** Opportunities for enhanced resource mobilization to ensure the continued maintenance of the Global Fund's grant portfolio should be explored. To that end, the current replenishment can be aligned with the long-term strategy process, the donor base can be expanded, and the Global Fund can strengthen counterpart mechanisms from middle-income recipient countries.
- ix. ***Increased sustainability and efficiency:*** The Global Fund must pursue opportunities for increased sustainability and efficiency. For example, its investments can be directed towards sustainable and efficient in-country capacity building and harmonized with the relevant in-country health policies. To that end, the role of the CCM can be clarified and strengthened. Additionally, the capacity of the health care sector can also be strengthened when it directly relates to efficient control of the three epidemics.

3.7 The overall conclusion by the CRWG is that the Global Fund has successfully delivered on major health results indicating that the Fund has managed and evolved its operations over time. As a learning organization, there is substantive ongoing work aimed at making the Fund an even more efficient and effective organization. The CRWG recognizes that there is still room for additional, and sometimes major, improvements. This calls for a comprehensive and systematic approach to an agenda for reforms and improvements over time.

PART 4: A COMPREHENSIVE APPROACH TO REFORMS

4.1 The Global Fund has been pursuing multiple reform activities aimed at improving impact. As part of the CRWG's mandate to conduct a full review of the Fund, the group has brought together the complete range of reform actions being advanced, and integrated these into one broad framework. The resulting **Plan for Comprehensive Reform (PCR)** (Annex 1) defines nine overarching objectives that both capture major reform efforts currently underway, as well as those for the future. Against these goals, the PCR outlines reform areas, expected benefits from action in each area, deliverables, and responsible actors.

4.2 The PCR serves a number of purposes. It enables the Global Fund to see and communicate the totality of the ongoing reform initiatives; supports prioritization and efficient utilization of human and financial resources; and creates accountability for the Global Fund by providing clarity on deliverables and milestones to help the Board track progress.

4.3 The PCR primarily builds on important reforms launched and presently driven by the Secretariat. These have been brought together in an internal process, which is under the management of the Deputy Executive Director. Four areas of specific interest and importance are highlighted below.

- i. **The new grant architecture** enables the departure from a Global Fund grant-centered approach to a national program-oriented approach, and as such allows for enhanced alignment of Global Fund financing with national program planning, reporting and review cycles. Progress in implementation has been strong since the Board's approval of the new grant architecture in November 2009. As of 1 April 2011, 110 grants in 28 countries have been consolidated and aligned into 56 Single Streams of Funding (SSFs). This figure will rise significantly in the second half of 2011 through Round 10 grant signings, with an estimated 100 new SSFs established by year end. In addition to the new architecture, national strategy applications and the joint health systems funding platform are two important initiatives that reinforce the Global Fund's efforts on alignment and harmonization.
- ii. **The Country Team Approach** is an example of reform that the Secretariat is implementing to improve grant management and reduce transaction costs for country stakeholders. The Country Team Approach brings together the Secretariat teams involved in managing grants (including Finance, Legal, Procurement, Monitoring and Evaluation, and Country Programs, in addition to LFAs) to make full use of the complete expertise available. This approach allows the Secretariat to develop a more in-depth understanding of country contexts and ensures coordinated, efficient interactions with PRs and LFAs. This enhances the quality of grant management decisions, improves the ability to (1) manage and

mitigate risk, and (2) cultivate and leverage partnerships in-country. The Country Team Approach was introduced in September 2010 in 13 countries with large amounts of approved funding, complex operations, or other major challenges. Through a significant reallocation of internal resources, the Secretariat is now managing 33 countries under this approach, with plans for further expansion in 2011 and 2012.

- iii. **Strengthening controls and improving prevention and detection of fraud:** As detailed in the PCR (Annex 1) and outlined in the “Results with Integrity” report presented in March 2011 to the Finance and Audit Committee (FAC), the Global Fund is implementing a number of reforms in the area of fiduciary control and risk management which include: (1) systematic risk assessments and country- and PR-tailored risk management plans; (2) more in-depth monitoring of high-risk activities by LFAs, coupled with an expanded scope of work and expert trainings on fraud for LFAs (organized together with the OIG); (3) the introduction of a dedicated Quality Assurance and Support Services Unit in the Secretariat to ensure consistency of grant management processes; (4) codification of standard operating procedures, capturing best practices in grant management; (5) improvements to data quality through further roll-out of data quality audits and on-site data verification; (6) revised Principal Recipient internal control policies (currently being introduced during Round 10 grant negotiations); (7) the development and implementation of a joint, inter-agency plan to counteract the theft of drugs and other life-saving commodities; and (8) enhancing Secretariat capacity for fraud prevention and detection, including the institution of a Global Fund rapid response “SWAT” team and staff training on fraud mitigation and detection.
- iv. **Streamlining access to funding:** Under the oversight of the Portfolio and Implementation Committee (PIC), the Secretariat is reviewing grant application, negotiation and signing processes to identify opportunities for gains in quality and efficiency. Significant progress has been achieved with the revision of the Round 11 proposal form to eliminate duplicative questions and improve the quality of information provided to inform TRP decisions. This form will also make consolidated proposals the mandatory method of application to ensure a more well-rounded picture of funding requests for a disease program. It is anticipated that this will also facilitate countries’ reprogramming of existing activities in order to better align with national plans and policies. In reviewing consolidated proposals in Round 10, the TRP was highly enthusiastic about the ability to more coherently assess the additionality and new funding requests vis-à-vis existing Global Fund-financed activities.

4.4 The reforms above are complemented by continuous actions to further improve efficiency and effectiveness in all areas of the Global Fund. These include improvements to: grant signing, disbursements, quality assurance, and the application of performance-based funding. The full breadth of these reforms is captured in the PCR in Annex 1.

4.5 In addition to the reforms currently underway by the Secretariat, the CRWG envisages the integration of the select items proposed for consideration by the Board in Part 5 into the PCR. It is expected that the PCR will evolve based on lessons learned and shifting priorities. Furthermore, the reforms will need to be refined as operational implications become clearer.

As part of this evolutionary process, the Secretariat will revisit the refining of Key Performance Indicators (KPIs). This will take place as part of a broader review of the KPIs already initiated within the Secretariat under PSC's oversight.

4.6 The PCR will be updated to incorporate the reform measures recommended by the HLP, strategy process, and Board Committees. These changes will be reflected in the Secretariat's ongoing reporting to the Board.

PART 5: SELECTED REFORMS FOR BOARD CONSIDERATION

5.1 Based on the situation analysis and review of ongoing reform activities, the CRWG identified five reform areas as particular opportunities for near-term action. These were chosen because the CRWG found that they reflected good opportunities to achieve early gains from reform. In some instances, the CRWG has identified critical issues to be resolved through the strategy process.

Fiduciary Controls

5.2 An effective system of fiduciary control that spans from proposal development through grant implementation is essential to the Global Fund. The Secretariat is pursuing a number of substantial reforms in this area, and the following recommendations build on that work to enhance the effectiveness and efficiency of the Fund's fiduciary control and risk management systems. The CRWG recommends the following:

- i. The Secretariat should develop an *accountability framework* for fiduciary control and risk management that clearly delineates the roles, responsibilities, and accountabilities of: the Global Fund and its structures (e.g., the Secretariat, FPMs, PRs, LFAs); independent audits and investigation functions; (e.g., OIG, independent auditors), and domestic accountability structures; (e.g., government ministries, regulators, civil society) (see Figure 2). The framework would include the grant management cycle, as well as responsibilities for control, compliance, and remediation.



Figure 2. Accountability Framework

- ii. The Secretariat should examine the application and enforcement of *minimum PR requirements*. PRs should, according to county capacity and when needed, be

provided with support and incentives to satisfy minimum requirements, and there should be a differentiated response for countries that fail to satisfy these requirements. The CRWG also recommends that the Global Fund accelerate development of a code of conduct, which establishes ethical expectations.

- iii. The Secretariat should develop a *fully transparent system of information around findings of audits and investigations and an effective communications strategy*. The Global Fund should provide accurate information when problems are identified for which activities are ineligible, which activities are unsupported by documentation, and which activities are criminal. In addition, there should be an overview of the situation outlining total Global Fund expenditures audited, and of those, total expenditures where problems were found. The Secretariat and the OIG will work together to implement these recommendations.
- iv. As part of the Secretariat's ongoing reforms in this area, there should be a *calibrated and differentiated response mechanism*. The Global Fund needs to ensure that the parts of grants that are unaffected by fraud are isolated, cleared, and allowed to continue, so as not to disrupt critical program activities. Similarly, the response to findings of fraud in one or a minority of countries should not be applied across the portfolio. Preventive measures should be developed and implemented for all countries. Regardless of grants affected, continuation of life saving treatment should be assured.
- v. The FAC should *review and refine the position and scope of audit and investigation functions*, including the need to more precisely define the boundaries between the OIG and national authorities, and to determine the appropriate expenditure on fraud investigation.

5.3 The CRWG recommends that the HLP explicitly examine the Global Fund's "risk appetite," together with the institution's overall operating principles, to determine a set of guiding principles for fiduciary control and risk management (e.g., proportionality). The CRWG also recommends that HLP examine differentiated models for fiduciary control and risk management to enable a more calibrated approach.

Value for Money

5.4 Value for money involves getting the maximum health impact on the three diseases for the resources provided. Value for money is not the same as cost-cutting. Rather the goal is to increase the health benefits provided by the Global Fund's spending. This involves not only looking at how much money is spent, but also what it is spent on. The CRWG recognizes that the Global Fund is well positioned to drive value for money and must do so in an accelerated manner. The CRWG believes that the Global Fund should leverage its role as a predominant financier of essential health products to help shape the markets for those products so as to improve price, quality, design and sustainable supply, and as a result, health outcomes.

5.5 Where the actions described below yield cost savings, the normal consequence should be that the funds stay in the country program and are used to scale up efforts against one or more of the three diseases. It is also recommended that the Secretariat designs and implements other incentives to facilitate PRs themselves to adopt and allocate more resources to the most cost-effective interventions.

5.6 The CRWG recommends as follows:

- i. *Endorsing MDC recommendations and requesting further action.* The CRWG strongly endorses the recommendations of the Market Dynamics Committee (MDC) to the Twenty-Third Board Meeting. It is recommended that the MDC propose expanded uses for its “toolkit” of interventions - including opt-out mechanisms and other interventions as appropriate - by bringing in other product areas. The MDC is asked to bring recommendations in this area to the Twenty-Fourth Board Meeting. The Secretariat is asked to take all necessary and appropriate measures to fully implement voluntary pooled procurement as approved by the Board, and to execute the recommendations of the MDC.
- ii. *Benchmarks.* It is recommended that the Secretariat establish benchmark prices where appropriate. These benchmarks should reflect applicable competitive market prices and should be set at the lowest level that is consistent with well-functioning market. The Secretariat may use these benchmarks where appropriate to establish maximum levels of Global Fund funding for these products.
- iii. *Yellow light expenditure items.* It is recommended that in certain categories of expenditure where the Secretariat, CCMs, or implementing country believes there is a risk of overuse or inefficiency (“yellow light” items which might include, e.g., vehicles, non evidence-based interventions, and other goods and services of concern), the Secretariat may set limits on how much support it will provide.
- iv. *Enhanced use of reprogramming.* It is recommended that the Secretariat, in consultation with implementers, should determine how to advance the appropriate use of reprogramming, including the use of identified efficiencies, to negotiate increased use of cost-effective new and existing interventions to maximize health impact in the three disease areas. This process will require partners to provide to the Global Fund technical guidance regarding which interventions should be prioritized.

5.7 The Secretariat is asked to provide an annual report on its value for money work, including quantified results in terms of savings, additional coverage, and health impact.

Partnerships

5.8 The Global Fund, as a financing agency, is both a part of, and heavily dependent on, a partnership model for the success of implementing grants in countries. Central to the partnership model are complementary and mutually accountable relationships, acknowledging and leveraging a variety of roles being played by partners at the global, regional, and particularly country level - between in-country implementing and supporting entities (PRs, National Programs, CCMs) and a variety of partners, including the UN, multilateral agencies, such as the WHO, UNAIDS, Roll Back Malaria Partnership, Stop TB Partnership, UNITAID, the World Bank, bilateral partners, foundations, civil society, NGOs, and the private sector. The role and mission of each of these partners should be utilized fully for achievement of mutual objectives. Special care must be taken to avoid duplication and ensure efficient alignment between the work of partners and at all levels of the Global Fund.

5.9 Partnerships are essential for the Global Fund in terms of, e.g., accessing and disseminating norms and technical guidelines, enhancing institutional and civil society capacity, effective coordination with other stakeholders as well as for opportunities to leverage its financial investments. The Global Fund is operating in a landscape of partners (as mentioned above) with defined roles and given mandates. There is a need for more strategic and structured relationship for some activities that are close to the operations of the Global Fund. The Fund should also put the need for technical assistance within the broader objective to improve sustainable institutional capacity. The CRWG suggests that the strategy process take forward both the broader questions around partnerships as well as the following three questions:

- i. The Board should reflect on ways to move beyond its current goodwill-based partnership model. In particular, the Global Fund should clarify expectations on partnerships and the level of accountability it can and should require for those activities critical toward the development, implementation, and monitoring of national programs the Fund finances through PRs.
- ii. The Board should consider how to improve oversight of and linkage between partnership objectives for the institution within its governance structure, specifying oversight mechanisms, appropriate KPI metrics at the relevant levels, and expectations regarding partner representation on Board level.
- iii. The Board should reflect on its expectations of the role and mandate of the Secretariat and its alignment with the work of partners in advancing the execution of Fund-related partnership objectives, particularly for the purposes of support towards strategy, implementation, and monitoring of national programs financed by the Global Fund.

5.10 To improve the effectiveness of partnership at the country level - where the focus of partnerships should be the effective implementation of programs under the guidance of country ownership, as embodied by CCMs - the CRWG requests the Secretariat to:

- i. Pilot country-level mechanisms to build on goodwill-based partnerships through formalized agreements between in-country stakeholders to ensure effective technical cooperation, country support, and capacity building in areas that have been identified as gaps, e.g., in technical, financial, and operational management.
- ii. Use flexible funding models, where agreed by the CCMs and PR, to utilize existing grant budgets to improve financing of partner support for grant implementation, particularly in bottleneck situations.

Business Model

5.11 A central finding of the CRWG is that the Global Fund needs to re-examine its business model. It should move away from a one-size-fits-all approach to a differentiated and calibrated model that allocates oversight resources based upon the risks and resources associated with specific and diverse country contexts. The Global Fund should focus proportionately more of its effort on supporting and managing country programs that present

a high level of risk or opportunity, and streamline engagement in places that have a strong record of performance.

5.12 Consistent with this analysis, the CRWG recommends that the Board adopt three broad principles to guide further development of the business model:

- i. The Global Fund should actively adapt its business model to place greater importance on disease impact and value for money.
- ii. The Global Fund should improve allocation of resources by adapting its funding modalities and grant management systems to better take into account: (1) performance record of the grant, PR, and country; (2) risk presented by the grant, PR, and country; and (3) relative size and role of the Global Fund in-country.
- iii. The Global Fund should measure the effectiveness of its business model, with particular regard to the health impact on the three diseases and transaction costs.

5.13 It is increasingly important to ensure that the resources provided by the Global Fund are effectively used, focused on results, and are in addition to what otherwise would have been made available for the three diseases. The CRWG recommends that the Board ask the Secretariat to strengthen two specific reforms to improve the business model:

- i. Identify ways to reinforce the application of performance-based funding, such as evaluating the current framework, increasing transparency, further developing methodology, and moving towards payment-for-service.
- ii. Further reinforce the tracking and enforcement of additionality, working with other bodies as appropriate.

Governance

5.14 The CRWG has identified governance as a challenge. Addressing governance challenges will enhance the impact and management of the Fund, enable the Board and Secretariat to effectively pursue the PCR, and facilitate the next Global Fund strategy.

5.15 The CRWG recommends that the Board task the new Chair and Vice Chair to oversee governance reform, working with committees and the Secretariat as appropriate. Reforms should be presented for Board approval at the Twenty-Third and Twenty-Fourth Board Meetings, and be undertaken in the following two stages:

5.16 Stage 1 (May - December 2011)

- i. Explore the option of creating an *executive committee* to undertake, as a designated body of the Board, actions in the interim of full Board meetings.
- ii. Develop a *decision-making framework* that clearly specifies the authority and mandate of different Board structures and the Secretariat, with the aim of

delegating more authority to the Secretariat and making more efficient use of committees as representative bodies of the Board.

- iii. Review the *role and oversight of the TERG and OIG*, to clarify the mandates and TORs of these structures with the goal of sharpening their focus, aligning roles, and ensuring effective ongoing oversight.
- iv. Develop *consistent standards and transparent processes for constituency selection* of Board representatives.
- v. Develop *standards for constituency governance and participation expectations for Board Members*, including a code of conduct and appropriate accountability mechanisms.

5.17 Stage 2 (January - May 2012)

- i. Redefine *Board role* to improve its functioning, priorities and oversight, focusing the Board role on core governance responsibilities, e.g., performance assessment and financial oversight.
- ii. Align *committee structures* to agreed Board functions, reviewing the number, size, and structure of committees.
- iii. Review *role and oversight of the TRP and Partnership Forum*, with a focus on aligning the role, processes, and structure of the TRP to the Global Fund's reform agenda and the 2012-16 strategy, and increasing the efficiency and impact of the Partnership Forum.
- iv. Review *overall Board structure*, including its composition and size, with issues for consideration to include: effective representation of implementing countries; approach and value of the two bloc system; role of non-voting partners; and optimal mechanisms to execute both formal governance roles and external relations functions of the Board.

5.18 The CRWG invites the incoming Chair and Vice-Chair of the Board, in consultation with the HLP, to consider the need to establish an independent audit committee as part of their review of the Global Fund committee structure within their larger examination of governance reforms.

PART 6: IMPLEMENTATION OF REFORMS, MONITORING, AND LEARNING

6.1 The Global Fund, as a whole, needs to move forward thoughtfully with the implementation of the overall comprehensive reform agenda, and the Secretariat and incoming Chair and Vice-Chair should take on and advance the operational and governance reforms recommended in this report, respectively. Strategic priorities will need to be set in anchoring the operational reforms in the Secretariat's current workplan. If operating resource implications are identified, the CRWG encourages the Secretariat to engage with the Chair, Vice-Chair, and FAC on these issues to ensure that any barriers to implementation can be addressed.

6.2 The Board needs to hold itself accountable for the successful implementation of the comprehensive reform agenda. The Executive Director and incoming Chair and Vice-Chair are asked to jointly submit a report at Twenty-Fourth and Twenty-Fifth Board Meetings, which outlines overall progress in relation to the nine reform objectives. In the context of reporting to the Board on the Global Fund's portfolio and its impact on the three diseases, the Secretariat is asked to provide an annual report on its value for money work, including quantified results in terms of savings, additional coverage, and health impact.

PART 7: PROPOSED DECISION POINTS FOR DISCUSSION AT THE 11-12 MAY 2011 GLOBAL FUND BOARD MEETING

Decision Point 1: The Report of the Comprehensive Reform Working Group (CRWG)

The Board embraces the Report of the Comprehensive Reform Working Group (CRWG Report) and fully supports the need for continuous reform. The Board also endorses the broad direction of the Plan for Comprehensive Reform (PCR), as included in Annex 1 to the CRWG Report, and specifically recognizes its enumerated reform objectives.

Decision Point 2: Plan for Comprehensive Reform: Fiduciary Controls

1. The Board recognizes that an effective system of fiduciary control that spans from proposal development through grant implementation is essential to the Global Fund.

2. As such, the Board requests the Secretariat to take the following actions as specified in Part 5.2.i-iv of the Report of the Comprehensive Reform Working Group (CRWG Report), and report on its progress and implementation of these actions at the Twenty-Fourth Board Meeting:

- i. Develop an accountability framework for fiduciary control and risk management;*
- ii. Strengthen the application and enforcement of minimum PR requirements;*
- iii. Develop a fully transparent information system and an effective communications strategy; and*
- iv. Develop a calibrated and differentiated response mechanism.*

3. Pursuant to Part 5.2.v of the CRWG Report, the Board requests that the Finance and Audit Committee (FAC) review and refine the position and scope of audit and investigation functions, and report on its progress at the Twenty-Fourth Board Meeting.

Decision Point 3: Plan for Comprehensive Reform: Value for Money

1. The Board recognizes that the Global Fund is well-positioned to drive value for money and should leverage its role as the primary financier of essential health products so as to improve quality, price, design, and sustainable supply. In this context the Board asks the Market Dynamics Committee to propose to the Twenty-Fourth Board meeting expanded uses for the MDC's "toolkit" of interventions- including opt-out mechanisms.

2. When value for money efforts generate savings, the normal consequence is that such savings should stay in countries to scale up efforts against one or more of the three diseases.

3. In order to drive value for money, the Board requests the Secretariat to:

- i. To take all necessary and appropriate measures to (1) fully implement voluntary pooled procurement (VPP) and (2) aggressively execute the Market Dynamics Committee recommendations.**
- ii. Determine benchmark prices to establish maximum levels of Global Fund payments for appropriate products. Benchmark prices should be set at the lowest accessible competitive price consistent with well-functioning markets.**
- iii. Set limits on how much support the Global Fund will provide in categories of expenditure where there is a risk of overuse or inefficiency (“yellow light” items, e.g., vehicles).**
- iv. The Secretariat should work proactively with PRs and CCMs to use reprogramming within high-burden countries to ensure increased use of cost-effective interventions to maximize health impact. The Secretariat should incorporate guidance from technical partners to help guide this reprogramming.**

4. In the context of reporting to the Board on the Global Fund’s portfolio and its impact on the three diseases, the Secretariat is asked to provide an annual report on its value for money work, including quantified results in terms of savings and additional coverage or impact.

Decision Point 4: Plan for Comprehensive Reform: Partnerships

1. The Board recognizes the Global Fund, as a financing agency, is both a part of, and heavily dependent on, a partnership model in a range of its strategic functions including to an extent for the success of countries in developing, managing and implementing grants in countries. The Board supports consideration of the recommendations set forth in Parts 5.8-5.10 of the Report of the Comprehensive Working Group in the Strategy Process. The Board requests that the Secretariat move on the following two items in the near term, and report on its progress and implementation of these actions at the Twenty-Fourth Board Meeting:

- i. Pilot country-level mechanisms to build on goodwill-based partnerships through formalized agreements between in-country stakeholders to ensure effective technical cooperation, country support, and capacity building in areas that have been identified as gaps, e.g., in technical, financial, and operational management.**
- ii. Use flexible funding models, where agreed by the CCMs and PR, to utilize existing grant budgets to improve financing of partner support for grant implementation, particularly in bottleneck situations.**

Decision Point 5: Plan for Comprehensive Reform: Business Model

1. The Board finds that the Global Fund needs to re-examine its business model. It should move away from a one-size-fits-all approach to a differentiated and calibrated model that allocates oversight resources based upon the risks and resources associated with specific and diverse country contexts. Consistent with this approach, the Board adopts the following three broad principles to guide further development of the business model:

- i. The Global Fund should actively adapt its business model to place greater importance on disease impact and value for money.**
- ii. The Global Fund should improve allocation of resources by adapting its funding modalities and grant management systems to better take into account: (1) performance record of the grant, PR, and country; (2) risk presented by the grant, PR, and country; and (3) relative size and role of the Global Fund in-country.**
- iii. The Global Fund should measure the effectiveness of its business model, with particular regard to the health impact on the three diseases and transaction costs.**

2. In addition, the Board requests that the Secretariat strengthen two specific reforms to improve the business model, and report on its progress at the Twenty-Fourth Board Meeting:

- i. Identify ways to reinforce the application of performance-based funding, such as evaluating the current framework, increasing transparency, further developing methodology, and moving towards payment-for-service.**
- ii. Further reinforce the tracking and enforcement of additionality, working with other bodies as appropriate.**

Decision Point 6: Plan for Comprehensive Reform: Governance

1. The Board recognizes that addressing governance challenges will enhance the impact and management of the Fund, enable the Board and Secretariat to effectively pursue the Plan for Comprehensive Reform (PCR), as set forth in the Report of the Comprehensive Working Group (CRWG Report), and facilitate the next Global Fund strategy.

2. The Board requests that the incoming Chair and Vice-Chair, working with committees and Secretariat as appropriate, lead and oversee a process for governance reforms, as set out in Parts 5.14-5.17 of the CRWG Report. Reforms will be presented for Board approval at the Twenty-Third and Twenty-Fourth Board Meetings.

Decision Point 7: Plan for Comprehensive Reform: Implementation of Reforms, Monitoring, and Learning

- 1. The Board acknowledges that the Global Fund, as a whole, needs to move forward thoughtfully with the implementation of the overall comprehensive reform agenda, and asks that the Secretariat and incoming Chair and Vice-Chair of the Board take on and advance the operational and governance reforms recommended in the Report of the Comprehensive Working Group (CRWG Report).***
- 2. The Board notes that strategic priorities will need to be set in anchoring the operational reforms in the Secretariat's current workplan. The Board encourages the Secretariat to engage with the Chair, Vice-Chair, and Finance and Audit Committee (FAC) regarding resource implications for successful implementation of these reforms.***
- 3. The Board acknowledges that consultations with direct implementers have been conducted in Ukraine, Kenya, Thailand, and El Salvador as part of the comprehensive reform process, and that those inputs should be taken into consideration during the implementation of reforms.***
- 4. The Board acknowledges that it will be accountable for the successful implementation of the comprehensive reform agenda. The Board requests the Executive Director and incoming Chair and Vice-Chair to jointly submit a report at Twenty-Fourth and Twenty-Fifth Board Meeting, which outlines overall progress in relation to the nine reform objectives.***

This document is part of an internal deliberative process of the Global Fund and as such cannot be made public until after the Board meeting.

The Global Fund's Plan for Comprehensive Reform

May 2011, 23rd Board Meeting

GF/B23/13

Annex 1

This Plan for Comprehensive Reforms captures the goals and detailed ongoing actions in the Reform Agenda for a more efficient and effective Global Fund.

Actions are listed according to the following 9 objectives that they contribute to:

1. Enhanced fiduciary control and risk management
2. Improved resource allocation and increased value for money
3. Improved proposal development and review process
4. Improved grant management / reduced transaction costs
5. Improved Global Fund internal management
6. Improved partnerships and in-country structures
7. Improved governance
8. Enhanced resource mobilization
9. Increased sustainability and efficiency

The Plan details the below elements:

1. Reform objectives
2. Problem statement / rationale for reform
3. Reform area
4. Deliverables
5. Timing / status
6. Desired impact and benefits of reforms
7. CRWG suggested selected actions for Board consideration May 2011

This Plan includes ongoing Secretariat actions and selected actions for Board consideration

The Plan references some, but not all, ongoing committee work and other processes

The deliverables listed in this Plan represent ongoing and evolving reform activities in various stages of implementation. The Plan for Comprehensive Reform will be updated to incorporate the reform measures recommended by the High-Level Panel, Strategy Process and Board Committees. These changes will be reflected in the Secretariat's ongoing reporting to the Board.

The Global Fund's Plan for Comprehensive Reform
May 2011, 23rd Board Meeting

Reform objectives	Problem statement/ rationale for reform	Reform area	Deliverables	Timing / Status	Desired impact and benefit	Select reforms (CRWG)
1. Enhanced fiduciary control & risk-management	The Global Fund needs to strengthen its fiduciary controls and risk management at the PR/SR, LFA and Secretariat levels, in particular around: - Fraud prevention, detection and response - Monitoring and management of specific expenditure categories - Approach to drug theft and diversion of life-saving commodities - Implementation of the risk management framework and roles and responsibilities	Fraud Prevention - Risk assessments	Conduct portfolio-wide risk assessments, including fraud risks. - First phase: In 33 CTA countries - Second phase: In all other countries	1) Jun 2011 2) Dec 2011	- Better understanding of in-country risks by the GF, and improved ability to tailor responses by the Secretariat and LFAs; - Proactive identification and mitigation of high-risk areas and transactions; - Improved consistency in application of standards by the GF; - Strengthened capacities and mandate for risk management and fraud prevention across all actors; - Improved transparency in the management of GF grants by incorporating more preventive controls to reduce GF exposure to fraud; - Strengthened accountability across GF implementers, including improved governance of CCM and PR/SR, in the management of grants; - Improved management of risks with stronger program outcomes as a result; - Clear conflict of interest policies developed and applied at all levels of grant implementation; - Earlier detection of fraud; - Prevention of fraud through deterrent effect; - Reduction in instances of fraud through audits and investigations, while enhancing CCM, PR and Secretariat tools in identifying control weaknesses and developing mitigating measures as part of grant management; - Strengthened financial management systems at PR/SR levels, providing accurate and timely financial records for reporting and audit purposes; and - Strengthened reputation and confidence in GF model.	Develop an accountability framework for fiduciary control and risk management
			Following each risk assessment, conduct risk management workshops with country stakeholders to develop joint action plans	Nov 2011 for CTA countries May 2012 for others		Strengthen the application and enforcement of minimum PR requirements
			In collaboration with PRs and LFAs, undertake 'mini-audits' / in-depth verifications in selected countries that are managing significant financing in areas/activities that are prone to fraud	6 mini-audits conducted by Sep 2011		Develop a fully transparent information system and effective communications strategy
		Fraud Prevention - High-risk expenditure categories	Improved monitoring and management of specific expenditure categories vulnerable to abuse, including: a. Salaries and incentives; b. Consultancy fees; c. Recurrent/operating costs; d. Overheads; e. Taxes; f. Per-diem and travel-related expenditures; g. Vehicles; h. Bank interest earned; i. National health sector funding; and j. Health and non-health products and supply management policies.	Fully in place across all Regional Teams by Sep 2011	Develop a calibrated and differentiated response mechanism	
		Fraud Prevention - Minimum standards	Enhancement and consistent and transparent enforcement of minimum requirements at the level of PRs and key SRs for financial management and controls (including governance and accountability mechanisms, budgeting, accounting, asset management, internal audit and control, document management, SR management, external audit and financial reporting: - First phase: applicable to all PRs in R10 negotiations and Phase 2 signings - Second phase: Reviews and plans developed for meeting standards for all other PRs and key SRs	- First phase: 2nd half 2011 - Second phase: Jun 2012	FAC to review and refine the position and scope of audit and investigation functions (reporting on progress at 24th BM)	
			Phased introduction of integrated fiduciary controls for PRs and key SRs. Key outputs: 1) Development and publication of comprehensive manual for Country Teams, PRs, SRs and CCMs on financial management and control requirements 2) PRs to use grant funds to reinforce fiduciary controls at SR level 3) Training/orientation for PRs and key SRs on GF requirements for financial controls and risk management	1) Nov 2011; 2) Starting R10; and 3) Ongoing		
			Enhanced and documented quality requirements and demonstration of value for money for program budgets	Starting with R10 budgets and 2011 Phase 2 Reviews		
		Fraud Prevention - Enhanced capacity development	Targeted financing of PR capacity development in financial management, systems and controls, including through grant reprogramming	Starting with R10		
			Implementation of strengthened risk management, oversight and capacity development at SR level	Under development; details available mid-May 2011		
			Introduction of PR/SR self-assessment	Phased roll-out from July 2011		
		Fraud Prevention - Role of CCMs and Partners	Strengthened guidance to CCMs and in-country partners on role in oversight and fraud prevention	Through CCM Guidelines, for Board approval May 2011		
			Strengthened in-country accountability framework for risk management, fraud prevention and programmatic results.	2011-2012		
Fraud Detection	Adaptation of LFA terms of reference for greater identification of fraud risks and referring actual fraud to the OIG	Initial changes made in Oct 2010; further changes Jul and Dec 2011				
	GF and LFA staff trainings on fraud detection, analysis and response	Throughout 2011				

Reform objectives	Problem statement/ rationale for reform	Reform area	Deliverables	Timing / Status	Desired impact and benefit	Select reforms (CRWG)	
1. Enhanced fiduciary control & risk-management (continued)	The LFA scope of work and accountability mechanisms must be strengthened to: - Meet the GF's expanded information and risk management requirement - Ensure a more focused LFA role in the identification of fraud risks and actual fraud in GF programs - Robustly address the critical issues and recommendations of the OIG		Development of procedures and communications protocol for PRs/CCMs/SRs to disclose financial irregularities to the GF, which also outline the GF and country response options	By June 2011	- Strengthened risk management, with an improved GF capacity to identify and address risks; - LFA work better tailored to country/PR risks; - Improved quality of grant management decisions based on higher performing LFAs delivering best-value, risk-tailored, timely and quality services; and - Improved in-country communications between GF, PRs, CCMs, LFAs and other partners.		
			Strengthened accountability of FPMs and CT members in grant management through implementation of the CTA Standard Operating Procedures	Ongoing			
			Implement a self-disclosure procedure to incentivize PRs and SRs to disclose cases of financial irregularity	Sep 2011			
			Fraud Response	Invocation of additional safeguards, suspension or termination of grants with PRs and/or SRs, and other rapid-response measures, as applicable, in response to identified misuse of funds and irregularities, that also protect programs, with documented transparency			Ongoing
			Fulfillment of Global Fund's responsibilities within a Joint inter-agency plan to counteract theft of drugs and other life-saving commodities	Action plan expected by Sep 2011			
			Increased use of VPP based on country/PR risk context	Ongoing			
		Documentation and archiving: Strict application of timely reimbursement for all undocumented transactions. PRs to be informed that undocumented transactions are ineligible for GF grants and must reimburse to grant bank accounts within 30 days of GF notification	Ongoing				
		Strengthening LFA scope of work	Updated guidance on the LFA role as an effective member of the CTA based on experience and lessons learned from CTA 'wave 1'	As per roll-out of CTA			
		Guidance on the LFA role in the identification of fraud risks and actual fraud in Global Fund programs	Published Mar 2011				
		Updated LFA terms of reference, tools and guidance for all major LFA services, including: PR capacity assessments; disbursements; Phase 2 reviews; on-site data verification, CCM reviews and quality of services	First deliverables completed Feb 2011; TORs to continue undergoing updates through 2011				
		Updated LFA Manual as a comprehensive resource for LFAs	April 2011				
		Risk assessments of PRs completed for all countries	LFAs requested to complete PR risk assessments for CTA (waves 1+2) and R10 countries by May 2011				
		Training/orientation events organized for LFA experts, particularly M&E and PSM, including presentations by the OIG.	Specialized LFA training events scheduled in 2011 for				
		Integrate LFA processes and information into the Secretariat's IT business platform to improve the efficiency of using information from LFAs (2012)	Implementation in 2012				
		Strengthening LFA performance management	Complete mid-term evaluation reviews of all LFA terms	Completed for 24 countries; a further 41 are in progress.			
		Review of LFA teams to: - ensure all experts meet minimum qualifications and expertise requirements; - all LFA teams are adequately resourced and have appropriate skill sets	Ongoing; 15 LFA contracts have been re-tendered due to poor performance since Jan 2009				
		Development of standard operating procedures for approval of new LFA key experts	Q3 2011				
Other LFA-related reforms	Updated LFA in-country communications protocol	Q3 2011					
Design and rollout of the 2012 LFA procurement Purchase-to-Pay system	Q3-4 2011						

Other initiatives contributing to this reform objective:

- High level panel
- Other reforms: Country Team Approach, Disbursement-related reforms, IT reforms

Reform objectives	Problem statement/ rationale for reform	Reform area	Deliverables	Timing / Status	Desired impact and benefit	Select reforms (CRWG)
2. Improved resource allocation & increased value for money	<p>- Further work is required to achieve maximum health impact with the resources provided throughout the GF grant life cycle (the main focus for Value for Money is not reducing costs, but rather achieving greater impact with the funds)</p> <p>- Insufficient concentration of GF projects on high impact, evidence-based interventions that are proven to effectively save and protect more lives from AIDS, TB and malaria for the resources spent</p> <p>- Insufficient leveraging of commercial private sector in distributing and delivering medicines at country level</p> <p>- High costs of ACTs are barriers to access to treatment of malaria- Procurement and supply chain management challenges reduce efficiency in grant management and affect grant performance</p> <p>- Some grants are paying significantly higher prices for pharmaceutical and health products than international reference ranges</p> <p>- Limited capacities and recurrent challenges with in-country PHPM systems are also affecting access and scale-up</p> <p>- Insufficient impact on market dynamics</p>	Round 10 Value for Money Checklist	Secretariat value for money assessment during grant negotiation process (in accordance with Board Decision)	Approved by PIC March 2011, to be implemented during R10 grant signings	<p>- Improved guidance on value for money considerations at grant signing and grant renewals, with investments tightly linked to performance;</p> <p>- Improved links between expenditures and results and outcomes in order to inform grant decisions;</p> <p>- Improved counterpart financing measurement and reporting in portfolio;</p> <p>- Key services following plausible cost per service ranges;</p> <p>- Improved guidance to TRP on grant and domestic financing and value for money;</p> <p>- Improved utilization of commercial private sector and increased procurement capacity for ACTs;</p> <p>- Reduce incentives for price arbitrage within countries (across sectors);</p> <p>- Improved planning and decision-making by PRs, with reduction of stock out risk;</p> <p>- Improved PSM oversight and enhanced procurement and supply chain management efficiency; and</p> <p>- Greater investment in proven high-performing implementers, with greater potential for impact.</p>	MDC to propose expanded uses for its "toolkit" of interventions (with recommendations for the Twenty-Fourth BM)
		Grant lifecycle-wide Value for Money framework	Secretariat paper on enhancing value for money throughout the grant lifecycle	To be discussed by PIC at September 2011 Meeting		Secretariat to take all necessary and appropriate measures to fully implement voluntary pooled procurement and execute recommendations of the MDC
		Strengthen data on costs and contribution	Studies on VfM/additionality in collaboration with partners (incl. WHO, PEPFAR, BMGF) to strengthen data on program unit costs and to assess domestic contribution to disease programs by recipient countries at Phase 2 and Periodic Reviews	Ongoing through 2011-2012		Determine benchmarks to establish maximum levels of GF payments for appropriate products
			Improvements to data quality through further roll-out of data quality audits and on-site data verification			Set limits on the level of support for "yellow light" items
		Counterpart financing	Counterpart financing guidelines developed and implemented for Round 11 and Phase 2 grant reviews	Launched with R11 proposal form and guidelines		Determine how to advance the appropriate use of reprogramming for increased use of cost-effective interventions for greater impact
		Affordable Medicines Facility - Malaria (Strategic Initiative in Pilot stage)	Completed AMFm finance mechanism pilot	Proof of concept in progress (2010-2012)		Provide annual report on VfM work
			Report of an independent evaluation of the pilot to inform a Board Decision on the future of the AMFm	MDC discussion Sep 2012, for Board Decision Q4 2012		Actively adapt business model to place greater importance on disease impact and value for money
		Strengthened procurement information of pharmaceutical and health products	Introduce a new integrated system to track procurement information through proposals, country profiles, PSM plan and PQR	Currently under design - implemented planned in 2012		
			Use new IT solution for PQR to enable PRs to make region/income level price comparisons of key health products to be used to reduce prices in-line with international reference prices	Commencing Q2 2011		
		Strengthened quality assurance for health products	At Phase 2 grant renewals, assess compliance with QA policies for pharmaceutical and health products	Initiated Q1 2011		
Voluntary Pooled Procurement	Use study commissioned by MDC to implement strategic interventions on procurement of first-line, second-line and pediatric ARVs to further impact on Market dynamics	Under MDC oversight, Q3 2011				
Capacity Building Services	Strengthen capacity building activities to adequately address countries' procurement and supply management bottlenecks	Initiated 2010; rolled out in 5 countries as of Apr 2011				
	Introduce a systematic process for PSM capacity building as part of grant management, including the increased use of technical partners	Stage 1 ongoing with 9 countries				
	- Stage 1: Consultations with countries to define scope, roles and responsibilities for capacity building services - Stage 2: Implementation	Stage 2 (implementation) in 2011				
	Introduce a mechanism for budgeting and targeting adequate grant funding towards strengthening in-country PSM, including new guidelines	- Through R10 grant signings - New guidelines introduced with R11				

Other initiatives contributing to this reform objective:

- New GF 5-year strategy; Updated Board policy on eligibility, prioritization and cost-sharing (expected Board Decision 2011)
- Other reforms: New grant architecture, Performance-based funding reforms, fiduciary controls reforms

Reform objectives	Problem statement/ rationale for reform	Reform area	Deliverables	Timing / Status	Desired impact and benefit	Select reforms (CRWG)
3. Improved proposal development & review processes	<ul style="list-style-type: none"> - Lengthy proposal form and guidelines - Absence of strong links between proposal recommended for funding and program signed into implementation - No engagement of PR at time of proposal preparation 	Streamlining proposal development	Streamlined R11 application forms with reduced duplication of information requests and improved proposal form guidelines	PIC approval of proposal form and guidelines Jun 2011, launched Aug 2011	<ul style="list-style-type: none"> - Reduce/eliminate duplication of effort for applicants/PRs and GF by introducing early engagement of PRs and stronger links between proposal and program to be implemented; - Improved quality of proposals; - Simplified proposal form and process; and - Increased efficiency of TRP clarification process through timely analytical advice and support. 	
			Improved IT tools and information for applicants and TRP, including "applicant country profile"	To be introduced with R11 launch, Aug 2011		
			Streamlined protocols for TRP clarifications distinguishing between clarifications essential for funding recommendations and points for negotiation	To be introduced in R11		
			PR engagement at proposal stage, including confirmation of readiness to implement the proposal if successful	PIC approval of proposal form and guidelines Jun 2011, launched Aug 2011		
	Current rounds-based proposals show a fragmented picture of the country's funding request for a disease, and contribute to the problem of multiple grants per PR	New grant architecture	Consolidated proposals, presenting holistic picture of new funding request with existing funding, and enabling reprogramming of previously-approved activities	Introduced on voluntary basis in R10; mandatory as of R11	Enhanced program-based view of GF financing in country, with improved ability for funding based on national plans, reprogramming and CCM oversight	
	<ul style="list-style-type: none"> - Insufficient support for countries basing their GF requests on a national strategic plan 	National Strategy Applications (Strategic Initiative in Pilot stage)	Continue roll-out of NSA approach with implementation of First Learning Wave grants	Ongoing	<ul style="list-style-type: none"> - Improved alignment with national processes; - Improved quality of national strategies; and - Improved harmonization of application processes if other donors also willing to fund NSAs. 	
			Launch and execute NSA Second Wave (using consolidated disease proposal form under new grant architecture)	Launched Q1 2011, approval in line with R11		
			Catalyze multi-partner approach to assessments of national disease strategies with donors, technical partners, civil society	Q2-Q4 2011		
			Gather lessons to inform future roll-out of NSAs and future joint assessment	Q2-Q4 2011		
	Misalignment between the funding modalities used by different agencies on health systems strengthening activities	Health Systems Funding Platform (Strategic Initiative in Pilot stage)	Common proposal for cross-cutting HSS activities with GAVI (for all GAVI and GF-eligible countries) based on harmonized HSS scope, fiduciary and M&E frameworks	To be approved by PIC Jun 2011 and introduced with R11 launch Aug 2011	<ul style="list-style-type: none"> - Harmonized processes for applying for and receiving funding for HSS activities; - Harmonized frameworks for M&E, financial management and procurement; and - Improved holistic view of the national funding gap and possible funding sources. 	
Pilot of new funding mechanism to enable applicants to submit funding requests based on jointly assessed national health strategies in 4-5 countries			Launched Q1 2011, approval in line with R11			
Insufficient link between historical performance with GF grants and new proposal approval	Performance-based funding	Improved information to the TRP on performance of existing grants to inform funding recommendations for R11	Ongoing	Improved link between past performance and decisions for additional funding		

Other initiatives contributing to this reform objective:

- New GF 5-year strategy; Updated Board policy on eligibility, prioritization and cost-sharing (expected Board Decision 2011)
- Other reforms: New counterpart financing guidelines, AMFm

Reform objectives	Problem statement/ rationale for reform	Reform area	Deliverables	Timing / Status	Desired impact and benefit	Select reforms (CRWG)		
4. Improved grant management/ reduced transaction costs	- Disbursement decisions must be optimized to improve quality of disbursement, performance-based funding and risk management, while reducing transaction costs where possible - Disbursement process should be reformed to move away from one size fits all approach to ensure level of detail and periodicity of information requested reflects the risks	Disbursements	Introduction of modular reporting to ensure information requirements and periodicity of reporting distinguishes between low risk and high risk grants	In implementation; further refinement and roll-out in Q3	- Improved investment and risk management; - Reduced reporting burden for well performing and low risk grants; - More efficient use of LFA time; - Better information on expenditure analysis, forecasts and SR expenditure; - Improved ability to view linkage between verified programmatic results and related financial expenditure; - Ability to tailor disbursement approach to country risk profile and situation; and - Quicker internal review process for low risk disbursements.	Evolve the Business model to improve allocation of resources by adapting its funding modalities and grant management systems to better take into account: (1) performance record of the grant, PR, and country; (2) risk presented by the grant, PR, and country; and (3) relative size and role of the Global Fund in-country		
			Annual training for PRs, LFAs and FPMs on performance-based funding and disbursement requirements	Internal training underway PR training timing TBD			Measure effectiveness of business model regarding health impact on three diseases and transaction costs	
			Integration of on-site data verifications and Enhanced Financial Reporting into the disbursement request process	Full introduction by end Jun 2011				Identify ways to reinforce application of performance-based funding (with report on progress at 24th BM)
			Revised Disbursement Request forms, which help to better identify country level risk and provide better information for performance-based disbursement decisions. Includes introduction of SR Financials Annex, which can be used to analyze key SR financial information	Full introduction by end Jun 2011				
			Country team approach for higher risk disbursements to ensure increased focus on risk management and performance based funding	In implementation with CTA roll-out				
			Streamlined process: Risk-tailored approach to disbursement request processing by ensuring internal sign offs and reviews better reflect risks	Expected roll-out Q3 2011				
			Automation: Disbursement process IT-enabled from PR to LFA and Global Fund Secretariat	Staged approach with completion in 2012				
	Inconsistent PBF decisions, and gap between performance-based funding policies and practice	Performance-based funding	Improved methods for target setting and strengthened measurement of quality, coverage and impact in GF-supported programs	Initial stage with R10 grant negotiations. Further roll-out with R11	- Improved consistency of PBF decisions; - Improved differentiation of PBF decisions to support value for money, grant strengthening actions and achievement of health outcomes; - Improved target setting; and - Better linkage between investment and impact.			
			Apply improved criteria for assessing GF contribution to targets using national targets and results	Q2 2012				
			Country Level: strengthened oversight on PBF defined and implemented as part of CCMs, LFAs, PR roles. Strengthened guidance to countries, including through capacity building and intensified work with partners	To be introduced Q4 2011 through 2012				
	Multiple grants per PR per disease fragment disease programs and reduce efficiency	New grant architecture	Transition of the GF portfolio to single streams of funding	Primary transition phase complete in mid-2013 with completion of R11 grant signings	- Move from project- to program financing; - Better alignment to national programmatic and fiscal cycles; - Improved efficiency and reduced duplication; and - Better linkage between investment and impact.			
			Program-oriented periodic reviews replace grant-specific Phase 2 Reviews	First Periodic Reviews to be conducted Q4 2011 / Q1 2012				
	- Frequent delays between proposal approval and first disbursement - Absence of incentives to negotiate and sign quickly after Board approval - Duplication of effort pre-Board with proposal preparation and post-Board with negotiation	Streamlining grant signing	Options proposed to PIC for incentivizing PR to conclude negotiations	To be presented to PIC Sep 2011, with any changes to be introduced R11	- Reduce/eliminate duplication of effort for applicants/PRs; and - Faster grant signatures.			
Analysis on steps pre- and post-Board to identify duplication and delays in process including review of use for conditions precedent			Timing TBD; under PIC oversight, with any significant changes to be introduced R12					

Reform objectives	Problem statement/ rationale for reform	Reform area	Deliverables	Timing / Status	Desired impact and benefit	Select reforms (CRWG)
	Misalignment between the M&E/finance/procurement systems used by different agencies on health systems strengthening activities	Health Systems Funding Platform (Strategic Initiative in Pilot stage)	Harmonization and alignment with GAVI of existing HSS support in the areas of M&E, financial management and procurement	In progress - to be introduced in 6+ countries by Q4 2011	Use of harmonized frameworks for M&E, financial management and procurement with GAVI.	

Other initiatives contributing to this reform objective:

- New GF 5-year strategy; High-level Panel
- Other reforms: Country Team Approach; Fiduciary controls & risk management; Streamlining grant signing; Quality assurance; Process automation

Reform objectives	Problem statement/ rationale for reform	Reform area	Deliverables	Timing / Status	Desired impact and benefit	Select reforms (CRWG)
5. Improved Global Fund internal management	Sub-optimal workforce allocation	Q1 Review	Q1 Review completed as an input for GF Executive Director's action/decision	May 2011	Improved structure, workforce allocation and identification of relevant skill sets needed by Secretariat	
	Sub-optimal HR policies and procedures following separation from WHO	HR Review	Review to assess and provide recommendations on Secretariat HR strategy, policies and procedures	July 2011 (TBC)	- Improved ability to attract, hire, develop and retain GF staff - Improved ability to allocation staff towards corporate priorities on an ongoing basis	
	Issues raised by Staff related to leadership/career development, values and work-life balance	Staff Survey	Corporate action plan to address issues raised in 2010 staff survey	Approved by Executive Management Team Apr 2011; Periodic updates throughout implementation	Improvements in the areas of: 1) Leadership development 2) Values 3) Work-life balance 4) Promotion & career development	
	- Sequential and fragmented Secretariat inputs into grant management processes - Staffing not correlated with portfolio size and risk, and with insufficient levels for functional teams - Multiple clarification requests to countries resulting in burden and confusion - Lack of common objectives between Secretariat teams	Country Team Approach	CTA launch - Applied in initial 13 high impact countries (through reallocation of 27 existing staff positions)	Implemented Oct 2011	- Improved quality of grant management decisions with less duplication, better understanding of country-level realities by entire Country Team; - Improved efficiency of grant management processes; - Improved identification and management of key risks in the programs, including risk of fraud; - Reduced workload on countries.	
			3-day CT-specific training for 65 CT members (representing first 13 Country Teams)	Completed Nov 2010		
			Expanded CTA: 1) Roll-out to 20 additional high impact countries 2) Training for additional Country Teams based on lessons learned	1) Feb 2011 2) Mar 2011		
			CTA monitoring and evaluation - Finalize evaluation framework for CT deliverables	Completed Q1 2011		
	- Best practices in grant management have been identified but are not always codified or broadly applied - Standard procedures do not always exist for key processes - Adherence to policies and standard procedures is inconsistent and not well enforced/monitored	Quality Assurance	Strengthened quality compliance: Quality assurance unit established to assess quality control compliance and policy adherence across Secretariat processes, including grant management decisions. Unit functions will also include training and refinement of policies and procedures	Unit Director in place since April 2011; unit to be staffed in 2011	- More consistent application of best practices - Improved quality in grant management processes - Improved risk management and program performance	
			Completed standard operating procedures to standardize processes, codify best practices and strengthen accountability: 1) Initial 8 SOPs completed 2) Complete 60 total	1) Feb 2011 2) Sep 2011		
	- Many GF processes are manual, leading to reduced efficiency and increased chance for error - Information systems are fragmented	IT	Automation of key processes: - Access to funding - Grant Signing - Disbursements - Periodic Review	Phased implementation through 2012	- Improved efficiency and user-friendliness of grant processes - Improved planning and tracking - Improved quality of data used for decisions	
One integrated platform for information management and storage available to Global Fund staff and country level implementers			Work initiated. Completion date TBD			

Other initiatives contributing to this reform objective:

- High Level Panel

Reform objectives	Problem statement/ rationale for reform	Reform area	Deliverables	Timing / Status	Desired impact and benefit	Select reforms (CRWG)
6. Improved partnership and in-country structures	There is a need for: - More systematic engagement of partners and effective communication in support of better program design and implementation - Improved identification and delivery of TA at country level	Country Team Approach	Partnerships integrated into implementation of CTA, including Civil Society and Private Sector specific elements	Initiated, with full representation TBD	- Improved capacity and impact - Improved coordination and more strategic use of technical assistance and capacity development for program impact	Pilot country-level mechanisms to ensure effective TA, country support and capacity building Use flexible funding models to improve financing of partner support for grant implementation
		Partnership agreements	Development of partnership agreements / strategic collaboration plans in selected countries	3 agreements expected to be initiated by Dec 2011		
		TA coordination	Model for Global/regional multi-stakeholder TA and capacity development coordination platform revisited. Immediate deliverable: design details and concept note	2012		
		SR support	Mechanism to provide expanded technical and management support and capacity building to SRs, particularly civil society SRs	Date TBD		
	- Varied CCM performance - Sub-optimal information to CCMs, hindering ability to fulfill oversight/governance functions - Lack of formalized accountability measures for CCMs	CCM-related reforms	Strengthened CCM role: CCM Guidelines revised to strengthen guidance on transparency, management of conflict of interest, engagement of civil society and private sector and CCM role in oversight of grant implementers	To be reviewed by Board May 2011	- Enhanced transparency and accountability of CCMs - Better identification of CCM strengths and weaknesses - Increased accountability of CCM	
			New CCM performance framework	To be reviewed by PIC 2012		
			Scale-up of expanded CCM funding policy	Ongoing		
			Updated in-country communications protocol	2011		

Other initiatives contributing to this reform objective:

- New GF 5-year strategy; High-level Panel
- Other reforms: Improved fiduciary controls and risk management

7. Improved governance	- The functionality and role of the Board is not optimal (not the right 'altitude') - The governance structures (board, committees, working groups, partnership forum) are heavy and complex - Constituency effectiveness (particularly communication) and membership are not optimal	Note: Although there are no "governance reforms" currently ongoing, the CRWG is recommending a number of actions for governance reform. These are reflected in the "Select reforms (CRWG)" column, and will appear in the reforms work plan if endorsed by the Board.				Incoming Chair and Vice-Chair, working with committees and Secretariat, to lead and oversee governance reforms as recommended in CRWG report, with reforms presented for Board approval at 23rd and 24th BMs
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Other initiatives contributing to this reform objective:

- New GF 5-year strategy

Reform objectives	Problem statement/ rationale for reform	Reform area	Deliverables	Timing / Status	Desired impact and benefit	Select reforms (CRWG)
8. Enhanced resource mobilization	<ul style="list-style-type: none"> - The replenishment process is not linked in the right sequence to strategy and reform development - The utilization of capital is not optimal - The donor base needs to be broadened, including contributions from middle income recipient countries 	Resource mobilization strategy	New resource mobilization strategy and implementation plan, including work on the following measures: <ul style="list-style-type: none"> - Identification of new initiatives to expand the donor base among emerging economy and middle income countries (including recommended policy changes where necessary) - Expansion of Debt2Health to wider range of creditors - Development of tailored 'funding packages' for private sector and individual donors that better meet their needs and interests - Creation of new innovative financing mechanisms 	Q3 2011	<ul style="list-style-type: none"> - Increased contributions to the GF - Long-term financial sustainability of the GF 	
		Replenishment model	Review GF replenishment model in time for replenishment mid-term review to clarify link between the current replenishment model and GF strategy/policy, based on wide consultation with Board constituencies	Q1 2012		

Other initiatives contributing to this reform objective:

- New GF 5-year strategy

9. Increased sustainability and efficiency	Global Fund investments are not anchored well enough in sustainable financing and building capacity of national systems	Note: A number of reforms will contribute to this reform goal. These include: <ul style="list-style-type: none"> - Capacity building reforms in the areas of fiduciary control, PSM - TA/partnerships-related reforms - Counterpart financing guidelines - Ongoing M&E systems strengthening activities - NSAs, HSFP and AMFm 				
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Comprehensive Reform Working Group
Terms of Reference (final, approved January 4, 2011)

Overview

Reform: The Board and Secretariat of GFATM have expressed their strong commitment to identifying and implementing short-term and long-term reforms that will maximize the collective impact of the Fund's financial resources, administrative operations and strategic partnerships in saving and improving lives affected by HIV, tuberculosis and malaria.

Purpose: The Comprehensive Reform Working Group of the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) Board (hereinafter "Reform Working Group") is charged with: (1) developing and defining a comprehensive reform agenda of specific action steps that will maximize the cost-effectiveness and impact of GFATM investments in saving and improving lives affected by AIDS, TB, and Malaria; (2) establishing clear timelines and measures of progress for implementing each of the action items on the reform agenda; and (3) Creating one or more practical mechanisms for the Board, Secretariat, stakeholders, and the global public to track GFATM's implementation of items contained in the reform agenda.

Composition of the Reform Working Group: GFATM Board Chair (Tedros Adhanom Ghebreyesus), Board Vice-Chair (Ernest Loevinsohn), Executive Director (Michel Kazatchkine), three representatives of Implementing Bloc constituencies (Nizova Nataliya, Allan Ragi, Jorge Saavedra), three representatives of Donor Bloc constituencies (Patrice Debre, John Monahan, Anders Nordstrom), and one representative of the Partners Bloc (Hiroki Nakatani) comprise the Reform Working Group. Reform Working Group members are expected to participate personally as much as possible in Working Group deliberations in person or by teleconference; consult closely and regularly with constituencies in their respective Blocs to facilitate input and buy-in as the Reform Working Group pursues its activities on an accelerated timeline; and gather information from Board constituencies and any other relevant sources that may inform discussions and recommendations of the Working Group.

Operations of the Reform Working Group

Reform Working Group Leadership: Chair and Vice-Chair of GFATM Board lead the Reform Working Group, with strong support from Co-Coordinator identified by the Implementing and Donor Blocs (Jorge Saavedra and Anders Nordstrom, respectively) in undertaking the responsibilities and advancing the products of the Working Group.

Meetings: The Reform Working Group will meet in person 2-3 times between December 2010 and May 2011, and will convene via teleconference every two weeks during the same period (except when meeting in person). The Secretariat facilitates meetings and teleconferences and provides related support needs.

Staff Support: The Secretariat will provide administrative support to the Working Group as well as any logistical and coordination assistance that is required for efficient operations of the Reform Working Group.

Role of the Secretariat: it is expected that the Executive Director, Secretariat leadership and staff work closely and collaboratively with the Reform Working Group to develop and share ideas, strategies and analyses for enabling GFATM to work more efficiently and effectively. The Executive Director participates on the Reform Working Group and facilitates interactions with Secretariat leadership in a seamless and collegial manner. Please note that this substantive role is separate and apart from the administrative assistance outlined in the previous section. The Reform Working Group will build on the reform agenda as outlined by the Secretariat and anchor its suggestions for the future on the important work that has already been initiated.

Role of the OIG: While the Inspector General does not sit on the Reform Working Group, the OIG will be requested to share its specific recommendations and cross-cutting lessons learned for improving the impact of GFATM based upon its experiences conducting review and audits of GFATM programs.

Role of the TERG: While the Chair and other leadership of the TERG do not sit on the Working Group, the TERG will be requested to offer its recommendations to the Reform Working Group, based upon the Five-year evaluation and other relevant analyses.

Role of GFATM Board Committees: Reform Working Group will consult closely and frequently with Board committees to solicit ideas, seek advice, and coordinate activities in order to minimize duplication of efforts.

Role of Outside Experts: The Reform Working Group will not invite outside experts to join the Reform Working Group, but it is expected that the Reform Working Group will request outside experts to share their advice and insights regarding issues before the Working Group and/or perform relevant analyses with respect to particular matters under consideration.

Coordination with GFATM Strategy: The Reform Working Group will work closely with the Policy and Strategy Committee to maximize coordination with development of GFATM's Five-year Strategy.

Workplan and Timeline

The Reform Working Group will work intensively from December 2010 to May 2011 to complete four major tasks:

1. Solicit Input for Comprehensive Reform Agenda: The Reform Working Group will gather input and ideas from Board constituencies, Secretariat, OIG, stakeholders, experts and others regarding action items that could comprise GFATM's comprehensive reform agenda. Among other things, the Working Group will review:
 - Reform activities already initiated by the Secretariat;
 - Recommendations of the OIG based upon lessons learned from its audits;
 - Ideas submitted by board constituencies in response to communications from the Board Chair and Vice-Chair (or otherwise conveyed to the Board leadership);
 - Recommendations from GFATM committee leadership based upon activities underway or in planning;
 - Academic and expert reports calling for GFATM reform;

- Recommendations made in the Five-year evaluation of GFATM; and
- Advice from key outside experts selected by the Reform Working Group.

Moreover, the Reform Working Group will undertake creative ways to use existing meetings and/or workshops and/or appropriate venues to solicit direct experiences and insights from implementing country representatives, Principal Recipients, and Partners familiar with GFATM policies and processes. As a first step, the Secretariat is preparing a document that summarizes reform actions already underway and organizes ideas submitted or suggested by Board constituencies.

2. Conduct targeted analyses: Working closely with the Secretariat and/or engaging outside experts, the Reform Working Group may identify critical issues or questions that require further research and analysis and may commission targeted analyses to inform development of the comprehensive reform agenda. Given the short timeframe for the Reform Working Group, such analyses will focus upon identifying action steps that are likely to improve impact of GFATM and have the potential for inclusion in the comprehensive reform agenda. The aim is to identify the most critical issues and priority areas for improvement. The problem analysis should guide also the identification of the desired outcome and impact of the reform work.
3. Articulate a comprehensive reform agenda: Based upon foregoing input and analysis, the Reform Working Group will develop and prepare a comprehensive reform agenda of specific action items that are likely to improve the impact of GFATM resources on the ground. The central imperative for the Reform Working Group is to identify action steps with requisite specificity and to provide accompanying timelines and performance measures so that Board members, stakeholders, and interested parties can track progress. Moreover, these action items will be categorized both to reflect their time horizons and to clarify which GFATM entities are responsible for taking action. To this end, the comprehensive reform will identify items for which implementation can be initiated in the near-term (prior to June 1, 2011) as well as matters requiring longer-term consideration (2011-13). The reform agenda should be clear in terms of objectives to be achieved as well as desired impact of the reforms. This could also include measurements of satisfaction experienced by organizations that work directly with the Fund.

For near-term items, the comprehensive reform agenda will recognize policy changes already being pursued by the Secretariat, indicate new items that require Secretariat action, and clarify changes that require Board support and/or action at the board meeting in May 2011.

For longer-term items, the comprehensive reform agenda will need to be aligned with the development of the new 5-Year GFATM Strategy. In addition, it is expected some longer-term action items will also be advanced directly by the Secretariat and/or through other Board Committees.

4. Report to the GFATM Board: No later than April 27, 2011, the Reform Working Group will submit a report to the Board that details a comprehensive reform agenda of action items as outlined in the preceding section. The report also will recommend one or more mechanisms for tracking implementation of the reform agenda by the Board and other stakeholders.

GUIDANCE ON LOCATION OF FURTHER INFORMATION

The below table indicates where further information on items dealt with in this report can be found:

Where indicated documents are available on the Governance Extranet:
<http://extranet.theglobalfund.org/cme/default.aspx>

Item	Location of further information
1. CRWG administrative documents (approved minutes)	Governance Extranet: CRWG folder
2. CRWG Literature Review	Governance Extranet: CRWG folder
3. CRWG online survey results	Governance Extranet: CRWG folder
4. CRWG Regional Consultations	Governance Extranet: CRWG folder
5. McKinsey & Company Reports	Governance Extranet: CRWG folder
6. The Office of the Inspector General Report on Lessons Learned from the OIG's Country Audits (March 2011)	Governance Extranet: CRWG folder