

DRAFT DOCUMENT FOR DISCUSSION

**The Global Fund to Fight AIDS,
Tuberculosis and Malaria**

Organizational & Management Review
Draft Executive Summary

November 5, 2007

Booz | Allen | Hamilton

As it enters its second half-decade, the Global Fund to Fight AIDS, Tuberculosis and Malaria confronts a daunting array of challenges which include: (i) an increase in annual grant commitments by 2010 to US\$6-8 billion, depending on demand; (ii) adoption of several entirely new “lines of business”; and (iii) departure from its Administrative Services Agreement with the World Health Organization (WHO) and developing and adapting to fully autonomous administrative arrangements. In recognition of these factors, the Board of Directors mandated and the Executive Director commissioned this “rapid organizational and management assessment,” building on the work of the Executive Director’s Transition Team, to help understand and make recommendations regarding their implications for the Secretariat workforce, organizational structure, and management systems and processes. A team from Booz Allen Hamilton was enlisted to support the Executive Director to complete the assessment and was generously funded by the United Nations Foundation. Early on in its engagement and as a result of data gathering, the Booz Allen Team developed and was guided throughout the study by the organizational and management objectives summarized in Figure 1.

Figure 1: Key Organizational and Management (O&M) Objectives

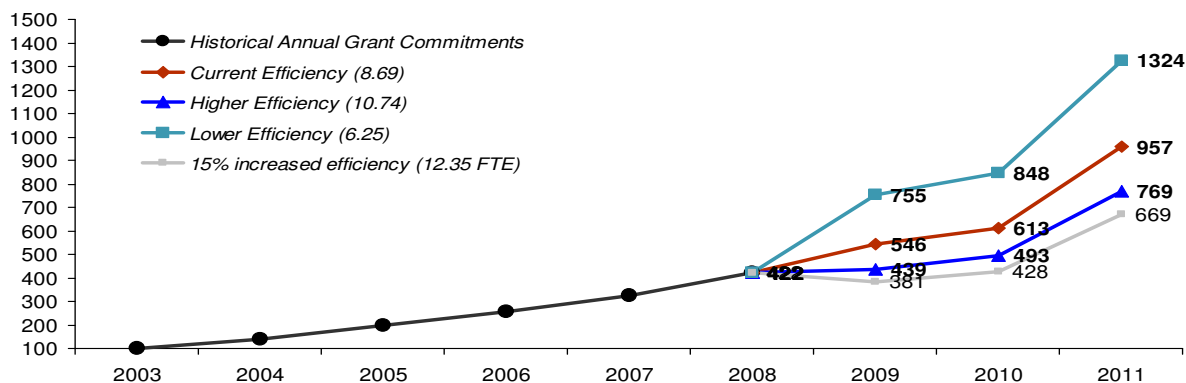
Enhance Communication/ Transparency	... to ensure that the Global Fund is providing clear and consistent information both internally and externally that will help generate supportive constituencies
Ensure Efficiency & Effectiveness	... to avoid duplication of effort and confusion around roles and responsibilities, and to help present the Fund as a lean organization that operates judiciously
Strengthen Management	... to liberate leadership to determine and focus on the Fund's top priorities
Empower Staff	... to ensure that staff talents are used effectively and day-to-day activities are carried out in an efficient manner
Encourage Collaboration	... to eliminate competition and silos and foster teamwork and shared organizational goals and priorities
Foster Creativity and Innovation	... to preserve the entrepreneurial spirit of the Global Fund capitalize on ideas of leadership and staff
Ensure Accountability & Funds Stewardship	... to avoid unnecessary risk for the Fund and to protect against financial or grants management criticism
Allow for Scalability & Adaptability	... to better prepare the Global Fund for its expected growth, potential strategic shifts, and the period of future uncertainty it faces

1.0 Workforce Analysis

Current workforce size and composition were analyzed with a view to determining their adequacy and suitability to the challenges faced by the Fund. Baseline measures were obtained and potential future workforce requirements were then examined under four scenarios of financial growth which assumed highly varied levels of efficiency and of efficiency gains through programmatic changes and modifications to the current business model.

The scenarios, shown on the following page, reveal potential FTE requirements to meet increased funding volume up to US\$8 billion by 2011 and business line expansion ranging from **669-1324 FTE**.

Figure 2: Projected FTE Demand to Meet Growth Target



Three basic conclusions emerge from the workforce analysis:

1. The current workforce of the Global Fund is presently overstretched. This results partly from the exceptionally rapid growth of the Fund during its first five years which has led to poorly integrated organizational and management systems. Improvements in these areas will yield important efficiency gains. The Global Fund Secretariat is fully aware of this situation and is taking steps to rectify it. Indeed, the Secretariat's 2008 budget request reflects the need for overall workforce increases. Many of the recommendations made in this report derive directly from current thinking and actions being undertaken by the Secretariat.
2. Assuming a continuation of the current business model and allowing for major efficiency gains through improvements in organizational and management systems, however, staffing levels will probably need at least to double over the next 2-3 years. Such staff growth will be required for the Global Fund to manage increased grants management workload, manage risk, ensure appropriate stewardship of donor funds and undertake activities associated with new mission areas such as health systems strengthening.
3. The workforce needs of the Global Fund over the next five years, both quantitative and qualitative, are subject to a high level of unpredictability due to the number and range of new policy instruments and initiatives (e.g. Dual Track Financing, Rolling Continuation Channel, Funding of National Health Strategies, Affordable Medicines Facility-Malaria). The Fund will need to be far more agile so that it is able to respond quickly to increased and evolving staffing needs. Rather than having to approach the Board to justify individual positions or annual shifts, the Executive Director should be given the authorities to function with such agility and to staff the organization quickly as needs are clarified and the requirements for specific challenges become better known.

2.0 Organizational Structure

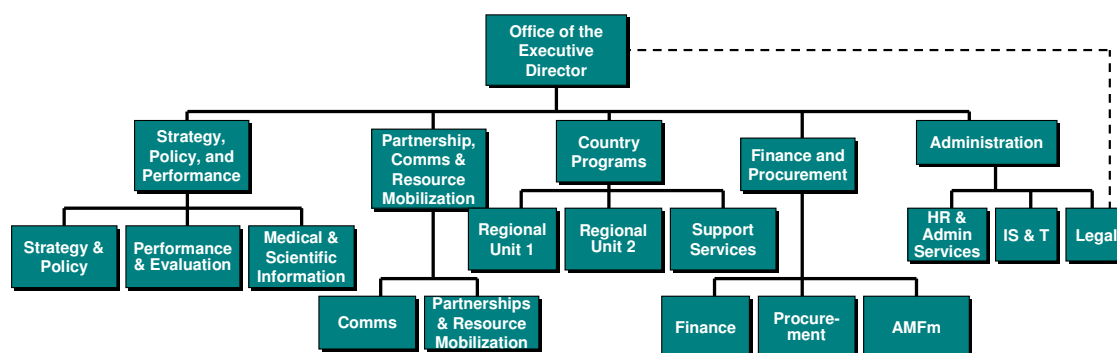
Drawing from the workforce analysis, an organizational structure review was conducted. For each area of activity, the Booz Allen Team evaluated current structures, developed structural options for addressing issues, evaluated each option against the objectives outlined in Figure 1, and then worked through the details of proposals for future structures. In addition to the O&M objectives summarized in Figure 1, the structural analysis and resulting recommendations were guided by the following criteria:

- **Clear lines of responsibility and accountability:** Well-functioning organizations generally ensure clarity and cross organizational understanding of roles and responsibilities and reporting lines.
- **Span of control:** Modern management practice recommends an optimum a span of control of approximately 4-6 direct reports and that managerial effectiveness declines substantially as the number increases.
- **Teamwork and management committees:** The larger a decision-making committee, the less probable it can function as a team. Large senior management committees most often focus more on an amalgam of individual concerns than the larger interests of the organization.
- **Economies of scale and cost-efficiency gains:** The size of clusters, units or teams should be determined by indicators of “critical mass” and “reasonable comparability” of responsibilities. At the same time, organizations need to ensure administrative cost-efficiencies.
- **Avoid fragmentation:** These increased transaction costs unnecessarily reinforce a focus on process rather than product and strengthen institutional “silos”.
- **Clarity of roles and responsibilities and avoidance of line-staff confusion:** A basic principle of effective organizational management is that primacy should always be accorded to line responsibility and that there should be no overlap or duplication of the responsibilities and accountabilities of line management in staff or advisory roles.
- **Form follows function:** There are no “ideal” organizational models; form should always follow function.
- **Delegation:** The principle of subsidiarity is associated with well-performing organizations; delegation should be encouraged to the lowest possible level consistent with good practice and accountability.

2.1 Overall Structure

On the basis of this analysis, the following model is proposed for the Secretariat’s overall organizational structure:

Figure 3: Proposed Overall Structure for the Global Fund

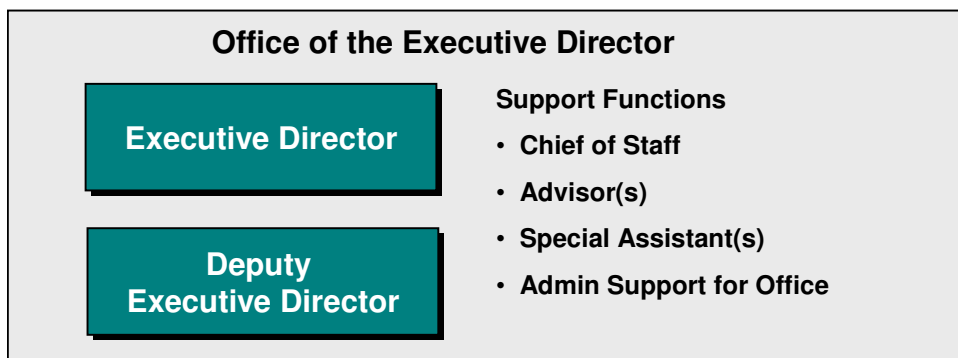


This proposed structure features five organizational Clusters that reflect Global Fund priorities¹. By creating a vertical organization with clearly defined roles and reporting lines, the structure is scalable to future growth, and creates logical and generally consistent spans of control that should facilitate and support effective decision-making. Finally, this construct allows for a small senior leadership team to make organizational decisions while empowering the Secretariat to carry out day-to-day activities.

2.2 Office of the Executive Director

The Office of the Executive Director (OED) must be organized and strengthened to support the work of the Executive Director (ED) who has ultimate responsibility for the management of the organization and the execution of all functions assigned to the Secretariat by the Board of Directors. The OED has not in the past functioned with sufficient clarity of roles or with sufficient effectiveness. A first and essential step to improving this situation is to establish clarity of the roles and relationships between the ED and the Deputy Executive Director (DED). In this regard, the Booz Allen Team recommends that the DED be assigned the role of Chief Operating Officer with delegated primary responsibility, accountability and authority for the operational and day-to-day management of the Secretariat, encouraging efficiency and collaboration among staff and deputizing with full authority for the Executive Director in his absence.

Figure 4: Proposed Structure for the Office of the Executive Director



2.3 Executive Management Team

While the Executive Director has ultimate authority, the Executive Management Team (EMT) should function as the forum for corporate decision-making and communications. To function well in this capacity, membership on the EMT should be strictly limited to the senior management of the organization. The Booz Allen Team recommends, therefore, that the EMT be comprised of the ED, DED, and the five senior managers reporting directly to the OED, as indicated in Figure 3. The Chief of Staff of the OED should also participate to ensure that minutes are kept and decisions communicated throughout the Secretariat. Additional staff (e.g.,

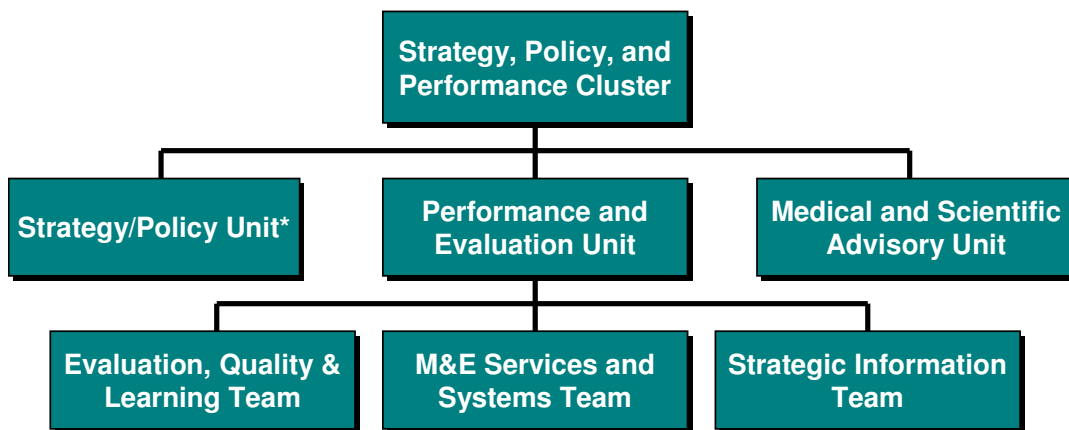
¹ 'Cluster' in this context equates to the term "department" in other organizations and is the preferred nomenclature of the Global Fund for the highest organizational grouping of functions and units.

Legal Counsel, Board Relations Unit head, technical experts) would be invited to participate on an as-needed basis. This small, senior leadership team should provide appropriate, balanced, organization-wide representation while also allowing for focused consideration of strategic issues.

2.4 Strategy, Policy & Performance Cluster

The findings of this review lead the Booz Allen Team to recommend a significant transformation of the current Performance, Evaluation, and Policy Unit into a new Strategy, Policy and Performance Cluster, comprising an integrated, corporate Strategy/Policy Unit, a Performance and Evaluation Unit and a Medical and Scientific Advisory Unit to provide and support scientific integrity both within the group and across the Global Fund as a whole. The Strategy, Policy and Performance Cluster would manage all policy development within the Fund.

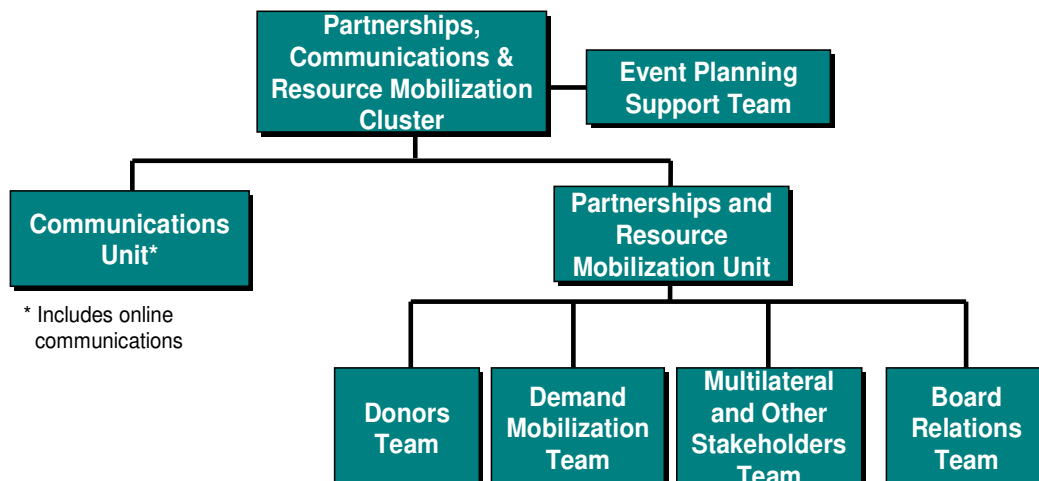
Figure 5: Proposed Structure for Strategy, Policy and Performance Cluster



2.5 Partnerships, Communications and Resource Mobilization Cluster

Within the current structure of the External Relations Unit, six subunits exist that are variable in size and responsibility span and that involve functions that often overlap with those in other areas of the organization. To rectify this and to establish a structure that is scalable to future needs, the following new structure is proposed:

Figure 6: Proposed Structure for Partnerships, Communications and Resource Mobilization Cluster



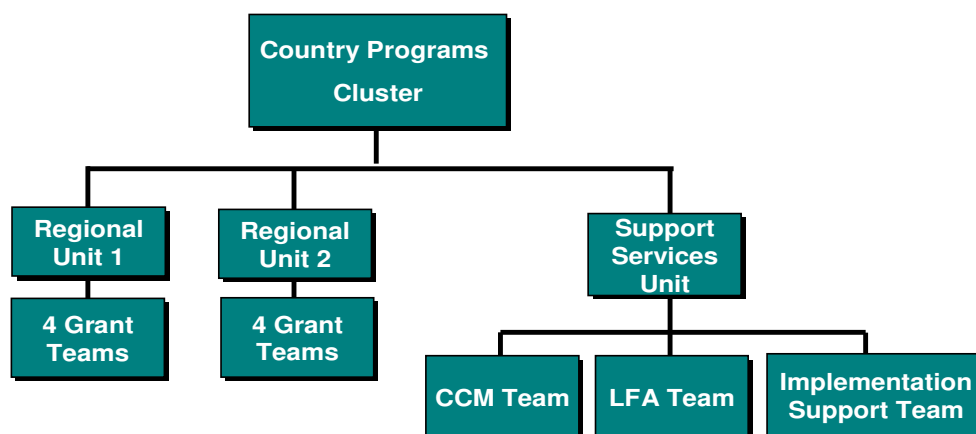
* Includes online communications

The proposed Partnerships, Communications and Resource Mobilization Cluster should serve to reduce fragmentation in approaches to partnerships and invite the development and promulgation of a clear, integrated partnerships strategy for the Fund. The latter will need to be worked out in close ongoing collaboration with the Strategy/Policy Unit of SPP. The structure should also facilitate a more proactive and strategic approach to communications which is required by the Fund. Integrating on-line communications with the larger Communications Unit should facilitate clear, consistent information and messaging both internally and externally. Finally, the structure is scalable. As the role and strategic importance of communications expands, it could transform into a separate unit.

2.6 Country Programs Cluster

The Operations Unit, which currently comprises slightly over 40 percent of total staff, is in need of managerial strengthening, including structural modifications to allow for scalability and functional spans of managerial control. To achieve this, the Booz Allen Team recommends that clusters be reorganized into two Unit-level Regional Areas. In addition to providing overall supervision, guidance and support to the Grant Team Leaders and Fund Portfolio Managers (FPMs), the directors of these regional areas would be responsible for leading their teams to develop comprehensive approaches based on the shared experience of all grant teams to meet needs at the country level. The third unit - Support Services - would report to the Cluster director who would allocate team resources and services to the two regional areas. This should facilitate a more concerted team approach to replace the current essentially linear process.

Figure 7: Proposed Structure for Country Programs Cluster

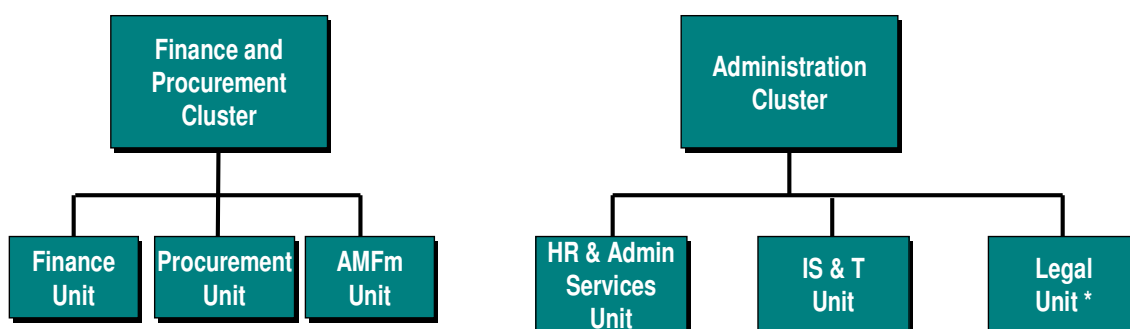


2.7 Administration and Finance and Procurement Clusters

The Booz Allen Team recommends that all operationally-focused technical functions be housed within their respective Units, but that they support Country Programs through dedicated staff and cross-functional teams. The Team further recommends establishing two distinct groups for this purpose. The first -- the Administration Cluster -- would include the functions of Human

Resources and Administrative Services, Information Systems and Technology, and Legal². The second group – the Finance Cluster – would be headed by the Fund’s Chief Financial Officer and would include the current finance functions and all finance and budget services, the procurement unit and the unit to be established for the management of the ACT-subsidy (the Affordable Medicines Facility-Malaria, AMFm). These two Clusters would be organized and staffed to furnish fully dedicated staff to operational grants management teams, as well as carry out other functions.

Figure 8: Proposed Structure for Finance and Procurement and Administration Clusters



3.0 Management Systems and Processes

While workforce analysis guidance and organizational structure recommendations provide the essential foundation for the effective functioning of the Global Fund, the Fund’s management systems, including the many processes and instruments that enable the Secretariat to manage day-to-day operations, are also critical to the organization’s success. The Booz Allen review identified five key areas of systems and processes requiring Secretariat attention: human resources (HR), knowledge management/information sharing, risk management, policy/strategy development, and grant agreement and negotiation. Many of the recommendations that follow reflect work already in progress within the Secretariat or new proposals that emerged from the Secretariat during the conduct of the assessment.

3.1 Human Resources Strategy

The Global Fund requires a comprehensive human resources strategy that needs to move far beyond the current human resources focus of the Fund which is predominately on recruitment only. A balanced human resources strategy is essential to equip the Fund as a more collaborative, flexible, scalable and less risk averse organization and placing much greater emphasis on furnishing appropriate support, incentives and rewards to its personnel. The recently-announced decision by the Board to move away from the Administrative Services Agreement provides an opportunity to develop a comprehensive HR strategy with greater flexibility than is possible under the agreement with the WHO. Among the key components of a new human resources strategy should be measures and instruments for continuous strategic planning of workforce

² The head of the Legal Unit would also be the Legal Counsel of the Global Fund. His/her role as Legal Counsel requires a direct reporting relationship with the Office of the Executive Director. This arrangement maintains a coherent reporting structure for the Legal Unit, but allows for independence and direct access to the Office of the Executive Director for the Legal Counsel. (See Figure 3)

needs, both quantitative and qualitative; rapid recruitment of diverse staff from a variety of talent pools; staff development and leadership training to enhance competencies and organizational behavior; a performance evaluation system that measures and rewards performance consistent with organizational outcomes, strategy and values.

3.2 Knowledge Management and Information Sharing

The Global Fund Secretariat is currently characterized by relatively weak knowledge management and sharing systems across the organization. To address this, the Secretariat will need to develop more effective tools and processes to facilitate information sharing and establish a culture that promotes and rewards collaboration, communication and learning across team and unit boundaries. The Fund is currently working with a contractor to develop a new information strategy and system, as well as a roadmap for design and implementation that should help facilitate collaboration.

3.3 Risk Management

The Fund is fully aware that its current risk management systems do not furnish adequate analysis or classification of risks and are not conducive to cost-efficiency. A more integrated risk management approach is required to segment grants according to their relative risk as a means to streamline processes and more efficiently allocate grant management resources. First, factors that have historically indicated greater risk of failure could be determined (e.g., country capacity, grant size, average size of disbursement, performance history, etc.). Each grant would be assessed on these criteria, and assigned a risk rating that is supplemented by the best judgment of the FPM and in consideration of “reputation risk” to the organization, in addition to financial risk. Grants can then be segmented into groups based on their risk rating, and processes can be streamlined for lower risk grants, while more resources can be allocated to those deemed to be higher risk.

There are at least two grant processes where a risk management framework could be applied to more efficiently leverage resources. The first is the grant disbursement process, which currently requires up to seven signatures. All signatory authorities (except the Trustee) review the same information (i.e., Progress Update/Disbursement Request (PUDR), LFA recommendation, and disbursement worksheet). Due in part to this redundancy, this process can take a significant amount of time. However, disbursements could be made with fewer levels of review and signing for grants that are considered to be lower risk. Secondly, the Secretariat should consider whether the level of scrutiny and frequency of performance updates could be modulated based on the risk assessment. These measures should help to mitigate requirements for increases in staffing while, at the same time, increasing the efficiency and effectiveness of Global Fund operations.

3.4 Policy and Strategy Development

Due to the rapid growth of the Global Fund since its inception, strategy and policy development have generally occurred in a haphazard and uncoordinated fashion. As a result, a strategy and policy development process is proposed that would aim to consolidate strategy and policy and establish a single locus point of responsibility and leadership for Global Fund strategy and policy to ensure that they are approached and developed on an integrated basis. The process vests in the Strategy/Policy Unit responsibility for tracking and collecting policy ideas from the Secretariat,

Board, and external reports, and for development of agreed upon strategy documents and policies. The Unit would engage with the EMT on a monthly basis to ensure that senior leadership is aware of all policy development, cross-unit collaboration is pursued and feedback collected from across the organization. Finally, the EMT would engage and update the Board as appropriate.

3.5 Grant Negotiation and Agreement

The grant negotiation and agreement process is currently not sufficiently planned or coordinated between cross-functional staff, resulting in inefficiencies and delays. Staff across units involved in the grant agreement process agree that the process is inefficient and not collaborative. This is due in part to the fact that the current process proceeds in a linear, stepwise fashion. Streamlining these processes will become more critical to the scalability of the organization as the amount of funding and grants is greatly increased within the next several years. The Booz Allen Team recommends, therefore, implementation of a coordinated matrixed approach to the process, with project-focused, cross-functional teams organized and convened shortly after grant approval, in a collaborative process to break down barriers between units and open lines of communication. It is expected that significant efficiency gains would result from such an approach.

The recommendations developed by Booz Allen Hamilton (to be finalized and detailed in its full report) are designed to equip the Secretariat to remain the effective organization it has become while meeting the challenges of a significant financial expansion and adapting to numerous potential changes in its lines of business.

It should be noted that the contributions of Secretariat staff to the recommendations were critical and in large part based on their experience and suggestions for tools needed to equip them for the future. In addition, The Booz Allen Team derived much of its understanding and many of its conclusions from foundational work undertaken by various internal committees and working groups.