



REPORT OF THE EXECUTIVE DIRECTOR

Friends and colleagues, welcome to Geneva for the Seventh Meeting of the Board of the Global Fund. This is the first Board Meeting of the Global Fund's third year, and it is exciting to have so many new Board Members join us on this occasion. The addition of your energy and expertise represents a renewed commitment by all of us to the success of the Global Fund. This success builds on a foundation of core principles and policies and our experience of realizing these in practice. We owe our thanks to those members of the Board who have guided the Global Fund in its first two years, and I am delighted that many of these colleagues remain with us today.

In Chiang Mai in October, I described 2004 as a year in which our focus must be on the work of recipients—public and private partners receiving funds to scale up the fight against the three diseases. Distinct from our focus in 2002 and 2003 of building the machinery of a financing mechanism and initiating the steady operation of that machinery, this focus on recipients requires us to adapt our procedures and policies based on the reality of our processes at the country level. The goal is to improve the performance of the Global Fund in meeting the needs of our clients: people living with and communities affected by these diseases.

Given this goal, I would like to focus my report to you on the immediate, near-term and medium-term challenges we face. These build on much steady progress by the Global Fund and its partners and reflect our common commitment to maximize the impact of the Global Fund in the fight against AIDS, tuberculosis and malaria.

Immediate challenges: Execution of operational priorities

The Secretariat has defined its operational priorities for 2004 as achieving results, documenting results and mobilizing support. A review of our activity to date along each priority reveals both our progress since the last Board Meeting and the challenges of improving our effectiveness and efficiency and of providing better services to our clients and stakeholders.

Achieving results

The Secretariat has committed \$1.2 billion dollars through signed grant agreements in 80 countries, or 83 percent of the total amount approved for Rounds 1 and 2. For Rounds 1 and 2, agreements for 24 components in 16 countries remain to be completed. In parallel, the Secretariat is pressing ahead with completing grant agreements with successful applicants to Round 3, for whom LFA selections have now been made and about 90 percent of TRP clarifications are complete. Within this last week, the Secretariat has signed the first three Round 3 agreements, in Côte d'Ivoire and Togo; these are the first of many that will follow in the coming months.

Our approach to signing agreements in Round 3, as I have communicated to you in previous Board Updates, is to complete all Principal Recipient assessments upfront to

avoid long delays in making sizable disbursements. Though the previous two-step approach was suitable in launching Rounds 1 and 2, it does not support quick and steady implementation, and we believe recipients will be better positioned to achieve results with larger initial disbursements, including funds for product procurement.

Total disbursements to date total \$258 million to 76 countries. For 90 percent of signed grant agreements, disbursement has commenced, and the total amount disbursed equals more than 22 percent of the total amount committed for two-years. Though this represents a large amount of capital for recipients to use in pursuing results, it is important to note that 72 percent of the dollars disbursed to date are to first disbursements. Only 32 percent of grants which have commenced disbursement have received a second (or subsequent) disbursement, even though 61 percent of first disbursements took place more than six months ago.

The challenge on disbursement is two-fold: the Global Fund must do better at moving dollars out the door, but equally recipients must do better at expending these resources. Partners of the Global Fund have a role to play in supporting this process, and that is a topic that I address later in this report.

Ultimately, the achievement of results depends on the pace of implementation. The disbursement statistics that I quoted suggest that many recipients are moving slowly. But the portfolio is diverse, and others are moving quickly. Recipients in Zambia have purchased approximately two million artemisinin-based combination treatments for malaria and begun their distribution; in Rwanda, the Ministry of Health has launched an antiretroviral treatment program to which it has enrolled nearly 2,000 people, with the pace of new enrolment currently at 100 patients per month and rising quickly; and in China, DOTS treatment is expanding rapidly with 40,000 new TB cases diagnosed.

Across this range of implementation realities, the challenge to the Global Fund is to define a role that is consistent with our charge as a financing mechanism and, at the same time, supportive of the goal: to achieve results. Certainly, strengthening technical partnerships and facilitating their specific application is a priority in this regard.

Documenting results

Of the three components of the "Raise it, Spend it, Prove it" mantra, proving it has been most difficult, in part because there has been, to date, little to prove at the country level and in part because of the intrinsic challenges of monitoring and evaluation for these three diseases. These include deficiencies in available baseline data, weak systems for data collection, and a lack of consistency in reporting requests and standards. But documenting results can no longer be relegated as a priority for another time or another party. In its third year, the Global Fund must itself report robustly on its performance and the progress of its grantees. We have made progress towards this goal, but much remains to be done in 2004.

We have a growing set of anecdotal stories affirming the progress of recipients. In some cases, anecdotal evidence is appropriate and as much as we should expect, given the limited age of many grants. But as this year progresses, an ever larger set of grants will reach at least one year in maturity, and this is a time point appropriate for more systematic review of progress. By mid-year, more than 40 grants will be at least one year old (based

on the timing of initial disbursement), and our immediate challenge is to ensure a system that can report on the results of this set of grantees.

Doing so requires a consistent set of indicators. I am pleased to report that the Global Fund has developed, in conjunction with seven UN and US technical partners, a monitoring and evaluation toolkit of common indicators for the three diseases. This rationalized framework is the basis of the Round 4 proposal form and will underlie the reporting of grant progress. It also represents our continued commitment to ensure harmonization with other donor practices. We recognize and applaud the efforts of the OECD/DAC to maximize consistency across donors, and the Global Fund is committed to the goals specified by their ongoing dialogue, including those set forth by the Rome Declaration on Harmonization.

Also necessary for systematic review are appropriate sources of data, including a growing set of disbursement requests and annual reports which grantees provide in accordance with their existing reporting schedules. Finally, systemic review requires an information management system and clear modalities on how information is used and assessed to develop aggregate portraits of the portfolio. Here we face our most immediate challenge for documenting results at the country level: extending our Proposals and Grants Management System (PGMS) into ongoing data capture and analysis. PGMS is now online and is serving as the information platform for the receipt and review of Round 4 proposals, but it needs to evolve to also meet the needs of grants management and monitoring.

Documenting results also includes reporting on institutional performance, and the Secretariat has nearly finalized an initial set of indicators for this purpose. These indicators, which will be reported in the 2003 Annual Report, measure performance in grants management, disbursement activity and resource mobilization, as well as operational efficiency across the range of the Global Fund's activities. Our next task is to ensure that these indicators are used to generate ongoing quantitative analyses that can improve internal management and thus performance.

We also must agree on how to develop better ways to report on other aspects of institutional performance, including additionality, CCM activity and the engagement of partners, particularly NGOs and affected communities. External studies are providing helpful assistance in examining these areas, and it also behoves us to synthesize the findings of these studies in order to improve our policies and operations.

Mobilizing support

The third area in which the Global Fund faces immediate operational challenges is resource mobilization. Though there has been much progress since you last met—including the confirmation of Australia, Hungary and Singapore as new donors and renewed commitments from Belgium, Denmark, Ireland, Japan, Liechtenstein, Luxembourg, Spain and the United States—we face urgent needs for payment and pledges, both for 2004 and 2005.

Payment of pledges has improved over time. By the conclusion of 2003, 99 percent of the year's pledges were paid. Though \$11 million remains outstanding, this pace of payment was quicker than in 2002. In 2004, payments must accelerate still further. The United States contribution this year, as you know, will be based on the contributions of others, and

the 33 percent “match” (up to an allocation of \$547 million) will be calculated midyear based on payments received. Thus the Global Fund has until July to mobilize the contributions of all pledges made for 2004 if we are to maximize the US pledge. I am grateful that 29 percent of current pledges are already paid or in process and appeal to all donors to accelerate payments in this year to maximize the resources available to the Global Fund’s clients.

Total pledges for 2004 currently total a little less than \$1.5 billion. While this is consistent with the projected order of magnitude of our need, given Rounds 3 and 4 and the first renewals of grants from Round 1, I believe that we must raise still more for this year. First and foremost, I believe that resources required for Round 4 will be significant. Recipients and technical partners are mobilizing ambitious proposals, particularly to scale up antiretroviral treatment and third-generation malaria treatment, and the Global Fund must ensure adequate resources to meet the demand of high-quality proposals.

Beyond the demand of Round 4, we face the challenge of realizing a number of commitments and opportunities for 2004. One is the commitment of European leaders to mobilize \$1 billion from Europe, a goal nearly reached with \$857 million pledged to date. Additional pledges can also realize the opportunity of greater resources from the United States, which has allocated up to \$547 million so long as the amount does not exceed 33 percent of total contributions. Given current pledges, only \$492 million can be realized; additional pledges of \$111 million will leverage \$55 million more from the US. Finally, we should work together to mobilize greater resources from the private sector. While significantly increasing resources from corporations, foundations and individuals is a medium-term goal, short-term success of a modest scale is within reach.

In total, I think that we can and must mobilize \$1.7 billion for 2004. But the amount needed for 2005 is much, much greater. As projected and discussed in Chiang Mai, needs for 2005 will total \$3.6 billion based on a significant demand on resources for renewals and two new proposal rounds (for a total of three rounds in 2004 and 2005). Not even a quarter of this need is pledged currently.

The urgency of mobilizing new resources for 2005 reflects the Board’s own policy to prioritize renewals above new commitments. We have barely 50 percent of what the Global Fund will need to renew successful programs, including those that will require new resources to sustain chronic treatment for people living with HIV. Moreover, only by raising a significantly higher share of resources than those required for renewal can we move forward with Round 5 when the Board reconvenes in June. Launching that new round in the current calendar year is the only way that we can maintain, much less extend, the role of the Global Fund in fighting the three diseases. Mobilizing pledges for 2005, in addition to securing pledges and payments for 2004, is an immediate challenge for all of us.

Near-term challenges: Evaluation of underlying systems & structures

Beyond these immediate operational needs are a number of issues requiring the consideration of the Global Fund’s Board and stakeholders in the short-term. Each of these is already the subject of active debate and dialogue by some parties, and I raise them in my report to solicit your guidance and encourage broader ownership of ways forward. These are not simple matters and require thoughtful review of the Global Fund’s underlying systems and structures.

Funding treatment

In January, 13 authors published a viewpoint in the *Lancet* which alleged that the Global Fund and the WHO had supported, financially and normatively, ineffective treatment for malaria in a number of countries where drug resistance is common. The accusation of “medical malpractice” was defamatory and unconstructive, but the article helpfully identifies an area that requires improvement—technical support and funding for third-generation malaria treatment as drug resistance becomes increasingly prevalent.

For many years, despite clear evidence that artemisinin-based combination therapy (ACT) was effective in the face of resistance to first and second-line alternatives, funding and coverage of ACT remained woefully inadequate. In three rounds, the Global Fund has approved funds for the purchase and distribution of 13 million ACT treatments over two years, including 11 million treatments in sub-Saharan Africa where annual ACT coverage was recently estimated at 10-20,000. But for the authors of this article, a 500-fold increase is not enough. And they are right. The promise of the Global Fund is to fund what works, and we cannot be complacent about the possibility that countries have requested—and the Global Fund has approved—funds for first or second-line treatments where ACT may be the appropriate and recommended protocol.

But we cannot change therapy by fiat. As a result, the Secretariat is commissioning a comprehensive and independent review to catalogue what we have approved in every country with a malaria grant, as well as the data on drug resistance and treatment recommendations. On the basis of this information, we will work with recipients to ensure that our funding is supporting what works. Our grants are designed to be flexible, and approved funds should not constrain recipients from adapting protocols to keep pace with scientific evidence. In parallel with the review, we are communicating this information to CCMs.

In one case, that of Senegal, there was no need for the Secretariat to approach the recipient about this matter, as the Ministry of Health itself requested a proactive reprogramming of funds to purchase ACT rather than chloroquine. This was approved, and we are now developing a policy on grant reprogramming to facilitate this process in the future. This is, after all, not an issue exclusive to malaria.

Protocols for HIV treatment have been under constant revision since the debut of triple antiretroviral therapy. Countries must adapt to the latest national and international norms for treatment to ensure sustained efficacy over the course of a grant. Of course, the provision of such standards on an international basis rests largely with the WHO, and we have benefited greatly from its distribution of revised ARV guidelines in the pursuit of 3x5 and are grateful to the malaria department for specifying an aggressive timeline to finalize new malaria treatment guidelines, including clarity on ACT.

Some have suggested that this may not be enough, and that the technical review of proposals requesting funding for complex treatment should defer to a more robust process. The Global Fund does just that in the case of tuberculosis, with the review and approval of the Green Light Committee preceding disbursement of funds for MDR-TB.

We will provide to the TRP—for its review of Round 4 proposals—country-specific references, developed with the WHO and others, which provide information on drug resistance and recommended treatment protocols. The Board itself is considering at this

meeting the renewal of the TRP, and the recommendation of new members by the PMPC was based in part on the acknowledged need for expertise on treatment. We should constantly be open for additional changes and improvements if they are necessary, and I ask the Board to consider this in its deliberations.

Country coordination

As the focus of the Global Fund shifts increasingly to the reality of its programs and procedures at the country level, we must examine critically the actual application of our grant-making model. Our commitment has been to build on existing country systems, integrating new funding into established frameworks and ensuring sufficient flexibility to fully engage private partners, including NGOs and affected communities, in national planning and large-scale responses to the three diseases. In both aspects, there is evidence of success and room for improvement.

From the outset, the Secretariat has been committed to maximizing the degree to which our grants build on existing country systems and support the harmonization of funding flows from multiple donors. Specifically, in countries where baskets of funding exist (whether health sector SWAps or more specific pools) the Global Fund is committed to making use of these mechanisms. Across the 121 countries in which proposals have been approved, there is an important minority in which national ministries have created effective baskets. In some of these, including Ghana, Malawi, Mozambique and Zambia, the Global Fund is contributing resources into these baskets. In others this is not yet the case, either because this was not the option selected by the CCM or because the Secretariat failed to make clear that this option is viable and consistent with our policies.

Board policies on fiduciary arrangements and monitoring and evaluation affirm the importance of harmonizing across donors to pursue common funding modalities. The lack of more widespread examples of the application of this policy instructs the Secretariat to be clearer and more proactive in encouraging the use of common mechanisms where possible. The voice and role of CCMs is equally critical to this goal, and our bilateral and multilateral partners must use this forum to follow through on what is possible in structuring Global Fund grants. Equally, non-governmental partners must recognize the role of baskets for public funding, even as they take advantage of the flexibilities of the Global Fund to optimize the flow of funds to private activities.

Independent of what mechanisms exist to integrate fiduciary frameworks, local partners should have, through the CCM, an opportunity to coordinate their activities and share ownership of national responses to the three diseases. In some cases, like Ghana, the CCM has reinforced existing multisectoral relationships and committees. In others, it has enabled unprecedented coordination and empowerment. A coordinated NGO response in Iran is now part of the national program, and in Kenya the government has downsized the CCM to 16 members, holding only three of these seats itself and deferring to constituencies like affected communities and faith-based organizations to select their own representatives to participate.

In many cases, however, performance of CCMs continues to be suboptimal. The study commissioned by the Global Network of People Living with HIV suggests that the participation of affected communities often falls short of true engagement or shared ownership over decision-making. This echoes the concerns of NGOs more broadly, and the Board's NGO members have raised this concern directly following reports of how many

NGOs are initiating independent Round 4 applications. Likewise, corporations committed to co-investment have had difficulty engaging in the CCM process.

I am pleased that the Governance and Partnership Committee has suggested that in June the Board should address thoroughly the ongoing challenges of CCMs. The Secretariat commits to supporting this process energetically. There is no more important structure to the Global Fund than the CCM. It embodies our principles and remains the lynchpin of our model of in-country arrangements. If CCMs are not performing as they should—and I believe that they are not—then we must marshal the necessary analyses and policy options for the Board to act decisively on this matter when it next meets.

Technical assistance

The third and final near-term challenge which I wish to raise—and for which I request Board counsel—relates to the provision of technical assistance to our grantees. Technical assistance (TA) is a term that means many things to many people, but I use it now to describe the full range of support required by recipients to scale up the fight against the three diseases: assistance to improve project management, human resources recruitment and training, treatment protocols, procurement and supply management, laboratory testing, monitoring and evaluation, and more.

We have seen first hand that where TA is plentiful and effective, recipients move more quickly and build better systems to sustain programs. We have also seen that a lack of TA is associated with slow implementation and risks poor reporting, high prices paid for procurements and inefficient management. As the magnitude of funding to fight the three diseases increases, so too must the availability of TA to aid countries make good use of these funds. And yet resources for TA are falling short.

I am speaking specifically of the World Health Organization and the current financial crisis it faces to implement its own role in support of the 3x5 goal, not to mention to provide full and necessary support to its Stop TB and Roll Back Malaria departments. The WHO, like TA generally, is not an option that the Global Fund can take or leave. The design of the Global Fund assumed a central role for the WHO, and recipients are now expressing a growing and urgent need for services that the WHO can and must provide.

JW Lee recognizes the great challenges inherent in building the capacity of the WHO to meet the needs of our recipients. He is committed to a new degree of accountability and transparency at the WHO and to the innovation necessary for the WHO to effectively play its role. But he lacks the resources to realize this vision. For each of the billions raised for direct program finance, a small and commensurate share needs to be mobilized in parallel for the WHO and other core partners like UNAIDS, who play essential and complementary roles alongside financiers like the Global Fund. It is in the best interests of the Global Fund and its clients to ensure that these funds are mobilized.

Medium-term challenges: Evolution of the Global Fund

The final set of challenges that I wish to raise with you in this report are ones that we face in the medium-term, but which are so significant that they must be part of our current thinking and planning. They reflect the transition in which the Global Fund finds itself, as it evolves from a start-up enterprise to a mature, sustainable mechanism which has learned and integrated into its activities the lessons of its early days. This is both an internal and

external challenge, and one that relates as much to management as to operations. The Secretariat must take the lead on diagnosing and responding to these challenges, but the Board's early input is critical.

Core business model

Given ongoing discussions about the workload and budget of the Secretariat, I initiated in January a project to examine future implications of the current portfolio management model and to develop options for evolving that model to contain costs and to maximize the impact of our work. In addition to focusing on cost and staff size, this exercise will address opportunities to improve the Global Fund's overall client orientation and the user-friendliness of its procedures at the country level.

This work is ongoing, but I would like to share with you now three underlying components that will drive what the Secretariat prepares for your review in June. The first of these is the concept of a steady state. In order to project where we will level off in terms of cost and size, we must have an endpoint to our current growth, and that endpoint will occur when the number of new grants that the Global Fund approves is equal to the number of grants which terminate in a given year. Essentially, the portfolio will be at equilibrium.

The achievement of the steady state that we are using to develop forward-looking projections depends on a few specific assumptions, including: the approval of three rounds of \$1 billion per round every two years; the number of grants per round equalling 80, with each being for a five-year program with an initial two-year commitment; and an 85% rate of renewal at two years.

Based on these assumptions, the Global Fund will reach its steady state in 2008, with between \$5 and \$6 billion of grants under management including roughly \$3 billion in new commitments (both to new grants and to renewals) each year. At this steady state, seven rounds will be active, with grants varying from pre-disbursement to five-year maturity and termination. [Note: Consistent with current indicators used by MEFA, the term grants under management refers to cumulative disbursement to date on all active grants.]

A steady state scenario facilitates projections of future workload, but I pose to the Board the question of whether the reality of a steady state is desirable given that this outcome implies a steadily decreasing role of the Global Fund in the fight against the three diseases as global resource requirements continue to grow while our growth ceases. I expect that zero growth for the Global Fund is not in the world's best interests, nor is it a true expectation. I therefore must caution that projections of a steady state workload are conservative.

The second component that I wish to present is the early results of workload projections at our theoretical steady state. I can describe this best by noting first the immediate changes in workload we are experiencing between 2003 and 2004.

Thus far, portfolio management has focused almost exclusively on pre-disbursement activities—including TRP clarifications, PR assessments and grant negotiation—with grants under management in 2003 including 126 in this pre-disbursement phase, 30 in ongoing implementation oversight, and of course none requiring renewal review. In 2004, grants under management will include 175 in pre-disbursement phase, 180 in implementation oversight and approximately 30 in renewal review.

Between 2003 and 2004, therefore, the focus of portfolio management is shifting to implementation oversight and renewal review, areas of work which have not been prominent to date but which will be central to our operations from now onwards. In parallel, the number of grants under management is increasing substantially from 135 to 325 between 2003 and 2004.

These trends are the basis of our early projections of our steady state workload, which will reach more than 500 active grants by 2008. The work of portfolio management for this set of grants will be focused largely on implementation oversight, with smaller shares of grants requiring pre-disbursement negotiations and renewal review.

We have growing experience with the workload requirements of implementation oversight. For example, the Secretariat has the responsibility of processing disbursement requests. In 2003, we processed less than 50. By 2008, that number will rise to roughly 1,700, based on a combination of quarterly and semi-annual payment schedules.

In terms of cost, our analysis will specify the precise impact of workload on various cost items. For example, we know that LFA fees, 42 percent of the operational budget of the Global Fund, are directly proportional to the size of the portfolio. But costs of the Secretariat (fifty percent of the overall budget) are varied in their relation to portfolio size. About a quarter of the Secretariat's budget is tied to the Portfolio Management team, which is likewise directly related to the size of the portfolio. The cost of some other teams has only limited relation to the portfolio (for example, Communications or External Relations) while others are partially proportional (specifically, Operations, Strategic Information & Measurement, and Strategic Architecture and Program Support). The final eight percent of our budget, which are the costs of supporting the Board and TRP, likewise has limited relation to portfolio size.

In advance of specific projections of cost and staff size, the numbers on workload alone are unambiguous and immediately suggest that we should consider possible modifications to our business model to control the size and nature of our growth. For example, by controlling the number of grant agreements (without scaling back on the value of our commitments to the global fight against the three diseases) and by streamlining our processes (to maximize the role and leverage of partners), we can avoid unnecessary increases in workload and cost. These are ideas that the Secretariat will be exploring actively before June.

In evolving our systems, I am equally committed to the third component which I wish to describe, which is examining how we can improve our client orientation. The current advantages of our grant-making model include the fact that funding is demand-driven with procedures that are flexible to the needs of recipients, whether in the nature of how they procure medicines or in the timing and content of performance reports. However, the proposal process remains labor intensive and unpredictable (given low rates of approval), and the centrally-determined timing of proposal rounds is not designed to fit with country planning and budgeting processes.

These gaps in design, in addition to feedback on where the application of the existing design falls short of expectations, leaves substantial room for improvement as we consider medium-term changes to our core business model. Processes can be simplified, and country-specific grant arrangements can be better differentiated. In general, an early and

broad evaluation of our future offers opportunities to improve performance and consider options that are only available if our outlook is proactive.

The Secretariat will move quickly from diagnosis to the development of options to address the challenges I have outlined, and we will present these options to the Board in June. As we move forward, we will actively seek your input to enrich the solution space and to ensure a strong foundation to the discussions at your next meeting.

Organizational development

The quick evolution of the Global Fund has been made possible, to a great extent, by the commitment and performance ethic of the professionals who compose the Secretariat. At the same time, the pace of the last two years has put increasing strain on our management and staff, and the structures and systems of our start-up phase are no longer adequate to meet the needs of current operations. Responding to this challenge, the Secretariat has been engaged for six months in an organizational development (OD) process to diagnose our needs in this arena, define concrete ways to improve management and build broad ownership of systemic solutions to the internal challenges we face as an organization.

As I have reported to the Board, this process has involved a significant amount of feedback and reflection. Staff, team and individual surveys have been frank and challenging, forcing the management team to reflect on our own performance in addition to the broader evolution of our work at the Secretariat. Since the start of this year, we have taken a number of important steps to improve internal performance and job satisfaction.

We have more clearly articulated our operational priorities to focus staff resources and energy on our core needs and challenges for 2004. In parallel, we are defining both concrete deliverables and our organizational vision, both externally and internally. We have increased the transparency and pace of decision making by establishing small and focused senior management teams and circulating to all staff the agendas and minutes of their meetings. We have also committed to more active management by reducing substantially the travel time of senior managers, by initiating management coaching, and by improving the effectiveness of team meetings.

Internal communication and coordination between teams is being enhanced with an internal newsletter and timely brown bag lunches on topics of interest across the Secretariat. Support functions and systems have improved, as well. Assistants now convene to discuss issues of mutual concern, and an OD Advisory Group meets regularly to solicit staff-wide feedback. I have committed to strengthening staff development, through thematic training and skills-focused performance reviews.

These are but a few of the many changes underway to strengthen the foundation for sustained performance of the Secretariat. They have been captured both by a broad OD framework for action and a specific set of management commitments made to all staff members. In pursuing improved management, I am not complacent about the ongoing nature of our needs in this area or about my own personal areas for professional growth. This process will only be meaningful if the improvements we make last. Thus this is a medium and long-term challenge to which I and the entire senior management team are committed.

As a final remark on this subject, I would like to note also that the OD process does not assume a static Global Fund or Secretariat. Part of the OD process is a review of our staffing model, including team structures and job descriptions. This work aims to ensure that the Secretariat's capacity and competency match the changing needs of the Global Fund as the institution itself evolves and grows.

Sustainable financing

Our immediate funding need for 2005 already exceeds \$3 billion. As the financing needs for the overall fight against the three diseases grows, so too will our resource requirements. We are moving ever closer to the real limits to growth of existing development assistance budgets. Novel sources of financing are required to sustain the momentum of the last few years. A few are making progress, and the most significant among them is the International Finance Facility (IFF).

The UK Treasury conceived of the IFF model, but it will take the participation of several G7 countries, together with other donors, for the mechanism to work in practice. France is the first country to join the UK in making a firm commitment to the IFF. Others will surely join, and the IFF could conceivably launch in 2005, during the UK Presidency of the G8.

The massive front-loading of development finance which the IFF will allow is essential to the achievement of the Millennium Development Goals (MDGs) and the effective counter attack on AIDS, TB and malaria on which the MDGs depend. The Global Fund is not only a possible channel for a proportion of IFF resources, but also a living demonstration that front-loading works and that capacity exists to effectively absorb substantial investments in low-income countries.

The evidence of the Global Fund's early experience and business model will be watched carefully by those designing or considering support to the IFF, and we will ensure that the dialogue remains a close one to support this mechanism of increased and sustainable financing.

Going forward together: Ensuring focus, prioritization and trust

Given the list of challenges that this report catalogues, I want to conclude with a few open ideas on how we can best work together to meet them. First, I believe that we must—more so than ever before—stay focused on the Global Fund's core business. The immediate needs we face to achieve and document results and to mobilize support are themselves ambitious. In addition, we face the near-term and medium-term challenges that I have described, all of which are very relevant to our 2004 workload.

These are supplemented, however, by the commitments of the Secretariat to prepare for the June Board Meeting, not to mention the Partnership Forum and our participation at the Bangkok AIDS Conference. The recommendations to you at this meeting already include items requiring substantial follow-up, including policy recommendations on CCMs and in-kind donations, additional work on the Phase 2 renewal process and our voluntary replenishment mechanism, and the management of the receipt, review, analysis and transmission of Round 4 proposals.

This is a tremendous amount of work, and my appeal as we begin this meeting is that we avoid adding to the list. I also must note that the resources required to complete the tasks

ahead are substantial and likely more than we have budgeted. I am committed to keeping the Secretariat lean and efficient, but I flag this concern so that we can be particularly vigilant about avoiding unfunded mandates.

As much as we must ensure focus to our work in the coming months, we must keep clear the goal of our efforts. It is a stark and avoidable truth that people are dying of these diseases at an unimaginably high rate. Over the two days of this meeting, 33,000 will lose their lives to AIDS, tuberculosis and malaria. The Global Fund has the great privilege of enabling real impact in turning such figures around. Such impact takes time, but we must maximize our contribution by doing as much as possible as quickly as possible to finance effective programs against the three diseases. While deliberation and due process are important, our goal—and our clients—must always inspire us to focus on tangible products and rapid progress.

Finally, in moving forward together we must ensure genuine trust between the Board and the Secretariat. I submit plainly that I think that this is an area for improvement for all of us. There is a natural and productive tension between a body that determines policy and one that is focused on driving operations and day-to-day activities, but we share a common purpose, common intentions and common commitment to the Global Fund. These should be paramount in our interactions, and I hope that we can agree on concrete ways to improve transparency and trust among us. This is essential if we are to meet the demands that the Global Fund faces in the coming year.

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In closing, let me first express a simple and sincere “thank you”. It is a privilege to work for the Global Fund, and I thank all of you for your contributions to the Global Fund and your support to me personally. My final remark is equally simple, but far more ambitious—I commit to meeting the challenges I have set out above, alongside you and with great loyalty to the underlying principles of the Global Fund: that we be lean and innovative, that we be country-driven and results-oriented, and that we work as partners in our common fight on behalf of the countless individuals and future generations whose lives and well being depend on the world’s response to AIDS, tuberculosis and malaria. Thank you.