



Investing in our future

**The Global Fund**

To Fight AIDS, Tuberculosis and Malaria

**Fifteenth Board Meeting  
Geneva, 25-27 April, 2006**

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**GF/B15/3  
Information Only**

**- SPECIAL CONSOLIDATED REPORT -**

**REPORT OF THE EXECUTIVE DIRECTOR  
AND  
SECRETARIAT UPDATE**

**Outline:** This document contains a special consolidated report of the Executive Director/Deputy Executive Director of the Global Fund to Fight AIDS, Tuberculosis, and Malaria to the Fifteenth Board Meeting

## Introduction

1. Friends and colleagues welcome to the Fifteenth Meeting of the Board of the Global Fund. This meeting marks a particularly important juncture in the history of the Global Fund. It comes after a succession of important milestones following the Fourteenth Meeting of the Board (31 October - 3 November, 2006) in Guatemala and leading up to our Fifteenth Meeting today.

2. I would like to start by acknowledging the enormous contributions made by Prof. Sir Richard Feachem, the Executive Director of the Global Fund for its first five years, who completed his term of office at the end of last month. As its founding Executive Director, he has been instrumental in raising the Global Fund from infancy to the successful and highly regarded organization it is today. I am sure the Board joins me in wishing him all the very best in his future endeavors.

3. With us today is his successor, Prof. Michel Kazatchkine, who took up his position as the new Executive Director just two days ago on 23 April, 2007. I would like to take this opportunity to once again convey our warmest congratulations to Michel on his appointment and to welcome him back to the Global Fund. We are all looking forward to working closely with him as he leads the Secretariat through what promises to be an exciting period ahead in the life of the Global Fund.

4. This meeting is also the occasion for electing successors to our current Board Chair, Dr. Carol Jacobs, and Vice Chair, Dr. Lieve Franssen. On behalf of all the staff at the Secretariat, I would like to express our deep gratitude for their dedicated service, hard work and leadership over a period in the Global Fund's life which has been marked by changes and challenges on many fronts.

5. By the end of this meeting, the Board will have taken decisions on a number of critical matters which will shape the direction of the Global Fund for years to come, including two key undertakings which were initiated well before the Fourteenth Board Meeting: the remaining key issues in the Global Fund's Four-year Strategy, which is close to completion, and some key components of the Transition Options Project (TOPS) which has been examining alternatives to our current Administrative Service Agreement (ASA) with WHO.

6. We must also assess our ongoing efforts to ensure a well-managed and motivated Secretariat – one that is organized and adequately resourced to move rapidly, flexibly and effectively in responding to country needs, the evolving nature of the Global Fund's business model, and changes in the international development arena over the coming years.

7. This special consolidated report combines the customary Executive Director's Report and the Deputy Executive Director's Secretariat Update. It seemed appropriate that, having served as the Interim Executive Director during this transition period, I prepare and deliver both parts.

8. Part 1 of this report starts by highlighting some of the key developments that have occurred since the Guatemala Board Meeting. It then provides an update on our income, an overview of commitments and disbursements made since the last Board meeting, progress on grant performance and a summary of results. At five years, we are beginning to see encouraging signs of initial impact on the three pandemics. Building on the progress to date to achieve greater impact over the coming years will require an appropriately structured and even stronger Secretariat. Part 2 focuses on the internal operations of the Secretariat. It includes an update on key staff statistics and ongoing efforts in the area of organizational development.

## Part 1: Key Developments and Business Progress Update

### Milestones and key developments

1. The first key milestone in 2007 was the Global Fund's fifth anniversary, which we celebrated at the Secretariat on 29 January. It was both a festive and reflective occasion. Listening to the 'tales of the early days' told by those among us with the longest corporate memories of the Global Fund, made us all realize just how far this organization has come in five years.
2. Another significant milestone reached in mid-February, was that the total amount of money entrusted to us to date, topped the \$10 billion mark, thanks to the generous pledges and contributions of Global Fund's major donors. Yet, while the renewed commitment of our major supporters is encouraging, we are also acutely aware of the continued hard work and innovation required in securing the adequate, predictable and sustainable resources we need to help countries scale up their efforts and achieve greater impact on the three diseases.
3. Much in the same way as money follows results in our performance-based funding model, the results which the Global Fund can, in turn, demonstrate to donors will be key to augmenting and sustaining their support. In this respect, the very positive feedback which the Global Fund received from donors at the First Meeting of the Second Replenishment held in Oslo last month (6-7 March, 2007) deserves special note. The Replenishment Meeting's Chairman's Summary Report<sup>1</sup> acknowledges that the Global Fund is, in effect, 'proving it' -- demonstrating the effectiveness of its performance-based model through the concrete results and early impact achieved by the hard work of its grant beneficiaries.
4. In considering our projected resource needs and funding scenarios for 2008-2010, donors at the Oslo meeting agreed to consider "ambitious but realistic targets" within the proposed ranges of US\$ 12 to 18 billion over the three year period. But they also urged the Global Fund to continue in its efforts to broaden its donor base and increase private sector contributions.
5. In addition, it was noted that the outcome of the Board's deliberations at this meeting regarding the appropriate size of the Global Fund will be critical in informing the targets for the Second Replenishment.
6. The Oslo meeting also provided an opportunity for donors to evaluate the results achieved by Global Fund-supported programs since the last Replenishment, based on the information contained in the "*Partners in Impact*" Report prepared for the meeting. This report contains a wealth of information and documents the significant advances made by our country partners, as well as the challenges they continue to face in delivering life-saving prevention, treatment and care services to those affected by the three diseases.
7. A number of issues raised in the report were also emphasized as requiring special attention. These range from strengthening partners' technical support, particularly in fragile states, to stepping up efforts against drug resistant strains of TB and malaria, to balancing prevention and treatment efforts and improving measures of prevention effectiveness. In addition, two critical themes were flagged at the Replenishment Meeting as warranting special attention: health systems strengthening (HSS) and gender concerns. The consensus in Oslo was that our contributions in both these areas will

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<sup>1</sup>Chairman's Summary: The Second Global Fund Replenishment (2008 – 2010) First Meeting - Oslo, 6-7 March 2007

be important to our overall impact on the three diseases in the coming years. The Global Fund's role in HSS has, of course, been debated extensively over the last couple of years, and is a key issue in the four-year strategy which the Board will consider at this meeting. Likewise, firm principles of gender representation and equity underpin the Global Fund's structures and operational model founded on broad stakeholder participation. Despite this, our recent Progress Report revealed that some grant performance challenges can be addressed by mainstreaming gender concerns into the design and implementation of country programs; for example, in the prevention of mother-to-child HIV transmission.

8. We can expect that the Board-approved Five Year Evaluation of the Global Fund, currently underway will, among other things, yield valuable insights, both for further honing our HSS strategy as well as for focusing our gender mainstreaming efforts. The 'Partners in Impact Forum' workshop held in Glion last month (12-14 March, 2007) was a key milestone in our Five Year Evaluation effort. The meeting which brought together both country representatives and technical partners initiated a platform for ongoing exchanges between all those who will participate in the evaluation activities, to ensure that they are based on strong country involvement. Following the request for proposals announced in December, 2006, a number of consulting agencies<sup>2</sup> have been contracted to work on the three study areas of the Five Year Evaluation.<sup>3</sup> The groundwork for evaluation activities has now begun in earnest and the initial report to the Board on the first two study areas is scheduled for November, 2007.

9. The Secretariat has in the meantime, performed well in advancing the mandate and core principles of the Global Fund. This is substantiated by the 2006 end-year results of the Corporate Key Performance Indicators (KPIs) which the Board will have a chance to review during this meeting. The results reported by the Performance Assessment Committee (PAC) show that in 2006, we have exceeded targets for five of our total 15 KPIs and have met or were within ten percent of our targets for a further five of our performance objectives. The PAC will also be presenting a set of core competencies for the Executive Director for the Board's consideration. The results of the KPI for 2006 are highlighted in the relevant sections throughout this report. In the context of changes occurring in 2007, it is also time to review our corporate KPIs and is requested by the Finance and Audit Committee's (FAC) report to the Board.

10. Today, we are also observing 'Africa Malaria Day', along with scores of others around the world committed to defeating this disease which kills an estimated 3,000 African children every day. While the Global Fund has emerged as the largest international financier of malaria control programs, the impact of its support to country programs will continue to depend on the contributions of a wide range of partners and strong commitment on the part of national governments and local health authorities. Partnership, which has been the cornerstone of the notable successes achieved in controlling malaria in, for example, Eritrea and Zanzibar, must continue to be the watchword over the coming years as we help countries scale up their malaria control interventions. Through Round 6, the Global Fund has approved funding for 117 malaria control initiatives in 76 countries, of which 41 are in Africa<sup>4</sup>. To date, malaria grants worth a total of US\$1.7 billion have been signed. Of this amount, \$US 950 million has been disbursed.

11. Concern has been expressed that in recent Rounds (Rounds 5 and 6), the Global Fund malaria grant applications have been approved at notably lower rates than HIV and TB grants. This

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<sup>2</sup> Pursuant to Board Decision Point GF/B14/DP18, the nine consulting agencies contracted were selected through a competitive international tendering process.

<sup>3</sup> a) Organizational efficiency and effectiveness of the Global Fund; b) effectiveness of the Global Fund partner environment; and c) impact of Global Fund and partners' collective efforts on the reduction in the burden of the three diseases.

<sup>4</sup> For the total life-time of these grants, US\$2.6 billion has been approved by the Board.

has been partly attributed to the inadequate performance of existing malaria grants due to technical capacity constraints, especially at the initial stages of implementation, as well as proposals that do not clearly link programs to national strategies. A wide range of partners are now working collaboratively to address these problems through a number of revitalized Roll Back Malaria (RBM) Working Groups, including, notably the RBM Harmonization Working Group<sup>5</sup> charged with the delivery of implementation support.

12. With the Board's approval of the UNITAID-financed ACT Scale-Up initiative, and the increased collaborative efforts by partners to make timely technical support available to Round 7 malaria grant applicants, the Global Fund stands to make significant additional contributions to the reduction in the malaria burden in Africa and other regions over the coming years.

### **Boosting and sustaining the Global Fund's income**

1. The recent report of the Board-appointed Resource Mobilization Task Team (RMTT)<sup>6</sup> which will be presented by the Policy and Strategy Committee (PSC) at this meeting noted that, while our income has grown steadily, the current rate of growth is insufficient to meet the overall needs of grant recipient countries. Moving beyond the maintenance of our current portfolio to make a significant contribution towards meeting global commitments, including the Millennium Development Goals (MDGs), requires a more robust resource mobilization strategy. To this end, the RMTT report offers specific recommendations and strategies for increasing our income from both the public and private sectors.

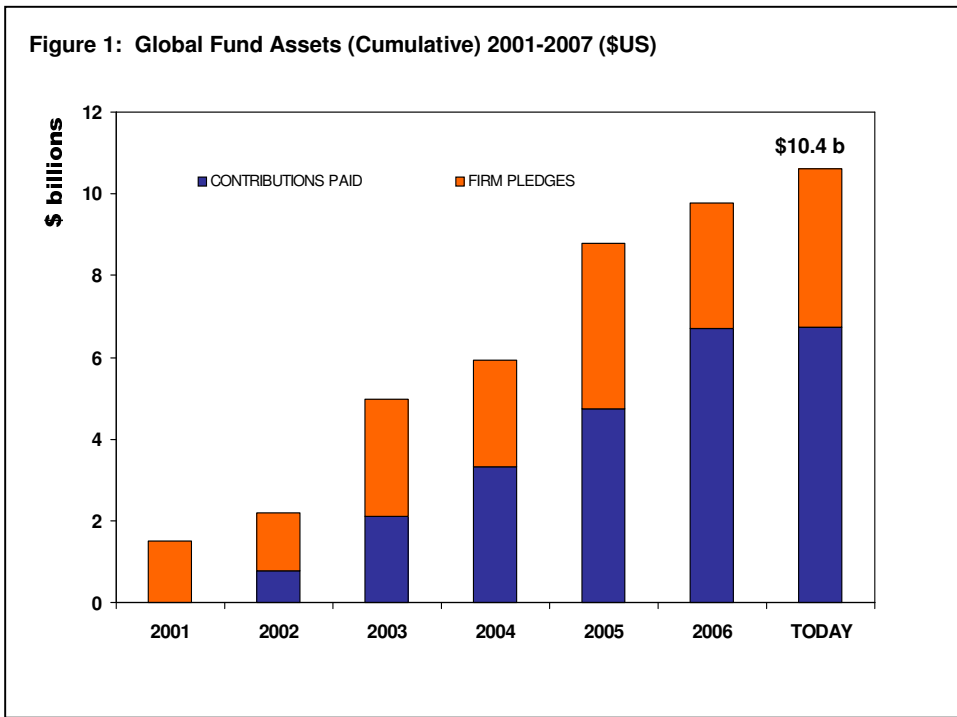
2. Total contributions made to the Global Fund in 2006 reached US\$ 1.94 billion or 92 percent of our projected resource needs (US\$2.11 billion) for the year, which was only slightly under our 100 percent Corporate KPI for 2006. By the end of 2006, the amount pledged for 2007 (US\$ 2.02 billion) was 67 percent of our estimated needs for this year (of 2.99 billion), just a fraction short of our 70 percent target. By March, 2007 we had exceeded that target, having reached US\$ 2.3 billion in 2007 pledges (i.e., 77 percent of our projected needs for 2007).

3. In mid-February, 2007, the United States Government announced a record contribution to the Global Fund of US\$ 724 million for 2007 - a 33 percent increase over the amount for 2006. In early March, this was followed by a generous contribution of US\$ 186 million from Japan. As of mid-April, 2007 Global Fund's total assets in firm pledges and contributions stood at US\$ 10.4 billion (an increase of US\$ 0.8 billion since the Fourteenth Board Meeting (see Figure 1). Of this amount, US\$ 7.1 billion has to date been paid into our trust account at the World Bank.

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<sup>5</sup> Participants of the RBM Harmonization Working Group include: the Global Fund, the World Health Organization (WHO), the World Bank, the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United States President's Malaria Initiative (PMI), the John Hopkins' Centre for Communication Programmes, PATH/MACEPA, UNITAID, the Malaria Consortium, Global Health Advocates and endemic country representatives, as well as private companies.

<sup>6</sup> Per the recommendation of the Finance and Audit Committee (FAC).



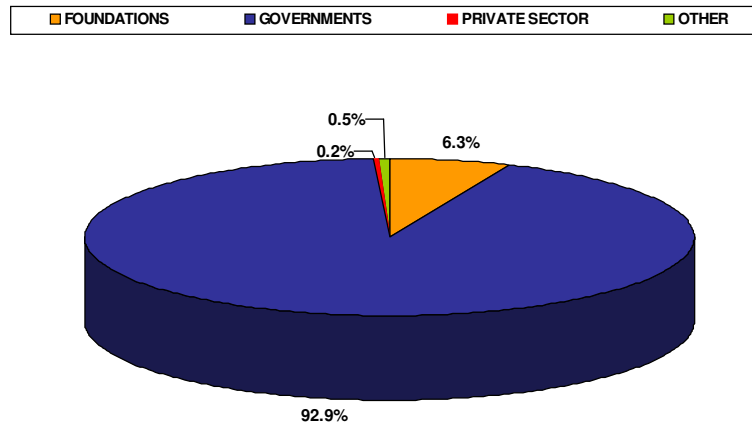
4. Sovereign governments account for the lion's share of the money entrusted to us (93 percent, see Fig. 2) and are likely to do so for the foreseeable future. Boosting and sustaining this support from the public sector will hinge on our continued ability to demonstrate the comparative advantage of the Global Fund.

5. The RMTT recommends that the Board consider ways of increasing the Secretariat's current capacity so that it can undertake a more comprehensive and sustainable effort in developing, strengthening and maintaining close ties with key supporters and decision-makers in donor countries. This is critical for ensuring broader political backing, favorable legislative processes, and hence, sustained financial support for the Global Fund.

6. Funding from private sources (the bulk of which is accounted for by the generous five-year commitment of US\$ 500 million from the Bill and Melinda Gates Foundation) currently makes up less than seven percent of the Global Fund's total assets (see Fig. 2). In this regard, the RMTT report observes that stronger engagement of the private sector (non-governmental donors, corporations, foundations, and individuals) can help mobilize significant supplementary monetary and non-monetary resources, as well as the added benefits of raising public awareness and securing the support of influential figures. This in turn, can strengthen efforts to secure funding from governments. However, the report also observes that in order to achieve just a ten percent share in private sector contributions, the Global Fund would need to more than double its current income from private sources to \$400 million annually – a level of private sector income achieved by very few of the world's largest and longest-established charities.

7. While promising, the growth in contributions to the Global Fund from private corporations, achieved largely through the progress of Product (RED), should be considered against this background. As was also noted by the RMTT report, consumer-focused campaigns, such as (PRODUCT) RED, do appear to hold the greatest potential as a significant, albeit somewhat unpredictable, supplementary revenue stream, with little competitive implications to most other aid organizations.

**Figure 2: Global Fund Sources of Income<sup>1</sup>**



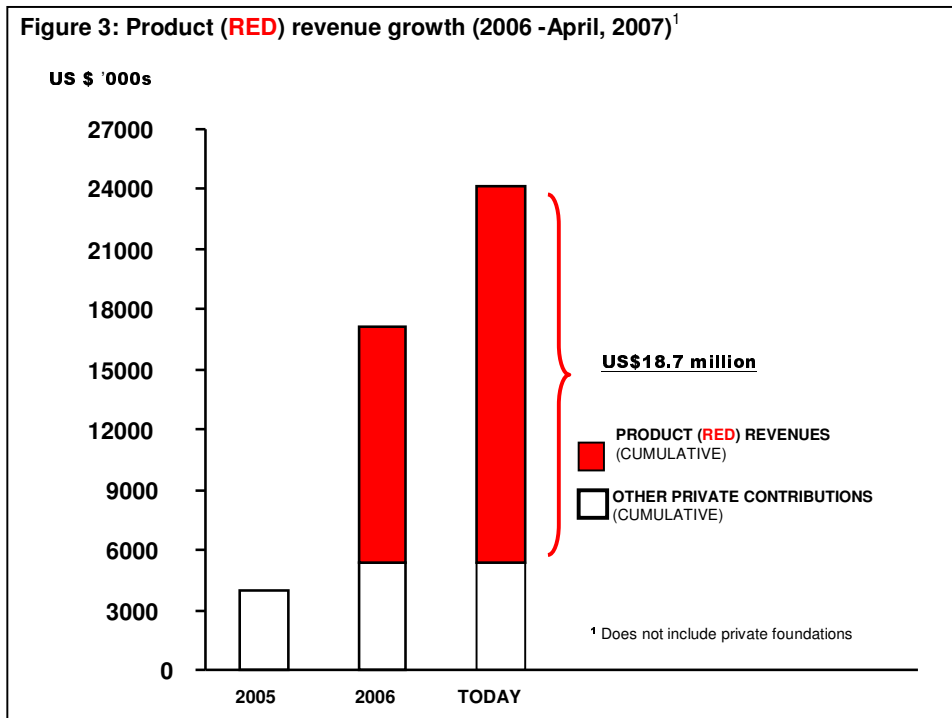
<sup>1</sup> Includes both contributions paid into the Global Fund's trustee account and pledges through 2008

**FOUNDATIONS** = Bill & Melinda Gates Foundation

**PRIVATE SECTOR** = largely Product (RED), plus other private corporations and individuals

**OTHER** = UNITAID; NGOs and other non-governmental sources

8. Since its first launch in the United Kingdom just over a year ago (March, 2006), and its later expansion to the United States and France in October, 2006, Product (RED) has steadily demonstrated the power of corporate marketing and consumer spending as a means of private sector fundraising. To date, (RED) has raised a total of US \$ 18.7 million in support of Global Fund and its beneficiaries (see Figure 3). The revenues have grown at a remarkable rate, rising by more than 50% over the first few months of 2007, from the US\$ 11.7 million registered at the end of 2006. The other non-financial benefit is the extent to which public awareness has been raised by the Product (RED) campaign. Product (RED)'s priorities for 2007 include devising ways for improving the accessibility of (RED) products and further raising the profile and reach of the campaign through a three-pronged marketing strategy: a) highlighting Global Fund's and Partners' engagement in Africa; b) featuring (RED)'s beneficiary communities; and c) greater communication of results and success stories. It is vital that we also consider ways for supplementing (RED)'s contributions and activities through other sources of private funding, including through local co-investment schemes, as well as by soliciting direct financial support or in-kind contributions from corporations and private foundations.



9. Over the last six months, we have also strengthened our engagement with other innovative finance mechanisms, including our partnership with UNITAID. Earlier this year, UNITAID formally committed to support the scale-up of selected malaria and MDR-TB (multi-drug resistant tuberculosis) grants by financing the supply of additional ACT and TB drugs for the remainder of the grant term. Taken together, UNITAID's contribution to these scale-up initiatives will total up to approximately US\$ 88 million from 2007-2011.

10. Following Board approval in mid-March, the Secretariat is now taking the next steps to implement these initiatives. In addition, the Secretariat is in the process of finalizing a Memorandum of Understanding (MOU) with UNITAID on its contribution of US \$ 52.5 million for purchasing medicines for Round 6 grants, which was accepted by the Global Fund Board last November.

11. Over the coming months, work will also continue on the development of a strategic 'Roadmap' to guide our longer-term collaboration with UNITAID. The Secretariat's request to the Board for an extension for preparing such a 'Roadmap', which will be presented at this meeting is based on the recognition that both UNITAID and the Global Fund are currently in transition and that the development of such a comprehensive framework will require careful analysis and deliberations over a longer timeframe. The PSC has endorsed this approach and formed a Working Group focusing on UNITAID which will guide the Secretariat's work on the Roadmap over the period leading up to the next PSC meeting in September, 2007.

12. Another innovative financing initiative we have been pursuing is the debt conversion mechanism – 'Debt2Health'. Under this mechanism, sovereign creditors forgo repayment of a portion of their loans on the condition that beneficiary countries invest an agreed upon counterpart amount in public health through a Global Fund approved program. Pending Board approval of the initiative, a pilot phase is anticipated to include four initial beneficiary countries: Indonesia, Kenya, Pakistan and



Peru.<sup>7</sup> Germany is the first creditor country that has committed considerable resources for this mechanism. It has offered EUR 200 million in debt volume at a 50 percent discount to the beneficiaries and has made the first debt conversion offer under Debt2Health to Indonesia. As part of this groundbreaking development, Germany will forgo EUR 50 million in debt repayments and Indonesia will invest the equivalent of EUR 25 million in the fight against HIV/AIDS, TB and malaria through Global Fund-supported programs. Indonesia has accepted the offer, and a detailed three-party agreement could be signed by July. In addition to the leadership it has shown in this Debt2Health initiative, the Government of Germany deserves special recognition and thanks from the Global Fund for agreeing to host the Second Replenishment Meeting in Berlin in September, 2007 under the chairmanship of former UN Secretary General Mr. Kofi Annan.

13. Finally, an important complement to our ongoing efforts to increase our income as well as to improve its *sustainability*, is the support we are receiving from the various 'Friends of the Global Fight' organizations around the world. The latest addition to the 'family of Friends' is 'Friends of the Global Fight, Africa' (Friends Africa) held its inaugural Board meeting in Kigali, Rwanda in February, 2007. This new pan-African organization which brings together highly committed and prominent African leaders and other dedicated advocates of the global fight against AIDS, TB and malaria, was expressly founded in order to create and sustain visibility and awareness for the Global Fund across the African region as well as to build political and financial support for the organization.

### C. Grant management

1. Continued growth in our income is needed to support our expanding grant portfolio. As of 31 March, 2007, our portfolio comprised 405 grant agreements covering 132 countries, worth a total of US\$5.7 billion. By the same date, a cumulative amount of US\$ 3.5 billion had been disbursed to Principal Recipients (PRs) in 131 countries for 392 of these grants.

2. All 72 grants approved by the Board in Round 5 (worth US\$ 771 million and spanning 50 countries) had been signed by the end of 2006. In addition, as of 31 March, 2007, 5 (6 percent) of the total 88 grants approved in Round 6 had been also signed.

3. Both the level and rate of disbursements have also been satisfactory given the growth of our portfolio. The total amount disbursed to Rounds 1-5 grants during 2006 was approximately US\$ 1.3 billion or 87 percent of the US\$ 1.5 billion target we had set for ourselves as a KPI for the year. It should be noted that the late signing of a number of Round 5 grants and delays in some Phase 2 disbursements, which accounted for this shortfall were addressed earlier this year. For the 60 Round 5 grants disbursed in 2006, the average time between grant approval and first disbursement was 9.4 months – about 1.4 months short of our KPI target of 8 months.<sup>8</sup> This delay is accounted for by complex country situations in four countries (7 grants) which received a three-month extension on the 12-month signing deadline. Additionally, several grants have had delays in their first disbursement due to Conditions Precedent in grant agreements.

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<sup>7</sup> Criteria for selecting the pilot countries included: disease burden; demonstrated need, potential and capacity for scale-up; good past performance of Global Fund grants from regular funding; liquidity to invest in the counterpart fund; an adequate mix of potentially convertible debt; and potential for involvement of civil society.

<sup>8</sup> It should be noted also that negotiating grants is becoming increasingly more complex due to a number of factors, including increased quality assurance requirements and the need to align and harmonize Global Fund programs with the initiatives of partners.

4. Across our entire portfolio, the average proportion of funds disbursed continues to closely track grant age. By the end of 2006, grants had on average received 67 percent of their committed amounts by the time 71 percent of their lifespan had elapsed.

5. Our experiences in 2006 have yielded important lessons about how the efficiency of our grant signing and disbursement process can be further improved by expediting grant negotiations, particularly for grants entering Phase 2.

6. One of the important tasks before us this year is a comprehensive review of the various grant management procedures and processes that we have been putting in place with a view to streamlining our operations and grant management. It is vital and timely that we step back and assess the overall coherence of these various measures, with particular attention to the effects they have had on overall workload both at the Secretariat and at the country level.

### ***Investing in performance***

1. An important stage in our performance-based funding model is the Phase 2 grant renewal process, with which we now have considerable experience. Since 2005, 229 Phase 2 renewals have been approved by the Board, of which 172 have been signed. By 31 March, 2006, approximately US\$ 2.8 billion had been approved for Phase 2 grants with documented performance. The evaluation of 215 grants which had completed their first phase of 18 months of implementation showed that they had reached 94 percent of the top programmatic targets. Performance is reaching targets for major indicators, across prevention, treatment and care, such as HIV counseling and testing, orphan care, health services training and TB treatment.<sup>9</sup>

2. New grants have been funded by reallocating approximately 14 percent of funding from those with performance issues and delays at Phase 2. Most (70 percent) of the money reallocated came from budget reductions due to slower than expected implementation, while 30 percent was from terminated grants. Such reallocations have released funds for almost half of a new round of grants, and provided incentives for efficient use and management of finance.

3. I should also mention our efforts to track performance, particularly at the early stage of grants. The Early Alert and Response System (EARS) which has been evolving since its inception in August, 2005 was designed to promote systemic and proactive monitoring of grant implementation by stakeholders at the country, regional and global levels, with a view to identifying, as early as possible, grants facing implementation difficulties and falling behind schedule. Since 2006, the Secretariat has been posting performance ratings of grants at each Progress Update and Disbursement Request on the Global Fund website. With a view to building a stronger partnership for its effective implementation, EARS will be the subject of focused consideration within the context of the broader risk management framework, currently being developed under the leadership of the Operations Unit.

4. For EARS to function optimally, all stakeholders must share the responsibility of tracking grant progress and to act when progress is impeded. The partners most critical to the effectiveness of EARS are those operating at the country level. For EARS to function effectively, Principal Recipients, members of Country Coordinating Mechanisms (CCMs) and other in-country partners must work in concert with the respective Global Fund Portfolio managers to accelerate problem identification and solving.

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<sup>9</sup> Partners in Impact: Results Report, Global Fund, 2007 pp.4;45-47

5. To this end, over the last year, the Secretariat has been focusing its efforts on increasing and systematizing the engagement of partners in grant oversight. In collaboration with a number of partners, including UNAIDS, WHO and the United States Office of Global AIDS Coordination (OGAC), efforts are underway to support Principal Recipients and CCMs in a number of areas critical to grant performance<sup>10</sup> with the support of a range of mechanisms.<sup>11</sup> Progress on these measures, which are currently being piloted in six countries – Burkina Faso, Indonesia, Malawi, Peru, Rwanda and Zambia– will be evaluated and documented for dissemination periodically.

6. As a follow-up to its 2005 review, the GAO (United States Government Accountability Office), has also been assessing the Global Fund's documentation of the information used to support performance-based funding decisions, efforts to develop and implement a risk assessment and early warning system, as well as oversight of the Local Fund Agents' performance. At the time of writing this report, a draft of the GAO 2006 audit report (not for citation) had been received, the final publication of which is expected in late April, 2007.

### ***Optimizing operations: Strategic solutions underway***

1. Two decisions made by the Board at its Fourteenth Meeting will make a significant difference in streamlining and improving the efficiency of our grant-making process. The first is the agreement to set a fixed date for the call of each new round of proposals, which came into effect with the launch of Round 7 on 1 March, 2007. By providing greater predictability of Global Fund support, a fixed date for the start of rounds is expected to help countries improve implementation by seeking timely technical assistance and better aligning Global Fund grants with broader national planning processes and country cycles

2. The second is the approval of the Rolling Continuation Channel (RCC). This process allows programs reaching the end of their funding terms, who have demonstrated consistently high performance and potential for impact, to apply for further financing using a lighter application format. Through the RCC, qualifying programs can obtain funding for up to six additional years to scale up their interventions and make appropriate scope adjustments. The first wave of RCC grants were qualified on 1 March, 2007, and Board approval (based on TRP recommendations) of the first set of grants to be renewed under RCC is scheduled for the latter part of this year. The PSC will be presenting its proposed Board decision-making process for RCC grants at this meeting. In addition to contributing to operational efficiency, this channel of funding is intended to serve as an added incentive for performance.

3. A number of independent reviews of the Local Fund Agents (LFA) model are also expected to help our efforts to improve the effectiveness of our operations. Following the extension of LFA contracts to November 2007,<sup>12</sup> the Secretariat is preparing to launch a new tender for LFA services in mid-2007. Earlier this year, the Secretariat held a series of workshops to review the functioning of the existing LFA model, as well as the key attributes required of LFAs in the future, in light of the various reviews.<sup>13</sup> These reviews, currently largely in draft form, identified some general positive attributes of

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<sup>10</sup> Including: a) preparing comprehensive technical support plans based on systematic assessments of needs; b) brokering the provision of demand-driven technical assistance from in-country bilateral and multilateral partners as well as civil society groups; c) monitoring technical support delivery; and d) documenting lessons learned from these collaborative approaches to technical support.

<sup>11</sup> Including: the Global Implementation and Support Team (GIST), technical assistance from the US Government's Office of the Global AIDS Coordinator, UNAIDS' Technical Support Facilities, the GTZ Backup Initiative, the Stop TB Partnership's TB Team, and the RBM Harmonization Working Group.

<sup>12</sup> In line with the Board's decision on LFAs at its Thirteenth Meeting (27-28 April 2006).

<sup>13</sup> These are: a) the Secretariat's Internal Survey of LFAs, undertaken in November, 2006 (report circulated to the PC in February 2007); b) the TERG's draft LFA Evaluation report (expected to be finalized and released in April, 2007); c)

the current LFA model, including that it: has allowed Global Fund to become operational very quickly; the Secretariat to remain lean by obviating the need for Global Fund country offices; promotes country ownership; and affords the Global Fund distance when making difficult decisions. The independence and objectivity of LFAs is also viewed as vital. The reviews also revealed some weakness in our management of LFAs which we are working to rectify.

4. There was consensus that the tender process should move ahead to allow for improvements in the functioning of the model and to increase access to the necessary skills. The Portfolio Committee's (PC) report to the Board at this meeting will outline key guiding principles for the tender, including: encouraging a diversity of participants, including civil society groups; ensuring that LFAs monitor both program performance and financial management in an integrated manner; balancing the requirement of LFAs' knowledge of local circumstances with the need to avoid conflicts of interest; and subjecting LFAs to a more rigorous performance assessment process.

### **Results: Life-saving services delivered, doubling each year**

1. The advances we have made in our core business of raising and disbursing funds and managing grant performance, as well as in improving the systems underlying these functions have continued to be matched by encouraging results. Over the course of 2006, Global Fund-supported programs significantly expanded the reach of their life-saving services. By 31 December, 2006:

- 770,000 people were on antiretroviral (ARV) treatment for HIV;
- 2 million people on tuberculosis (TB) under Directly-Observed Treatment Short Course (DOTS); and
- 18 million insecticide-treated bed nets (ITNs) had been distributed to protect mothers and children from malaria, and 23 million malaria treatments were delivered.

In addition, Global Fund-supported programs have reached 9.4 million people with HIV counseling and testing, provided 1.1 million orphans with basic care and support, and 23 million people with community outreach services.

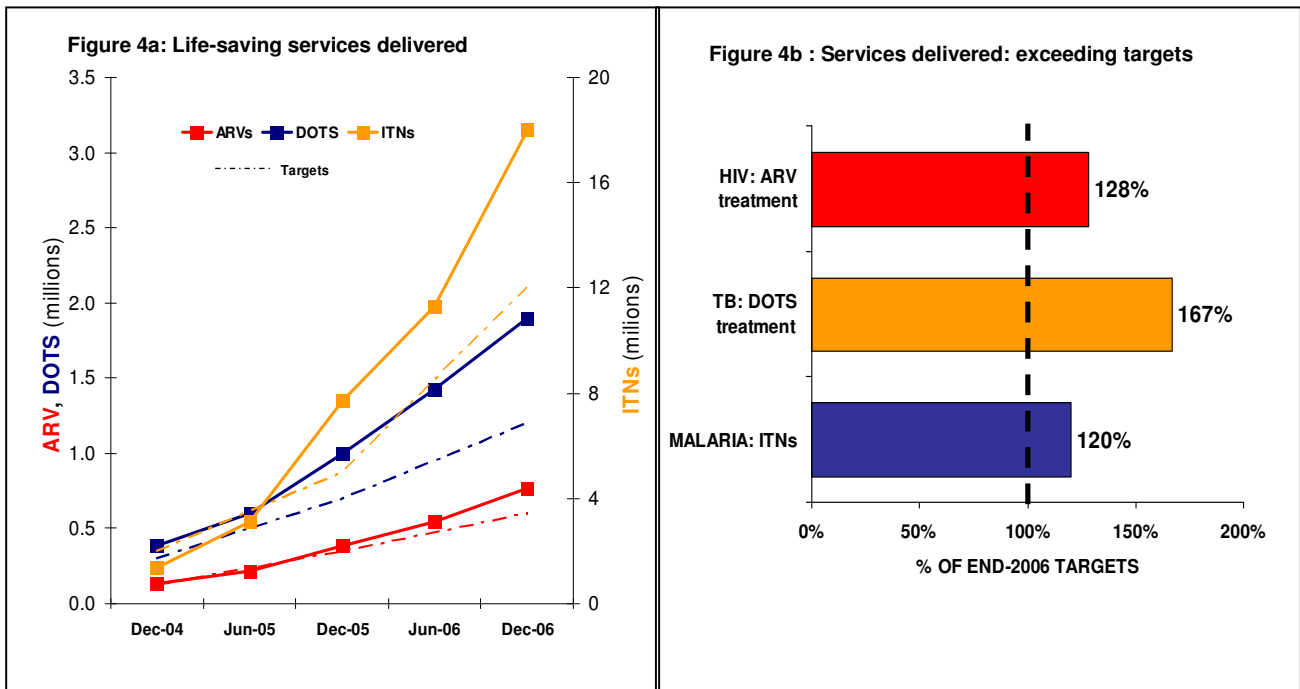
2. Cumulatively, it is estimated that these services have thus far averted 1.7 million deaths worldwide. In Rwanda, Global Fund support to HIV/AIDS prevention, treatment and care efforts (over US\$ 100 million approved by the Board to date) has added significantly to the efforts of partners, resulting in a decline in HIV prevalence from about five to three percent over the last couple of years. In Zanzibar, through a collaborative effort involving government agencies and key partners such as USAID, WHO and Italian Cooperation, Global Fund investments in malaria control since 2003 (totaling approx. US\$ 5 million, to date) have helped accelerate effective roll-out of artemisinin combination therapy treatment (ACT) and achieve 90 percent ITN coverage, resulting in declines of malaria prevalence of up to 90 percent in some districts, and 86 percent declines in reported malaria cases over the last three years.<sup>14</sup> Likewise, with substantial additional financing from the Global Fund since early 2003 (approx. \$US 94 million), China has almost doubled the reach of its TB services, achieving international targets for case detection, treatment coverage and treatment success.

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preliminary highlights of issues pertaining to LFAs obtained from the US GAO 2006 audit of the Global Fund; and d) the outgoing Inspector General's draft audit report, currently under revision by the Interim Inspector General (report expected to be finalized in early May, 2007).

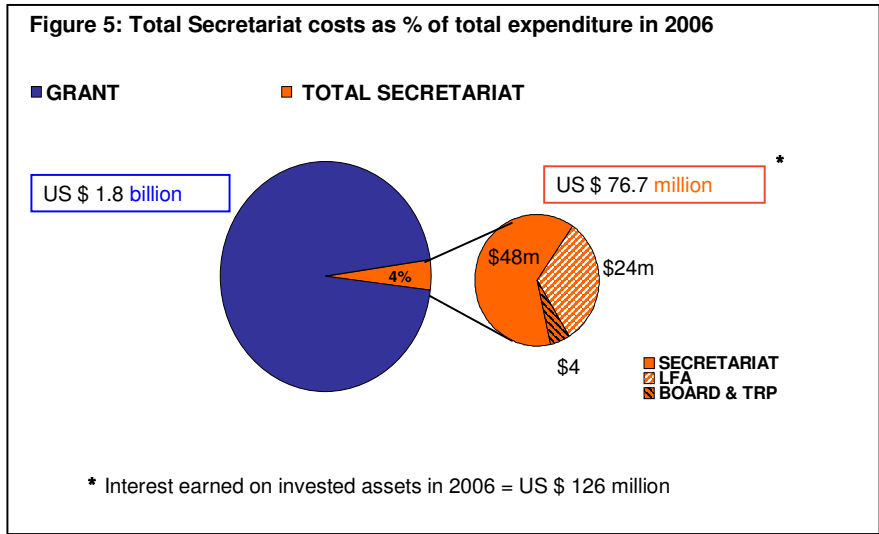
<sup>14</sup> Partners in Impact: Results Report, Global Fund, 2007.

3. These results show the potential for the full realization of the Global Fund's operational model - from expedient finance, to broad partnerships for expanding coverage of life-saving services, to achieving tangible impact on the three diseases. Most countries are meeting the targets they have set for themselves (see Figures 4a/b) and we are already seeing the first heartening signs of early impact, which we are all looking forward to seeing further analyzed in the Five Year Evaluation of the Global Fund.



### Operational Efficiency

1. Pending the outcomes of the comprehensive Five Year Evaluation and as a lead into Part 2 of this report, it is appropriate to review our operational efficiency, in line with our commitment to keep operational costs at a minimum.



2. At US \$ 76.7 million, the total operational costs of the Secretariat in 2006 amounted to about four percent of the total amount of funds committed to grants throughout the year. A total of US \$ 126.5 million was recouped through earnings on our invested assets in 2006 (see Fig. 5) which more than covers the operational costs of the organization, including the Secretariat, LFAs, as well as the Board and TRP. With this business update, I now turn to the second part of my report which is concerned with the internal operations of the Secretariat.

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## Part 2: Secretariat Update: Ensuring a high-performing and well-managed Secretariat

### The Secretariat Development Action Framework in Review

1. This second part of the report builds on the two previous Secretariat Updates which I presented to the Board in my capacity as Deputy Executive Director. It has been almost exactly a year since my last Secretariat Update to the Thirteenth Board Meeting (27-28 April 2006; GFB13/16), which provided an overview of the Secretariat's organizational strengths and challenges, drawing on a comprehensive analysis of staff surveys, human resource data, the report of the Office of Internal Oversight (OIS) and qualitative information obtained through discussions with staff across the Secretariat. Analyses of this information revealed a number of recurrent concerns which helped further crystallize the key areas in the Secretariat's organization, management and business processes requiring improvement as a matter of priority. We thus arrived at an 'Action Framework' comprising four priority areas of work:

- Strengthening management rigor, skills, and cohesion including developing a clear accountability framework;
- Sharpening roles and responsibilities and internal performance and consequence management;
- Building a sustainable work environment including enhanced training and development opportunities for management and staff ; and
- Strengthening management and administrative systems, processes and services.

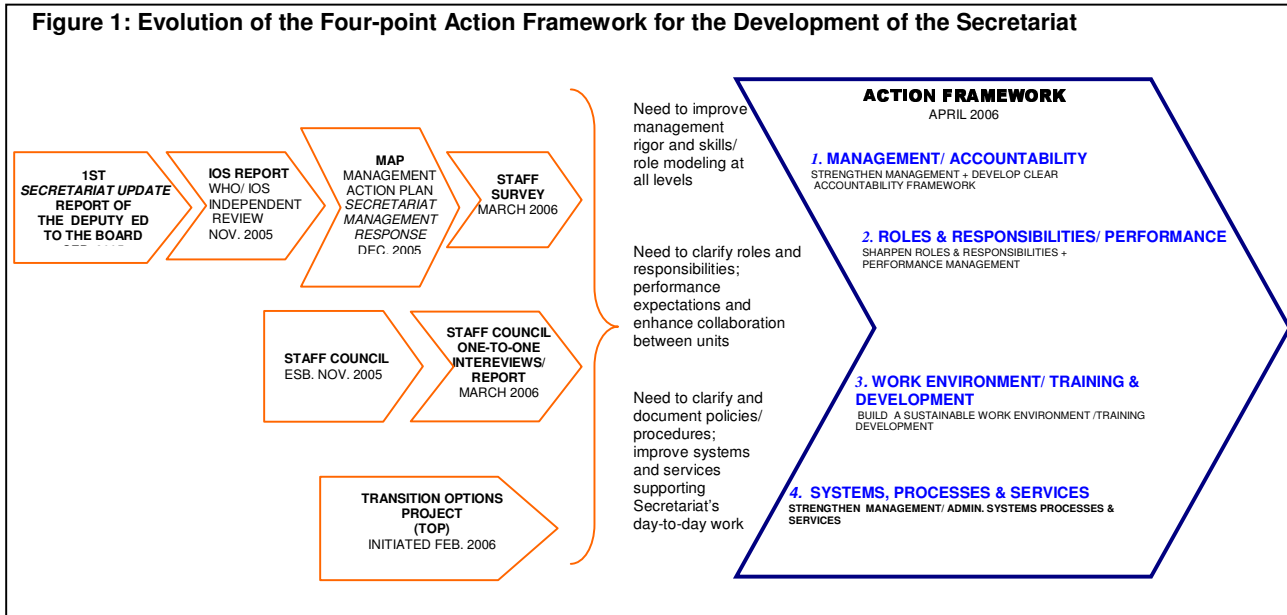
2. As part of this framework, the Secretariat developed a Management Action Plan (MAP) to address areas of weakness identified in the independent review of the OIS, most of the recommendations of which have since been implemented.

3. Overall, a key message of the report was the need to assign high priority to the Secretariat's organizational development which is also captured by our corporate objective of "*Building a cost-efficient, high performing, diverse and motivated Secretariat*". Figure 1 below summarizes the process leading up to this four-point 'Action Framework'.

4. We have been making good progress in the implementation of the Action Framework on the whole. However, in part because of the transition period in which we have been, as well as my assumption of several other responsibilities in the interim, we have not progressed as far or as fast as one would have hoped in a number of areas.

5. Parallel to the ongoing implementation of this Action Framework over the last year, the Secretariat has been engaged in a sizeable staff recruitment effort. Since November, 2006 this recruitment effort has been supported by a number of consultants. The next section which presents an analysis of our current key human resources statistics aims to show the impact that the resulting staff expansion has had on the composition of the Secretariat. An update of the progress made in the various work streams of the Action Framework is then provided. Analyses of the annual Staff Survey results formed a key part of the last Secretariat Update to the Board. This year, however, the annual Staff Survey was initiated a few weeks later than originally planned due to a number of other competing priorities. As the actual survey was conducted during 10-23 April, 2007, results are regrettably, not yet available to report to this Board meeting. But a brief update on the survey design and implementation process will be provided. Finally, the conclusion section will distil key priorities for the Secretariat's development for the remainder of 2007, key among which is the Board-mandated comprehensive review of the Secretariat's structure and workload.

**Figure 1: Evolution of the Four-point Action Framework for the Development of the Secretariat**



6. At the Guatemala meeting last year the Board requested the Executive Director, in consultation with the FAC and other Board committees to initiate an external evaluation of the Global Fund's staffing, including its structure and workload.<sup>15</sup> Because of the delay in the appointment of the new Executive Director, this important external evaluation will now be initiated in early May, with outputs likely to be available only by the third quarter of 2007.

### Overall growth in Secretariat staff-base, recruitment and staffing forecasts

1. The Global Fund continues to attract and retain a diverse and exceptionally committed staff of very high caliber. As of March, 2007, the Global Fund Secretariat had a total of 266 staff (165 of whom hold fixed-term positions, while 101 are short-term staff). This corresponds to a total growth rate of about 25 percent since March, 2006 (see Fig. 2).

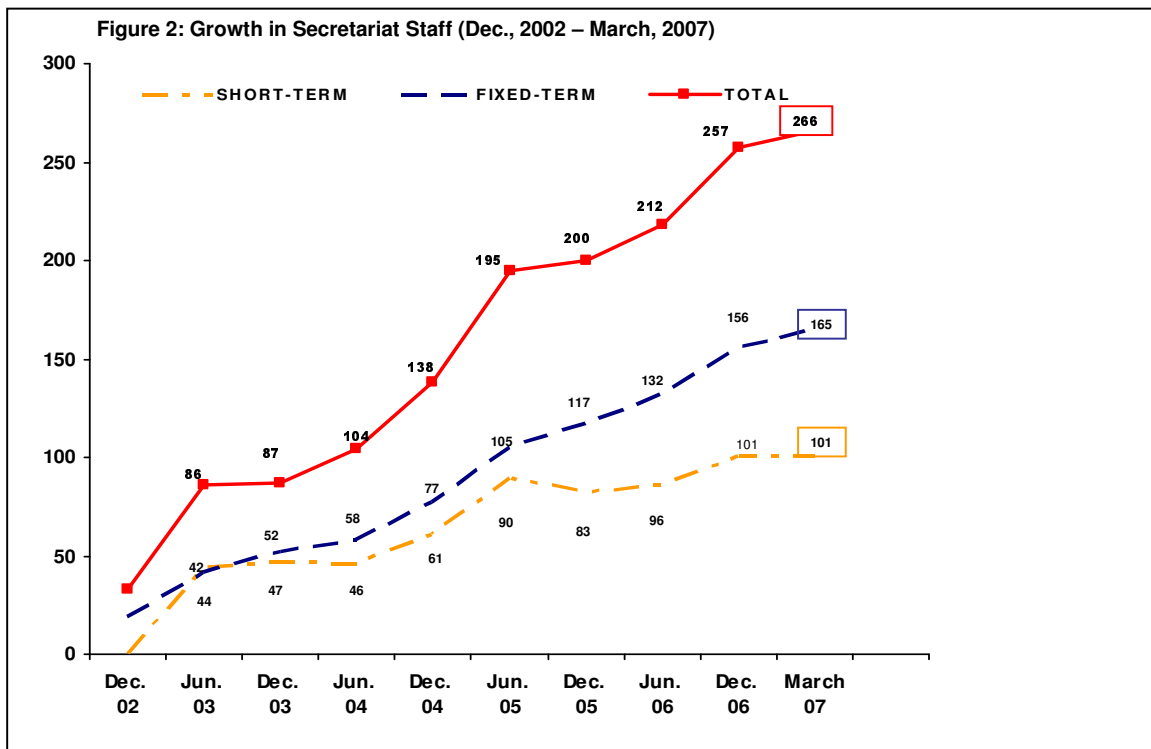
2. Among those who joined the Secretariat in 2006, two are Directors of Units and members of the Executive Management Team (EMT): Dr. Nosa Orobato, Director of Operations commenced work in July, 2006 and Ms. Ines Garcia-Thoumi, Director, Business Services Unit commenced work in November, 2006.

3. The recruitment drive has continued over the first months of this year in order to fill outstanding vacancies and the further 52.5 additional positions approved by the Board for 2007.<sup>16</sup> The current target is to complete the majority of recruitments by the end of May, 2007. This will bring the total number of Secretariat staff to approximately 295 (with an estimated breakdown of 179 fixed-term and 116 short-term staff). Further adjustments can be expected with the approval of the new Global Fund Strategy.

<sup>15</sup> Global Fund Board Decision Point GF/B14/DP34

<sup>16</sup> This includes 42 positions approved for 2007, plus 10.5 new positions resulting from the resource implications of a number of Board-approved initiatives. The net increase in Board-approved positions from 2006 to 2007 includes six positions for the Office of the Inspector General (OIG). At the time of writing, interviews were in progress for 35 posts; and 27 positions had already been filled since the start of 2007.





4. As mentioned earlier, the recruitment process has been supported by a number of short-term consultants assisting HR staff in coping with the considerable increase in workload entailed<sup>17</sup>. In addition, other staff across the Secretariat have contributed significantly to the selection process. Since the beginning of this year, 211 interviews have been held. Much of this workload is, of course, temporary and overall workload is gradually being alleviated as new staff members are brought on board to take up various responsibilities in support of their respective teams.

5. How then, has this sizeable recruitment affected the overall composition of the Secretariat's staff? The following sections provide an overview of Secretariat staff's professional backgrounds, a breakdown of the geographic representation, gender composition, as well as the length of tenure and the overall turnover rate of Secretariat staff over the last year. These data are compared with that of some United Nations (UN) agencies and other international organizations wherever possible.

### **Professional background of staff**

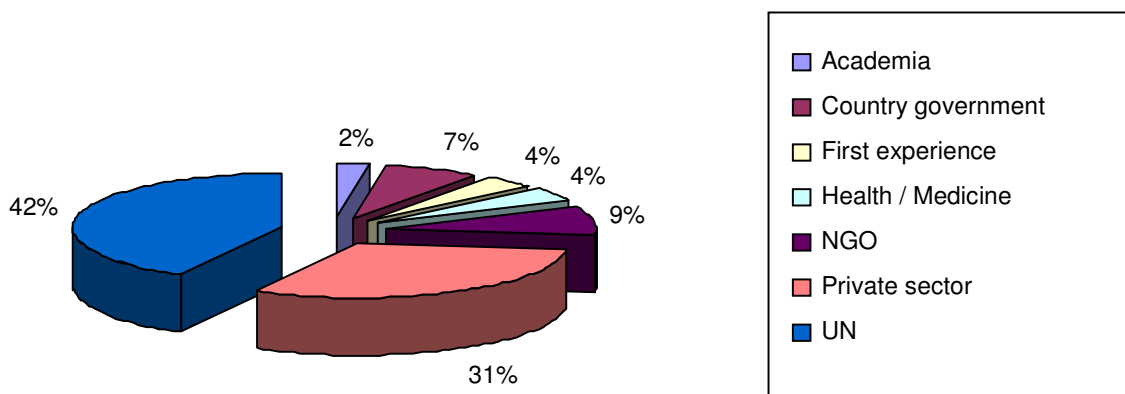
6. The professional backgrounds of the Secretariat's staff continue to reflect the public-private partnership the Global Fund was conceived to be, with a bias towards hiring from the UN system.<sup>18</sup> In March, 2007, 43 percent of staff were former UN employees, 31 percent came from the private sector, nine percent from non-governmental organizations (NGOs), seven percent from governments, four percent from a health professional background, and two percent from academia; the remaining four percent had the Global Fund as their first experience. This composition has remained stable over the last year, despite the relatively sizeable recruitment and growth in our staff.

<sup>17</sup> As will be shown in the Finance and Audit Committee's (FAC) report to this Board Meeting, the Board-approved Human Resources Budget for 2006 was not fully expended in 2006, largely because the accelerated recruitment required was only possible once the Human Resources capacity was appropriately strengthened with the engagement of new HR staff and consultants.

<sup>18</sup> This can be partly attributed to the UN-based application format currently used which tends to be more conducive to applications from within the system.

7. Let me now turn to the diversity of staff along three other parameters: geographic diversity, gender representation, and representation of people living / affected by the three diseases. Our year-end results for 2006 on KPIs pertaining to Secretariat staff diversity indicate that we met our overall targets for the year.<sup>19</sup>

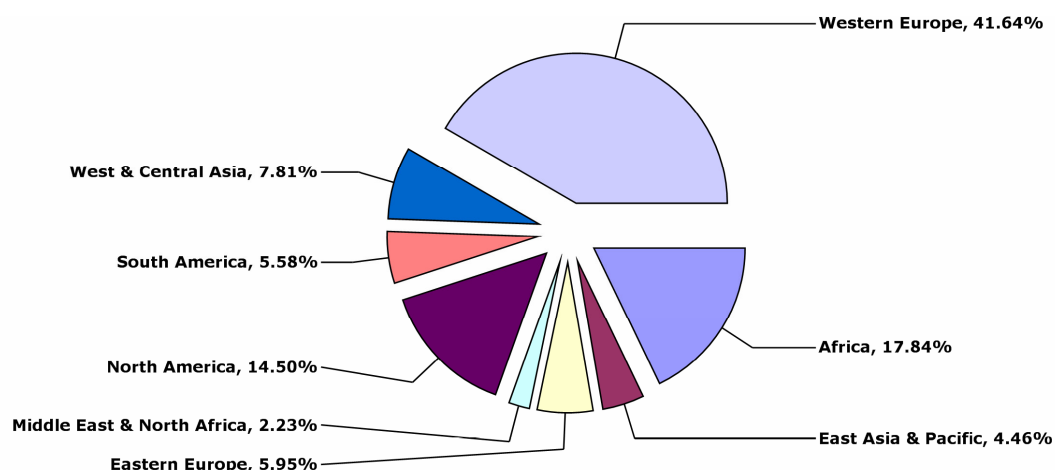
**Figure 3: Overview of Secretariat staff's previous professional background**



**Geographic/regional representation**

1. Recruitments and staff departures over the last year appear to have had some limited impact on the geographic diversity and regional representation of our staff. Today, 43.9 percent come from regions outside North America and Western Europe (comparable to the 44.5 percent recorded at this time last year).

**Figure 4 : Percentage breakdown of staff by geographic origin as of March, 2007**



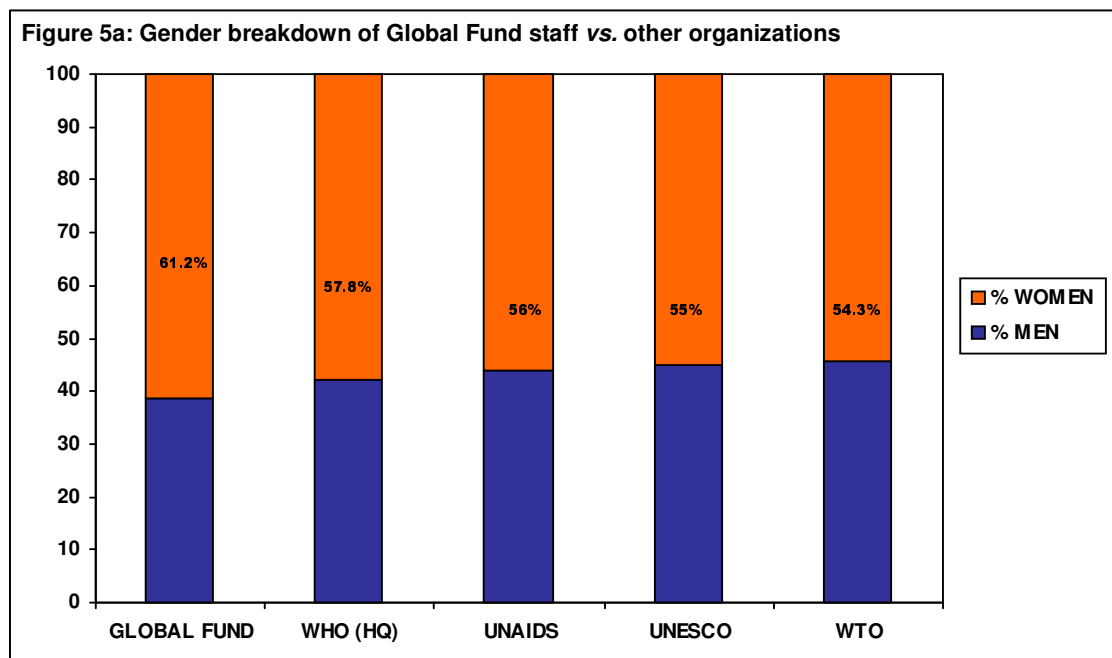
<sup>19</sup> The overall 2006 target for performance against three agreed diversity targets (gender, ethnicity, communities) was set at 80 percent; end-of-year results show an overall average (median) of 87 percent was achieved. The breakdown is as follows: gender: 95 percent, ethnicity (median): 76 percent, communities: 100 percent. It should be noted that our 2006 geographic diversity KPI focused on four under-represented geographic regions: E. Europe; Middle East & North Africa; E. Asia & Pacific and Latin America.

2. While there is room for improvement, it should be noted that for an international agency with no regional offices, the Global Fund Secretariat remains relatively diverse.<sup>20</sup>

3. We must especially focus on improving the geographic representation of staff in senior management levels. Currently, of the 48 staff at senior management levels (P5 and above) 42 percent come from regions outside of North America and Europe.

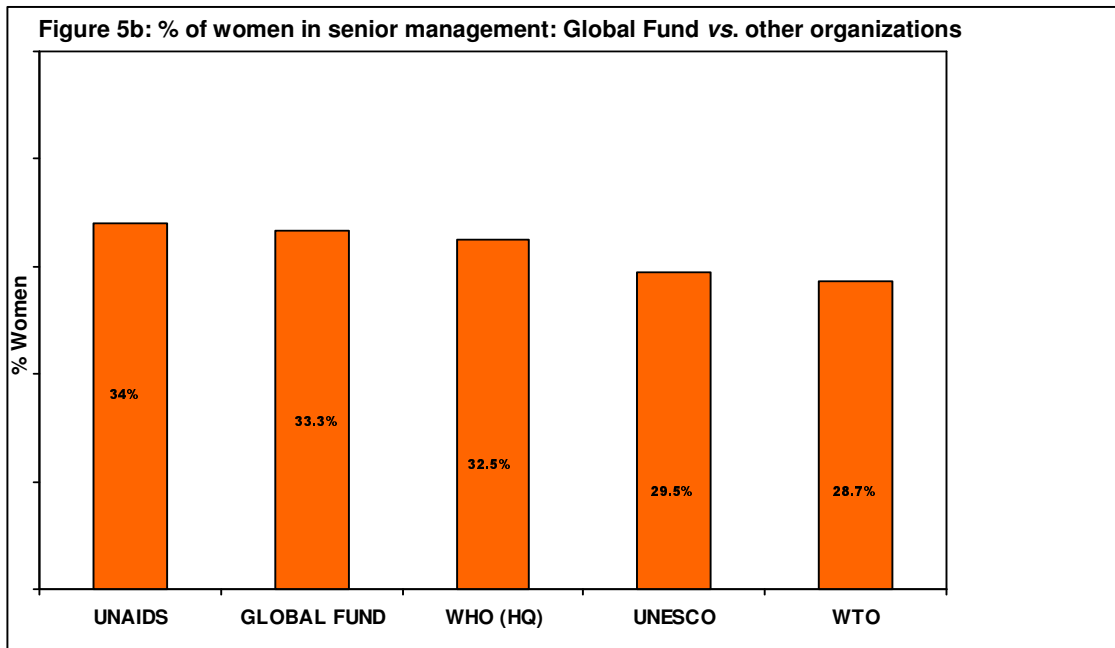
### **Overall gender composition and representation of women in senior management**

1. Perhaps the most notable change in composition has been the increase in the representation of women in the Global Fund Secretariat's staff. In March, 2007, women constituted 61.2 percent of the Secretariat's staff; this percentage is about 3 percent higher than the proportion of women in August, 2005. It is also 6.9 percent and 3.4 percent above the representation of women on the staff of WTO and WHO (HQ), respectively (see Figure 5a).



2. As a result of the recruitments over the last year, we have moved closer to the Board approved 40 percent target for the representation of women in senior management by the end of 2007. Currently women occupy 33 percent of senior management positions (an increase of 10 percent over the past 18 months). This figure is comparable to the representation of women in the senior management of UNAIDS and higher than that of WHO; UNESCO, and WTO (see Figure 5b). It should also be noted that the number of women represented at entry professional levels (P1/P2) has increased by about 13 percent since August, 2005, and the number of women at middle management levels (P3/P4) remains high at 56 percent.

<sup>20</sup>By comparison, for example, data obtained in March, 2007 from UNESCO and WTO indicate that employees from regions outside of W. Europe and N. America constituted 55 percent and 34.6 percent of their staff, respectively (compared to 42.4% at Global Fund Secretariat).



### ***Staff tenure and turnover***

1. The Secretariat's staff turnover rate appears to have leveled off. In 2006, the proportion of staff leaving the Global Fund, including short-term positions coming to an end, was eight percent. This is slightly less than the staff turnover rate in 2005 (8.29 percent) and it is significantly lower than the turnover rate in 2004 which was 15 percent.

2. It is also instructive to review the average tenure of our staff at five years. With the departure of the founding Executive Director, the longest 'corporate memory' of the Global Fund Secretariat now rests with nine fixed-term staff who have been with the organization for four or more years (constituting only 5 percent of the total fixed-term staff as of March, 2007). The majority of fixed-term staff (61 percent of total fixed term staff) have been at the Secretariat for one year or less, while the remaining (34 percent) have been with the Global Fund for two to three years.

3. In summary, the current human resources statistics show that the Secretariat continues to attract and retain a particularly diverse staff of high caliber, with a range of relevant professional backgrounds. As a result of the sizeable recruitment effort over the last year, we have further strengthened our gender balance, including at senior management levels. While we are meeting our overall targets for the representation of regions as well as communities affected by the three diseases, we can still do better in these areas. In addition, more needs to be done in the future to reach out to and attract an even more diverse pool of applicants, including from government agencies and NGOs.

## **Implementation of the Secretariat's Development Action Framework**

### ***Strengthening management rigor and cohesion & developing a clear accountability framework***

1. Three complementary areas of work have been pursued over the last year with a view to achieving this first objective. The first ongoing initiative aims to strengthen the Secretariat's current management by identifying and addressing key areas for management development and skill-building. To this end, we are currently designing a 'Management and Leadership Program' with the help of the consulting firm Ashridge Consulting, an internationally reputed firm with specific expertise in the area of improving managerial and business performance through the design and implementation of a wide range of executive programs<sup>21</sup>. The program will initially focus on: a) the leadership effectiveness and capacity of the Executive Management Team; b) the skills and competencies of all senior managers *vis à vis* staff guidance, motivation and performance; as well as c) the promotion of a culture of accountability in line with the values of the organization. At the time of writing this report, preparations for the commencement of this program were underway.

2. Secondly, with a view to streamlining and clarifying the Secretariat's accountability and liability systems and procedures, work has been initiated in the development of a two key Secretariat-wide constructs - an Assurance Framework, currently being developed by the Office of the Inspector General (OIG) and a Risk Management Framework. The Risk Management Framework will cover all aspects of Global Fund strategic directions, and will systematize and make transparent areas where we identify risk and what we are doing to mitigate that risk.

3. Finally, with a view to drawing on the diverse skills of all senior managers across the organization and ensuring their greater engagement in corporate affairs and through stronger cross-unit collaboration, a Senior Management Group (SMG) was established in August, 2006. The purpose of this group is to bring together senior managers outside the EMT to work together on issues of organizational development and to plan and steer corporate initiatives. The SMG replaces the previous Strategic Advisory Team (SAT) and currently comprises 24 senior managers (non-EMT only, with the exception of myself as the Chair of the group) from across all units who directly report to a Unit Director or a Deputy Director. It was agreed that the SMG meet periodically. However, due to other competing priorities, the SMG has not really progressed beyond initial conceptual discussions. Over the coming months, I look forward to reviewing this initiative with our new Executive Director, within the context of the impending organizational review.

### ***Sharpening roles and responsibilities and internal performance and consequence management***

#### **Role profiling and leveling exercise**

1. Challenges in collaboration between different units of the Secretariat were attributed, in part, to the lack of clarity in roles and responsibilities, exacerbated by heavy workloads and high stress levels throughout the organization.

2. In many cases, roles and grade levels of new positions had been determined by individual unit's specific requirements without necessarily paying attention to cross-organizational needs and relativities. In other cases, the formal job descriptions and terms of reference had not been updated to reflect the roles of positions which had evolved considerably over time. A role profiling and leveling exercise was thus initiated to review and address these concerns. To ensure impartiality, the review was outsourced to a team of external consultants<sup>22</sup> (contracted in July 2006) with significant

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<sup>21</sup> Ashridge Consulting are currently also providing consultation services in a similar program at WHO.

<sup>22</sup> Lead consultant Terry Slater, supported by Lise Lapointe and Gunter Zorn.

experience and competence in the area of job design and evaluation gained across various UN agencies as well as the private sector.<sup>23</sup>

3. Of the 174 individual jobs evaluated 28 were identified for further assessment through interviews with the incumbents. The review's key recommendations submitted to the Secretariat in mid-January, 2007, include:

- Introducing two new generic positions within Operations, i.e. 'Senior Fund Portfolio Manager' and 'Program Officer' (based on WHO classification standards) to enable better distribution of work and delineation of responsibilities while also freeing up Team Leaders to assume greater 'managerial' responsibilities;
- Introducing three organization-wide generic positions for Assistants with a view to ensuring consistency and parity across the organization in this job category where the greatest inconsistency of roles and responsibilities was found.<sup>24</sup>

4. On the whole, the review showed that, despite the rapid growth of the Global Fund Secretariat in a short period of time, job descriptions have for the most part, been properly drafted and grades allocated correctly. Of the 174 positions evaluated only 22 (12.6%) were found to have been classified at a grade level different from the one recommended by the review. As a result of this review, most grades of posts have been confirmed and all posts have an updated duty statement.

5. The EMT agreed on the main recommendations of this exercise. However, implementation of the recommendation for introducing new generic positions in the Operations Unit has been deferred, pending the comprehensive organizational review of the Secretariat.

6. This 'micro-level' exercise, focusing on the 'building blocks' of the organization, will serve as a good complement to the 'macro-level' Board-mandated evaluation of the Secretariat's overall structure, size and workload which will be led by our new Executive Director.

#### Development of a new Performance Management System

7. Both the 2006 Staff Survey as well as the interviews conducted in parallel by the Staff Council, revealed that the Secretariat's existing performance appraisal system and practices were generally viewed as less than satisfactory in assessing the nature of the work carried out by staff in the various units, and the competencies required, and ensuring professional development and appropriate consequence management. With a view to redressing this concern, a project to redesign and improve our performance management system has been initiated, with the support of *Atos Consulting*, selected through a competitive tender process at the end of 2006. The design phase of the project, which has involved broad staff participation under the oversight of a steering committee, is currently in its final stage. An implementation team is being mobilized to start preparing for the introduction of the system, which will include providing training for staff on the improved processes and tools. Full implementation of the new system is planned for 2008.

8. The newly designed system, which aims to assess individual performance in a more comprehensive, consistent and practical manner, incorporates some vital new components, including:

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<sup>23</sup> The terms of reference for the exercise included: a) reviewing and updating formal descriptions of all job positions to ensure that they accurately reflect the nature of the work the positions entail and that their grading levels are appropriate, using WHO classification standards; b) review existing generic descriptions and assess the need for introducing new generic positions; and c) reviewing all job titles and recommending standardization of these where appropriate.

<sup>24</sup> Following up on this recommendation regarding the Assistants job category, a more comprehensive examination is underway to ensure that current incumbents' actual functions are well reflected by their job descriptions and corresponding grade levels.

- a process for aligning and cascading corporate objectives and KPIs across the Secretariat to unit, team and individual objectives;
- a competency model designed to evaluate behavioral aspects of performance;
- a 360 degree feedback mechanism enabling detailed and rounded inputs into the appraisal process from all staff who work closely with a particular individual; and
- replacement of existing paper-based processes with IT-based solutions as appropriate (ensuring compatibility with WHO information systems).

9. This project is a key organizational development priority for the Secretariat and will closely link to other initiatives underway, including the Leadership and Management Program.

***Building a sustainable work environment including enhanced training and development opportunities for management and staff***

*Promoting team spirit and positive staff relations*

1. The 2006 Staff Survey and Staff Council interviews had identified lack of trust between units, high workloads and stress levels as among the key factors affecting the work environment. Staff retreats have proved to be one effective mechanism for addressing some of these issues by enhancing constructive intra- and inter- team/unit interactions. Since the last report, four of the Secretariat's seven units - Business Services, External Relations, Performance Evaluation and Policy and Operations<sup>25</sup> - have held staff retreats focusing on collaboration and interaction across and within teams and units. Participation of staff from other units/teams in these sessions was particularly useful in facilitating open discussions about inter-unit collaboration issues.

*Training and staff development activities*

2. Opportunities for development and learning are key to the promotion of a positive work environment conducive to personal growth and significantly contribute to a healthy work place. Strengthening of the HR Unit's Staff Learning and Development (SDL) capacity began with the appointment of a training/staff development specialist in August, 2006. Since then good progress has been made with the planning, coordination and implementation of a wide range of staff development and training activities. However, if the Secretariat is to evolve into the type of dynamic and forward-looking 'learning organization' envisioned, improved levels of resourcing (including staffing, and supporting administrative and information systems) will be needed to scale-up current efforts and further institutionalize our commitment to staff development and training.

3. Over the last year (May 2006 - April 2007), over 85 staff development/training sessions were held, including: IT and language training sessions, briefings on various operations and disease-related topics; workshops focused on diverse topics, ranging from monitoring and evaluation to HIV/AIDS sensitization and stress management; technical training sessions on operations procedures, as well as several seminars on topical policy and programmatic issues. In addition, fourteen mandatory training sessions on Recruitment and Competency-based Interviewing have been held, with the participation of 120 staff members. Efforts have also begun to develop our e-learning capacity, which will contribute to the rate of scale-up, flexibility and overall cost-effectiveness of our training and development efforts. Online training modules are being developed focusing on the induction of new staff and skill-building in a number of key areas related to Global Fund's core business.

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<sup>25</sup> Several teams within the Operations Unit have had retreats over the last year.

4. We are also in the process of introducing an expanded and well-structured induction program for new staff, including a series of briefings covering the following broad areas: a) the Global Fund's core principles, business model and structures; b) an overview of the improved performance management system and its application; and c) a wide range of administrative matters linked to employment with the Global Fund. The intention of such a comprehensive induction program (likely to take up a significant part of a staff member's first week at the Secretariat) is to contribute to the development of a positive shared corporate culture.

### ***Strengthening management and administrative systems processes and services***

#### *Human Resources: Strengthening capacity and building a strategic function*

1. In 2006, we implemented significant changes within our Human Resource Management (HRM) capacity with a view to developing a more effective, efficient and responsive service to the Secretariat. Following on the recommendations of the OIS Report, the HR team was restructured and strengthened. This included the review, redrafting and approval of our recruitment policies and processes. The team led by the HR Manager, now comprises two HR Business Partners recruited in 2006, each responsible for a specific area of the Secretariat. The Business Partners work closely with Staff Learning and Development staff to support line managers in recruitment and staff development, with the provision of information and management tools tailored to their specific needs. The aim is to enable the most effective use of our human resources at all levels.

2. Strengthening HR as a whole, was a vital prerequisite for starting the large-scale recruitment drive needed to fill the Board-approved staff positions for 2006; and this explains why (as is shown in the Report of the FAC to this Board Meeting), despite the Secretariat's pressing staffing needs, the corresponding staffing budget had not been fully expended by the end of the year.

#### *Transition Options Project [TOPS]*

3. During this meeting, the Board will consider developments in relation to the Transition Options Project (TOP) which has been examining alternatives to our current Administrative Service Agreement (ASA) with WHO. The Finance and Audit Committee's (FAC) report which the Board will consider at this meeting contains: a) a summary of recent developments of relevance to these deliberations; b) the results of some preliminary cost-benefit analyses on key components of alternative administrative arrangements; and c) recommendations to the Board regarding additional opportunities and factors that ought to be taken into account in our deliberations of this matter, especially during this transition period. A range of concerns raised by the Staff Council on behalf of Secretariat staff are also summarized for the Board's consideration in the Staff Council Report.

#### *Information systems*

4. A very significant part of our efforts to strengthen the Secretariat's administrative capacities involves developing our information systems. At present, the information systems supporting a range of administrative functions in the various units, including the Business Services Unit, Human Resources, and Legal Services, are provided by WHO through our current ASA. As such, the impending replacement of WHO's existing information systems with a centralized enterprise resource package, as part of their ongoing Global Services Management (GSM) project, will have significant implications for the Secretariat. Under the ASA, this would require the Global Fund to migrate onto the new platform by the projected 'go-live' date of January, 2008. Pending a resolution on the Transition Options Project (TOP), this will clearly have significant and far-reaching implications for day-to-day operations across the Secretariat, starting early next year. All our plans for the



development and strengthening of our information systems, (and most notably the pressing need to develop our Human Resources databases and information management) must, therefore, be viewed in this light. By the same token, the up-front transaction costs entailed must also be considered as part of TOP deliberations.

5. An important parallel consideration is the pressing need to improve the information systems that support the Secretariat's core business functions, related to management of grants, which are beyond the purview of our ASA with WHO. To this end, we are currently developing and updating a set of information management tools around one common data depository. Priority has been given to the Grant Performance Reports (GPR), the Grant Score Cards (GSC) which are publicly available on the web for all grants, as well as the Performance Evaluation and Policy (PEP) programmatic database, which is the basis for results analyses and feeds into EARS. This work involves two steps: a) building the programmatic databases into a new 'DataStore' to serve as a central database for current and future development; data from existing databases will be migrated to this new DataStore. This step will be completed by the end of May, 2007; and b) all analytical needs of the grant management system will be assessed by June, 2007, with a new design for a comprehensive and integrated grant management information system projected for September, 2007. Other components will follow over the course of the year.

### **Monitoring our progress: Design and implementation of the 2007 Staff Survey**

1. Staff satisfaction and opinion are key to the Secretariat's overall effectiveness. As such, the annual staff survey provides an important tool for regularly monitoring staff concerns, opinions and general welfare, as well as for assessing relevant trends over time. The previous survey in 2006 revealed a number of areas for improvement, many of which converged with the findings of the Staff Council's 'One-to-One' qualitative interviews. As described above, the information obtained from both sources was vital for refining the Action Framework for the Secretariat's development.

2. Following the identification of suitable consulting services, preparations for the 2007 Staff Survey started in mid-March, 2007 with a view to ensuring adequate time for meaningful staff participation and input at the survey design stage. As in previous years, an internal Survey Steering Committee (SSC) has been established on which all Secretariat units as well as the Staff Council are represented. The committee has been reviewing the survey design and ensuring broad input.

3. The results of the 2007 Staff Survey (which will be made available to the Board as soon as they are received) will serve as a litmus test for the effectiveness of the measures that have been put in place with a view to addressing the concerns identified in the last survey, including strengthening management and our Human Resources unit, as well as improving staff relations across the Secretariat.

4. The survey results also will provide a useful baseline dataset for the new Executive Director, as he embarks on the task of setting priorities for Secretariat development and staff-related issues for the coming years. The survey results will also be of relevance to the broader structural evaluation of the Secretariat to be conducted under his leadership.

## Concluding Remarks

1. 2007 is a year of considerable change, challenges and opportunities for the Global Fund. For the first time, we will produce a four-year strategy to guide us in our work, building on the founding principles of the Global Fund and tempered and honed by five years of experience. We have embarked on an ambitious Five Year Evaluation which will provide us with further feedback on our performance to date. It is also a replenishment year, and the outcome of that process will determine whether we continue in a steady state with our current level of grants or if we are able to expand and scale up. For the Secretariat, we have a new Executive Director and, under his direction, we are about to embark on a major organizational, management and workload review. At the end of this meeting, we will have a new Board Chair and Vice-Chair, who, together with our new Executive Director, will provide leadership of the organization as we go through the major undertakings outlined above.

2. This report, which combines both the regular Executive Director's report and the annual Secretariat Update - normally provided separately by me in my role as Deputy Executive Director - is a particularly comprehensive one because I felt it was important to record, at this transition point, the Secretariat's assessment of our achievements and challenges, both programmatically and organizationally.

3. An increasingly strong message from a wide range of stakeholders, perhaps first clearly articulated at the International AIDS Conference in Toronto in July last year, and certainly reinforced at the first meeting of the Second Replenishment conference in Oslo in March of this year, is that the Global Fund is now a key and integral part of the global health architecture. This is a significant shift from previous views expressed, for example, at the first replenishment process two years ago, where the Global Fund was still seen as an interesting experiment, showing promise but as yet unproven. In order to continue and, hopefully, to expand our role globally in fighting the three diseases and as a key player in global health, I would like to suggest four major priorities for our new Executive Director and Board Chair and Vice Chair:

- Implementing appropriate and robust ongoing resource mobilization efforts, including a successful second replenishment, mindful always, of donors requests for demonstrated impact and accountability and recipients' need for more certainty in relation to sustainability;
- Ensuring that the Secretariat -- as the 'engine house for delivery' -- is structured, resourced and supported to implement the mission of the Global Fund in line with its mandate as a public-private partnership that is fast, flexible, efficient and based on principles more than on rules - and focusing on its comparative advantages as a financing institution;
- Clarifying roles and responsibilities between the Global Fund and its partners at the country level and globally – both in relation to Global Fund grant implementation and the broader pressing issue of health system strengthening – with a view to building strong and constructive collaboration; and
- Reviewing the relationship between the Board and the Secretariat – focusing on building trust and constructive collaboration – so that each can focus its energy and efforts on its appropriate roles and responsibilities in a complementary manner

4. The Secretariat looks forward to the changes, the challenges and the new leadership. We are ready, as always, to play our part in the fight against the three diseases, and to ensure that the impact we have begun to see can be turned into lasting reductions in deaths, suffering and cost.

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