

38th Board Meeting

Annual Report of the Interim Executive Director 2017

GF/B38/08

14-15 November 2017, Geneva, Switzerland

Board Information

Purpose of the paper: Information

Overview

Dear Board Members, Colleagues, Friends:

It is my special pleasure to update you on progress made by the Global Fund partnership this year. Working together to end epidemics while building resilient and sustainable systems for health and promoting and protecting human rights, we now head into a transition of leadership at the Global Fund. It comes at an extremely exciting and challenging moment in global health. Instead of trying to cover everything that has been happening, this report intends to highlight significant developments in our work. Many topics are separately covered in the Board papers and discussions you have all been engaged in. I speak for the entire Secretariat when I express my deep thanks to all of you for your steadfast support and engagement.

When I worked as a young doctor in South Sudan, I witnessed the physical and emotional cost of raging epidemics and inadequate health systems. I became determined to devote my professional life to contributing to the improvement of essential health services for all. There is no better investment of our collective energy, focus and resources than in preventing, treating and caring for people affected by HIV, TB and malaria. Wherever we can end epidemics, it lightens the burden on a country's health workers and on the systems we are trying to strengthen, and brings us closer to universal health coverage. It has been my honor, during these months as Interim Executive Director, to interact with partners at all levels, from communities and health workers in the field all the way to ministers and heads of state. In virtually every case, I have been able to share the Global Fund's message on the urgent need for health security, for broad support, and for a special focus on young people. I am deeply concerned about the current crisis of HIV among adolescent girls and young women, and I will continue my work on this front. We must seize every opportunity to make a difference.

The Global Fund Partnership has made impressive gains over the past 15 years, with tremendous progress against HIV, TB and malaria. When we created the Global Fund in 2002, we all believed in its huge potential. But our collective achievements have gone beyond what even the most diehard optimists would have hoped for. In September, we reported that our partnership has supported programs that have now saved more than 22 million lives. Beyond that extraordinary number are healthy individuals and families, who can build their communities and countries in ways that benefit us all. Every life saved creates new hope and opportunity. It strengthens my conviction that investing in global health is the single most cost-effective way to achieve greater stability and prosperity all over the world.

As you know, no matter how impressive our results, there is still a huge amount of work to do. Reaching people at highest risk for infection, finding the missing cases, communicating with young people, breaking down gender inequalities and human rights barriers to health services are critically important. We will only succeed if we face these challenges with great courage. The status quo must be confronted and changed.

Resilient and sustainable systems for health are the strongest defense against many threats, including antimicrobial resistance, drug-resistant malaria and multidrug-resistant tuberculosis. We must focus sharply to work together to protect humanity's great medical achievements, and to move forward to new success.

Over the past four years, I have had the privilege of working with, and helping to further build, the incredibly strong staff we have at the Secretariat. It is a tremendous achievement to have built such a strong team, who have mainstreamed countless new aspects of work, in risk, rights and gender, supply chain, treasury and many more – while maintaining tight oversight on operating expenses. In fact, I think it is little short of a miracle how much new work we have been able to take on, while keeping our yearly spending at or under \$300 million.

It is human nature to take new improvements for granted, and to quickly forget the shortcomings that preceded them. And at the Global Fund we are used to setting high standards for ourselves, and for always looking for ways to improve our performance and our ability to deliver upon our mission. Yet we are still human. Work load in many teams has become unsustainably high, and I am concerned about the levels of staff burnout.

I have become acutely aware of the volume of documents prepared for the Board and committees; over 1300 pages of materials went to the Strategy Committee alone so far this year. Board and committee members have told us that the time commitment required to prepare for meetings is becoming problematic. For this Board meeting, we are rolling out a more concise reporting format, where it makes sense, striving to make it easier for you to digest the most important information. We welcome your feedback.

At the same time, we can better prioritize agendas, supporting more focused consideration of the big strategic issues faced by the Board. In this context, we welcome the Board leadership's work to ensure that the Board meeting is a forum for decision-making and strategic discussion, leveraging the work of the committees. As much as the large volume of reporting is a burden for the Board, it is for the Secretariat as well, and risks turning too much of the Secretariat's efforts from country implementation to Board reporting.

We need to keep the heart of the Global Fund intact, our mission to serve people. We need to be mindful of the amazing things that can be achieved when we work together, how far we have come, and how much farther we still need to go. Partnership is at the core of who we are. As we look forward to a move to the Global Health Campus, shared with Gavi and other partners, and only steps away from WHO and UNAIDS, we are excited about the further opportunities that this will generate for even closer collaboration and efficiencies.

In this report, I cite a number of internal efforts that have made significant progress and should be pursued. Embedding good work on strategy implementation, improved budgeting and risk will help make the Secretariat more effective, better able to drive implementation, and better able to support and serve the Board's oversight functions.

Update on Grant Making

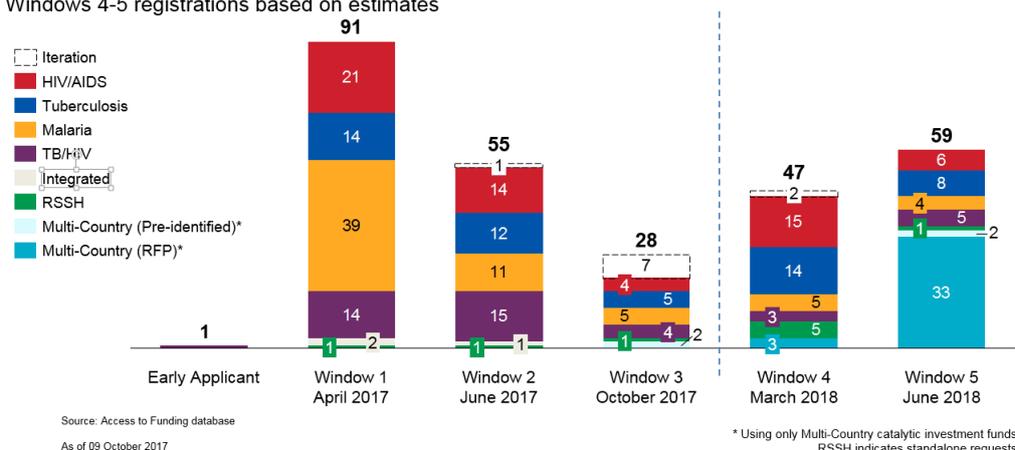
We have made great progress in engaging partners to invest available resources, as we strive to end HIV, tuberculosis and malaria as epidemics. So far, 88 percent of funds allocated to fight diseases in the current three-year cycle have been approved for grant making. This is a percentage few of us could have imagined achieving when we launched a new funding model just three years ago. We are 10 months into our new three-year cycle, and our work with countries to prepare impactful funding requests is moving ahead very closely to the way the Board intended. In addition to main funding requests, approximately US\$2.4 billion has been recommended for unfunded quality demand, during the first two windows.

Here is a breakdown of funding request submissions in the first three windows for review by the Technical Review Panel, as well as our forecast for what is likely to be submitted in windows 4 and 5. Please note that funding for RSSH is mostly included in disease-specific grants, and totals more than one-third of our overall investment. What we have identified in green here are RSSH-only grants, meaning grants for RSSH that have been submitted separately from any specific disease program:

Funding Request Submissions

165 new country applications in 2017. 88% of allocation approved for grant-making.

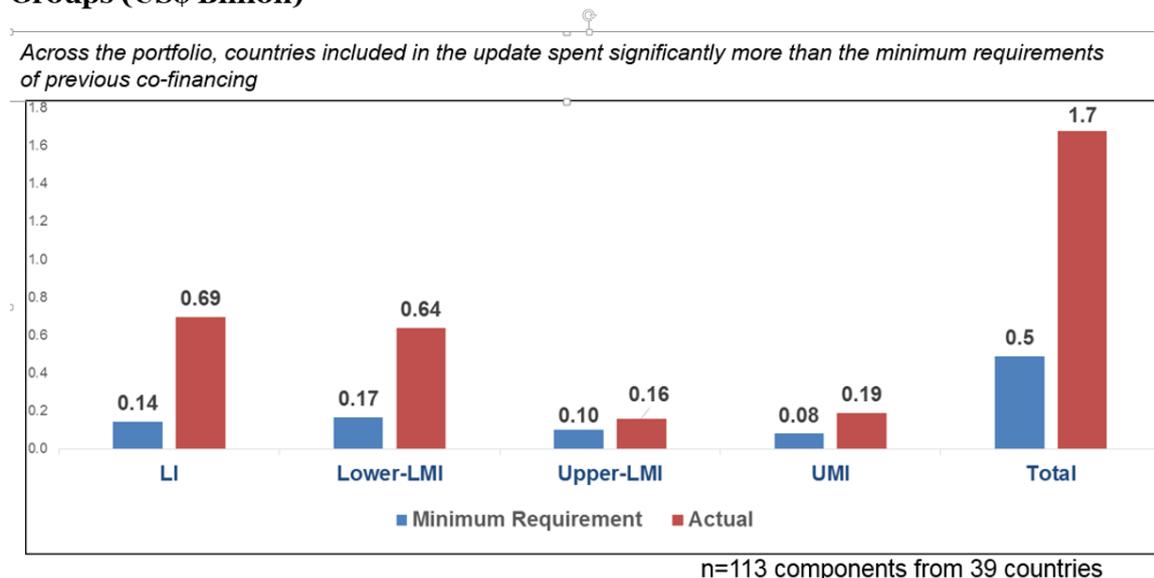
Windows 4-5 registrations based on estimates



Additional Domestic Financing

Increased domestic financing for health in countries where the Global Fund invests is fundamental to progress against HIV, TB and malaria. Based on a segment of countries for which data is currently available, the Global Fund has attracted an estimated US\$1.7 billion in additional domestic investments in health during the past three years (2015-2017), and US\$3.4 billion in additional commitments for the coming three years (2018-2020.) Information on these additional resources will be updated as data becomes available. For countries to access their allocation from the Global Fund, we require them to meet their co-financing commitments. In a great sign of commitment to investing in global health, most countries have met and exceeded their obligations in co-financing the fight against diseases with the Global Fund. The graph below illustrates that point clearly.

Minimum Previous Co-Financing Requirements Vs Actual Spending, by Income Groups (US\$ Billion)



Catalytic Funding

Through catalytic funding, the Global Fund seeks to support programs, activities and strategic investments essential to achieving the goal of ending the epidemics, but which may not be adequately accommodated through country allocations.

One of those elements of catalytic investments is matching funds. This funding is designed to inspire innovation and ambitious programming approaches driven by evidence, in order to maximize impact in specific strategic priority areas. Under this initiative, a number of countries were chosen by the Global Fund to access a predetermined amount of money from the catalytic investment pool of matching funds. This year, 40 matching funds requests have been approved, representing 58 percent of 2017-2019 matching funds available.

Another element of the catalytic funding is multicountry funding. We have used this funding stream to invest in strategic multi-country programs that are critical to achieving goals set in our strategy, and which cannot be addressed through single country allocations.

Also under catalytic investments, we identified 11 strategic initiatives needed to support the success of country allocations, which cannot be funded through country grants alone. One example of these initiatives is an effort to find missing cases of TB, where financing to WHO and Stop TB will be dependent on the number of missing cases of TB found in 13 priority countries. Another initiative, which targets malaria elimination, pegs the amount of financing to WHO on number of countries achieving agreed benchmarks for reducing malaria cases.

Board-approved catalytic investments for 2017-2019 is as follows:

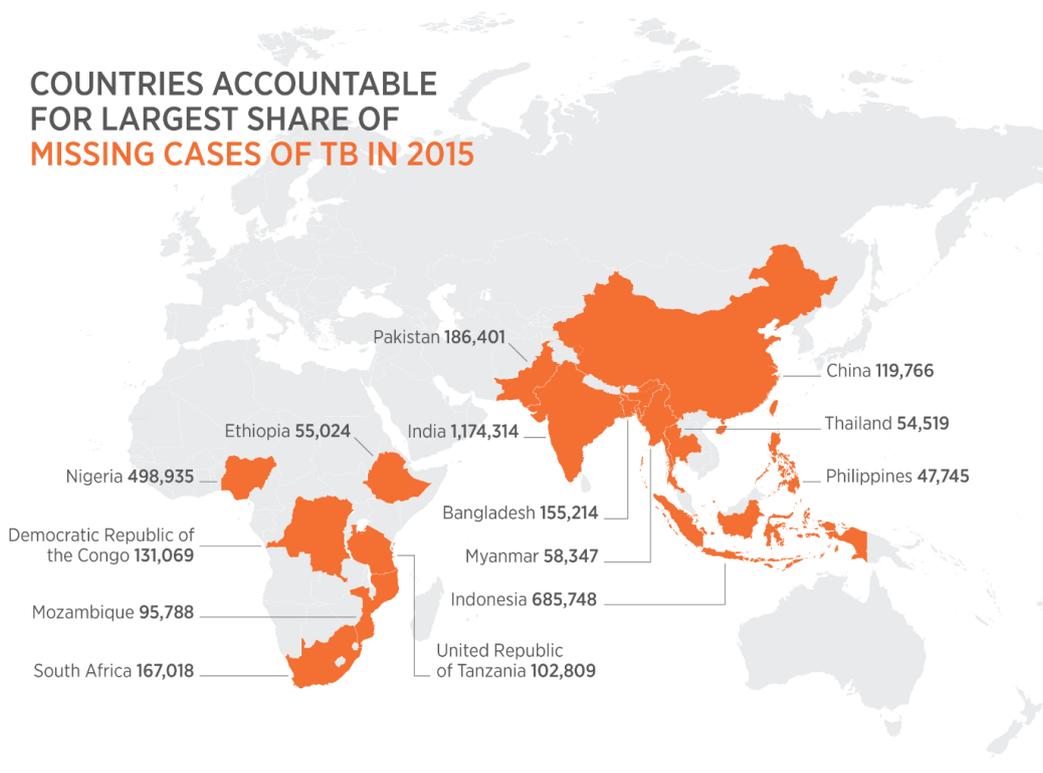
- US\$200 million for HIV programs related to key populations, humans rights, adolescent girls and young women
- US\$190 million to support finding missing cases of TB
- US\$202 million to support malaria elimination, drugs and next generation mosquito-nets and piloting a malaria vaccine

- US\$166 million invested in resilient and sustainable systems for health, supporting program sustainability, supply chain strengthening, data systems, program quality, community rights and gender, service delivery and health workforce
- US\$42 million to support broader strategic issues, such as prospective country evaluations and the Emergency Fund.

Finding Missing Cases of TB

In 2015, tuberculosis traded places with HIV to become the infectious disease that causes the most deaths in the world, killing an estimated 1.8 million people. The disease is compounded by millions of people missing from treatment and the growing threat of drug resistance. Every year, more than 10 million people get sick with TB, an entirely preventable and curable disease. But 40 percent of these people do not even receive care – they are “missed” by health systems – and remain undiagnosed, untreated and unreported. Just 14 countries – India, Indonesia, Nigeria, Pakistan, South Africa, Bangladesh, Democratic Republic of Congo, Mozambique, Myanmar, Ethiopia, Thailand, Philippines, Uganda and Tanzania account for more than 80 percent of missing cases of TB. To end the global TB epidemic by 2035, the target set in [WHO’s End TB Strategy](#), the world has to find, treat and cure more cases of the disease.

At the Secretariat, we are taking it seriously. Urban Weber, Head of the High Impact Asia Department in Grant Management, set it as a goal to see that, working with partners, the countries in his region find 1 million additional TB cases during the coming three-year funding cycle. As part of that effort, country teams in High Impact Asia are encouraging countries to plan ambitiously.



With catalytic funding, the Global Fund is supporting innovative programs, gathering evidence and expanding the most successful approaches to find missing cases TB. Among other things, this means adding TB screening to other routine medical check-ups, and developing more efficient and effective ways for private health care providers who are treating TB cases to report those cases to the national TB program.

On 8 October 2017, at the 48th Union World Conference on Lung Health in Mexico, global health partners and implementers from 13 countries with a high burden of tuberculosis came together to launch the TB catalytic investment to find and treat an additional 1.5 million missing cases of TB by the end of 2019.

The initiative includes US\$115 million in matching funds designed to support country-led programs. An additional US\$10 million Strategic Initiative will be used to help technical partners develop a number of tools based on best practices. Finally, a US\$65 million multi-country investment will address cross-border issues, such as drug-resistant TB response among migrant workers, and provide treatment to refugees and internally displaced people. What sets this investment apart from other efforts is that it adopts approaches that are not business as usual, focusing on key populations at high risk of TB who are underserved and marginalized. Such interventions will aim to search for, diagnose and treat all forms of TB in adults and children, and preventing the development of TB, including drug-resistant forms.

Global Fund grants can be used to leverage additional resources from domestic and other sources to reach the missing cases. In addition to funds, the Global Fund continues to encourage political commitment, and promote community awareness, innovation and participation from private-sector providers to accelerate TB case finding and treatment.

Strategy Targets

This year, our Strategic Information team has done extensive work to cascade the Global Fund's strategy targets down to country level. Strategy targets were built in cooperation with technical partners using the same mathematical disease transmission models that were underlying the development of the global partner plans. The targets were derived through a bottom-up exercise, taking country-specific projections that factored in the current status of the epidemics and projected levels of financing in each of the countries where the Global Fund invests.

The approved targets for 2017-2022 are ambitious yet realistic, and broadly aligned with countries' trajectories towards the targets in 2030 global plans. After the review and validation of the Board and its KPI advisory group, the targets were included into staff performance objectives within the Secretariat. The underlying key assumptions were reviewed and country-specific projections were made available to country teams.

The Secretariat is monitoring targets that are submitted through performance frameworks as part of countries' funding requests with a focus on cases where the performance framework targets are significantly below the range of the projections that were underlying the strategy targets. A preliminary analysis of funding requests submitted in windows 1-3 shows good overall alignment regarding the country-specific projections underlying the strategy targets and the targets that countries have specified in their respective performance frameworks.

A more detailed and comprehensive analysis across the whole portfolio will be shared with the Board once all funding requests are received and the vast majority of grants is signed or is in grant-making.

Fit for the Future

Over the course of this year, the Management Executive Committee has been working to address the many challenges involved in delivering the Strategy 2017–2022. Recognizing the need to contain our growing workload, while adapting to changes and operating within strict budgetary constraints, we are closely monitoring budgets. We have also begun simplifying work processes, mapping peak resourcing requirements and looking at ways to improve workflow.

We need to continually re-evaluate our priorities. In September, I launched a review called Fit for the Future. It is a review of how we align our human and financial resources to the activities identified as most critical to successfully deliver the Global Fund Strategy. The goal of the review is to develop options for the incoming Executive Director to take steps to maximize impact, reduce workload and manage budgetary constraints. The review will evaluate where new or existing priorities require additional support, and where areas of work can be deprioritized.

The options that will be developed will equip an incoming Executive Director with a range of approaches, balancing the potential impact with the scale of organizational change that each would entail. It will provide the tools to manage the necessary process of de-prioritizing and focusing on what matters most. The Inspector General will independently evaluate and act upon specific options that are developed for his office.

I am personally sponsoring Fit for the Future, together with Mouhamadou Diagne, the Inspector General. Members of the Management Executive Committee, along with a working group drawn from across the organization, are driving the initiative.

We are mindful that in recent years, we have added many new initiatives on top of ongoing work, at times leading to an unsustainable workload. We have an obligation to make sure that all resources we employ drive us towards maximizing our impact on the ground. All strong organizations regularly review whether their activities are optimally aligned with their strategic objectives and mission. Now is the right time for us to do an institutional health check that will help us be, in fact, fit for the future. It is part of the Global Fund's continuous efforts to evolve and improve.

Supply Chain Transformation

The impact we have achieved in the last 15 years has a strong connection with successful delivery of health products to people affected by HIV, TB and malaria. Procurement and supply of health products is our biggest investment. Between 2014 and 2016, we invested more than US\$10 billion to support countries responding to HIV, TB and malaria and strengthening health systems. Half of that amount went to procurement and management of health products.

Procurement and supply chain represent a continuum. Procurement of goods is a first step; next is getting health products through a supply chain to reach the people who need them, at clinics and in villages. Since the Global Fund began investing heavily in procurement four years ago, an expanded pooled procurement mechanism has saved more than US\$650 million. On Time and In Full (OTIF) deliveries increased from 36 percent in 2013 to 80 percent in 2016 for the Pooled Procurement Mechanism, which now covers 60 percent of procurement supported by the Global Fund. An important next step is to improve OTIF at the 'last mile' – so that drugs and health products can reach people in need. Completing that loop is why we are investing vigorously in supply chain management. We have evolved our handling of drugs and health products, to better deliver products to a country's medical stores, and to get them the last mile.

To meet the goals set in the Global Fund Strategy, reforming supply chain is fundamental. We seek to achieve universal availability of health products through sustainable, resilient and high performing supply chains. A key part of that vision is supporting in-country supply chain transformation. Last year, we launched a new supply chain initiative, including the development of a supply chain strategy, conducting in-depth diagnostics in up to 20 high-risk countries by 2019, and work with government and private sector partners to implement a supply chain transformation program.

The Global Fund's new strategic approach on supply chain sets the following objectives and guiding principles:

- Significantly improve product availability to patients at the point of service
- Reduce wastage of products
- Reduce supply chain costs
- Significantly improve forecast accuracy and also increase inventory turnover
- Build responsive supply chains that achieve faster replenishment of products.

To achieve these objectives, we have created a new Supply Chain Department within the Grant Management Division, and appointed senior managers with significant private sector experience to implement the transformation. With the team in place, we are developing a comprehensive supply chain strategy that will define a scope of responsibility, oversight, and necessary initiatives to address supply chain challenges.

In-country supply chain diagnostics aims to find data that will be used to develop specific plans to strengthen supply chain systems, by strengthening country governance structures, coming up with mechanisms to support key supply chain data, working collaboratively with partners to mobilize funds for supply-chain transformation, and more. In addition, the Global Fund is implementing a plan to structure both the Supply Chain and the Procurement teams and implement an improved structure that aims for the effective use of available procurement and supply chain management resources. An end-to-end approach to transform supply chain will get us closer to universal availability of quality health products.

Agreed Management Actions

One specific tool recommended by the Office of the Inspector General for improving oversight and effectiveness in the Global Fund's work is to identify Agreed Management Actions that come out of the OIG's audits and investigations. When specific gaps or challenges are identified by the OIG, the Secretariat and OIG negotiate Agreed Management Actions (AMAs) to be performed by the Secretariat in response to the issue identified. Each month the OIG reports to the Secretariat's Management Executive Committee.

In 2017, as of the end of September, the Secretariat completed and closed 57 AMAs, while 84 AMAs remain open. Of those, 35 are classified as overdue and 19 as long overdue, or more than 180 days. Over the past two years, the trend on AMAs has been largely stable, with minor improvement. In 2017, the number of overdue AMAs was reduced by eight. From another perspective, 29 percent of the 45 AMAs falling due so far in 2017 were implemented on time, and overall, 47 percent of AMAs were implemented at some point.

If you look only at the timeline for overdue AMAs, you might reasonably conclude that there is a problem, and you might wonder how it is that country programs supported by the Global Fund can achieve such impressive results.

The answer is that AMAs are admirably ambitious, and often strive to get at the root causes of implementation problems in the national systems in countries where we invest. Successfully addressing AMAs usually requires participation from partners and governments whose officials are balancing competing political demands. Many AMAs take far longer to solve or conclude than originally conceived. In many cases, the majority of elements in an AMA is achieved, but the AMA remains on the docket until it is 100 percent complete. Every time an OIG audit or investigation report is issued, new AMAs are added to the list. The number of OIG-validated AMAs has grown from 375 in September 2016 to 450 in September 2017.

Let me point to a specific AMA that is indicative of the challenge: An audit of programs in the Democratic Republic of Congo identified other issues in the supply chain that might be improved. An AMA prescribed that the Secretariat present an analysis to the Global Fund's Supply Chain Task Force of on-going and planned actions and pilot initiatives to strengthen the DRC supply chain for HIV and malaria health products financed by the Global Fund. The analysis should include expected results, timelines, and the geographical focus of the actions, covering warehousing, distribution and the last mile delivery arrangements managed by partner organizations. The work is further meant to include a risk assessment and mitigation response options of the current last mile distribution arrangements for ACT and ART commodities, and to present options for the Global Fund in collaboration with other partners to sponsor a transformative supply chain project for essential medicines under the leadership of the government of DRC, in line with the new National Supply Chain Strategy. The AMA was due for completion by 28 February 2017, but that deadline turned out to be too ambitious. The country team, which has supported very impressive progress on many fronts in DRC, has not yet succeeded in securing the comprehensive solution envisioned by the original AMA. The work continues, but we cannot realistically set a target date for 100 percent completion.

That is just one example, and 34 others are available for your review in the most recent AMA report by the OIG in October 2017. We need to work with the OIG more on AMAs to try to make the timelines and deliverables more realistic.

Global Fund – Gavi Collaboration

The Global Fund and Gavi, the Vaccine Alliance, have always worked together closely, and we are deepening our partnership, where it makes sense. In numerous areas, from strategic and programmatic and operational issues, down to the specifics of where and how we work, we find ways to collaborate. This year, we have expanded our collaboration even more. Our Executive Directors regularly discuss and coordinate action. Our technical advice teams regularly collaborate. Our Human Resources teams regularly confer on benchmarking, staff engagement and other issues. Gavi and the Global Fund are working together closely to plan our joint move into a shared Global Health Campus in 2018. We have signed a full partnership agreement, and are already working together in several key areas to maximize efficiencies that will continue to expand the partnership further.

Global Health Campus

In early 2018, we will move to our new home in the Global Health Campus. More than just a new building, the Global Health Campus is an environment designed to support collaboration with colleagues and partners, and to save money in order to deliver greater impact to the people we serve.

The new building will not only change where we work, it will change how we work. Our new workspace is intended to reinforce a culture of collaboration and to promote efficiency and innovative working styles. In bringing together global health organizations in Geneva – the Global Fund, Gavi and other partners will be in a Global Health Campus that unlocks the collective potential of our distinctive missions and inspires collaboration and innovation, so we can deliver greater impact for the people we serve.

Earlier this year, the leaders of Gavi and the Global Fund agreed an equal partnership in the Health Campus. At one level, the agreement simply formalized the strong spirit of collaboration with which our project teams have already been working together over the past months. But the agreement also represents an important strategic milestone on our journey towards our new home. Acting as joint investors in the Global Health Campus brings clarity to the way in which we make decisions together, and greater agility to the way these decisions are implemented and financed. This is hugely significant not only for our collective ability to deliver a successful move, but as the basis for our lasting partnership. This partnership equips us with the strong joint governance architecture to guide us and a real momentum and energy, born of our shared commitment.

A key driver of the project has been value for money, a primary concern for the Global Fund, our donors and partners. The Global Health Campus represents an overall investment by the Global Fund of about US\$28 million, and will allow us to reduce recurrent spending by US\$57

million over the 10-year lease period, compared with recurring costs at our current location. In respect of the Global Health Campus, it will yield an estimated return on investment of about US\$29 million for the Global Fund, with break-even expected to be achieved in under five years.

Additional operational efficiencies beyond building costs are being explored, through closer collaboration with Gavi and other partners in the building. A working group has also been established to pursue sponsorship and investment opportunities with the private sector.

Delivering all of this is complex, requiring the creation of an inter-disciplinary project team with representatives from each organization. It is managing everything from the practical aspects of the move, such as construction and IT infrastructure, to supporting some of the cultural changes ahead, and negotiating all the legal and contractual hurdles in between.

The Management Executive Committee has also been closely engaged in the project, working with the campus project's Steering Committee to define the ambition and vision for our new home. Meanwhile, a comprehensive change management strategy has been developed to help ensure a smooth move to the campus, and to fully realize the potential of the new building in driving our efficiency, effectiveness and well-being.

Transition

The Secretariat has done extensive transition planning, building on work that was done at the beginning of the year, to ensure a smooth and successful transition to new leadership. The results of the Fit for the Future review, described earlier, will be an important component of the transition planning.

In addition, all members of the Management Executive Committee are preparing transition memos, including key issues, anticipated challenges and opportunities, division and department work plans and priorities for 2018, and follow-up actions with regard to the Staff Engagement and Manager Quality Surveys. Staff Council has been asked to prepare their own transition memo with key messages from staff to the incoming Executive Director.

During the transition period the incoming Executive Director will be regularly updated and informed of any significant issues, and will effectively make all key decisions. Searches for the permanent roles for the General Counsel and Chief Financial Officer will be timed in such a way that the incoming Executive Director will make final decisions. I will work closely with the incoming Executive Director and will provide an overview of the most important issues and challenges that we foresee for the coming years. We will arrange technical briefings and other key information, as needed and appropriate. Based on the incoming Executive Director's schedule and availability, we will propose a transition retreat with the Management Executive Committee, and sessions with staff.

I would like to close by saying that I consider myself very lucky to be able to work in global health. I have witnessed firsthand the enormous progress we have made collectively, and feel humbled that I could be part of that incredible journey. I have always done my best, knowing

that our work can make a difference in the lives of the children, women and men affected by HIV, TB and malaria.

It is a tremendous honor for me to serve as Interim Executive Director, and I am grateful for the trust the Board has put in me. I know we are united in our collective cause and passion to end epidemics while building resilient and sustainable systems for health and promoting and protecting human rights and gender equality, and I would like to thank you all for your incredible support. I am deeply privileged to have the opportunity to work with all the brilliant, talented and diverse colleagues in the Secretariat who are so committed to making a difference in the lives of the people and countries we serve. You inspire and amaze me every day!