



Investing in our future

# The Global Fund

To Fight AIDS, Tuberculosis and Malaria

**Eighteenth Board Meeting  
New Delhi, India, 7 – 8 November 2008**

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**GF/B18/3  
Revision 1**

## **REPORT OF THE EXECUTIVE DIRECTOR**

### **INTRODUCTION:**

1. Of behalf of the Secretariat, I extend my sincere thanks to the government of India for hosting this 18<sup>th</sup> meeting of the Global Fund Board. The progress made in health and other areas of development in India will significantly determine whether the world as a whole is able to achieve the Millennium Development Goals.

2. India faces a heavy burden of AIDS, TB and malaria. Together, the three diseases are responsible for 30 percent of all deaths due to infectious diseases in the country. The government has shown its commitment through increased allocations to the health sector. India is also the recipient of more than \$490 million in approved Global Fund financing through 15 grants, with a total lifetime budget of \$750 million. India has the largest Global Fund portfolio in the South and West Asia region and its Rolling Continuation Channel proposal for TB was recently approved by the Technical Review Panel.

3. Global Fund grants in India are, for the most part, being successfully implemented. The India CCM has been working to increase the participation of civil society and the private sector in proposal development and grant implementation. Health systems strengthening and capacity building are among the country's biggest challenges, especially in rural India.

4. As of September 2008, more than 100,000 people had accessed antiretroviral treatment through Global Fund support in 174 centres across the country. India now has the largest network of HIV testing and counselling centres in the world. More than four million bed nets have been distributed in 10 malaria endemic states and more than 400,000 people have been reached with anti-malarial treatment. About 375,000 people have accessed DOTS treatment for tuberculosis.

5. In 2006, India became a donor to the Global Fund with a contribution of \$3 million and has pledged an additional \$8 million. I very much hope that this role will expand in the future.

6. The results of rounds 7 and 8 show that the strategy approved by the Board to substantially increase demand for Global Fund resources last year is proving highly successful and that the Fund is positioned to play a major role in determining whether the Millennium Development Goals for health are achieved.

7. At the same time, this Board meeting takes place during a period of instability and uncertainty for the international community, with the global financial crisis giving rise to fears of economic recession in many countries. Resolving the tension between increased demand and currently available resources is a major challenge

for the Board as we conclude Round 8, embark upon Round 9 and contemplate the mid-term review next year.

8. Several scenarios setting out the implications of Round 8 for Global Fund financing in the period 2009-12 are provided to the Board in a separate communication. This will assist the Board in its decision-making about potential measures to decrease the cost of Round 8.

9. Despite the challenging economic context, the success of Round 8 provides great hope for people in need of prevention and lifesaving treatment and is an accomplishment in which all members of the Global Fund partnership, Board members, implementing countries, donors and staff can take considerable pride.

10. At the same time as the Global Fund contributes to building demand, it is delivering and growing. Disbursements are again set to reach a record level in 2008. Major new initiatives affecting the Fund's architecture and business model are now in advanced stages of development. This year, a new Secretariat structure has been implemented, and the new staff members are bringing an infusion of talent and energy into the Global Fund. The Fund will soon become an autonomous international institution with its own administrative systems and progressive human resource policies. And the Five Year Evaluation is yielding important insights into the partnership model and the Global Fund's impact in improving health outcomes.

11. The high level of activity, innovation and growth presently evident at the Global Fund reflects a dynamic organization that is effectively managing its transition from adolescence to adulthood. I wish to extend my warm thanks and sincere congratulations to all Board members for their contributions to making 2008 such an exciting year.

12. This report is structured as follows:

As in previous reports, **Part 1** provides an overview of Global Fund results and highlights key aspects of the portfolio.

To ensure continuity between my reports to the Board, the rest of the report addresses my three corporate priority areas. **Part 2** reports on the first of these: strengthening the Secretariat. This includes implementation of the new Secretariat structure and the transition from the Administrative Services Agreement with WHO to the Global Fund's own administrative systems and human resource policies. **Part 3** provides an update on partnerships and resource mobilization. It also discusses the Five Year Evaluation, the need for Global Fund approaches that are both disease- and people-centered, and ways in which the Fund is working to better serve the needs of countries.

## PART 1: RESULTS AND PORTFOLIO UPDATE

### Results: Making the Global Fund's vision a reality

1. The mission and mandate of the Global Fund developed seven years ago were visionary and aspirational. In 2008, we are closer than ever to making that vision a reality, and the Fund's objective of making a "sustainable and significant" contribution to the achievement of the Millennium Development Goals is actually being accomplished.

2. The mid-2008 results show that countries have continued to significantly expand activities over the last year and that the Global Fund is on track to meet or exceed its end-2008 targets for the top three indicators (Table 1). Since mid-2007, the number of people receiving antiretroviral treatment (ART) through Global Fund supported programs has increased by 59 per cent, to 1.75 million, while the number receiving TB treatment has increased by almost 40 per cent. The number of bed nets distributed in the last 12 months has again increased substantially, by nearly 100 per cent, to 59 million.

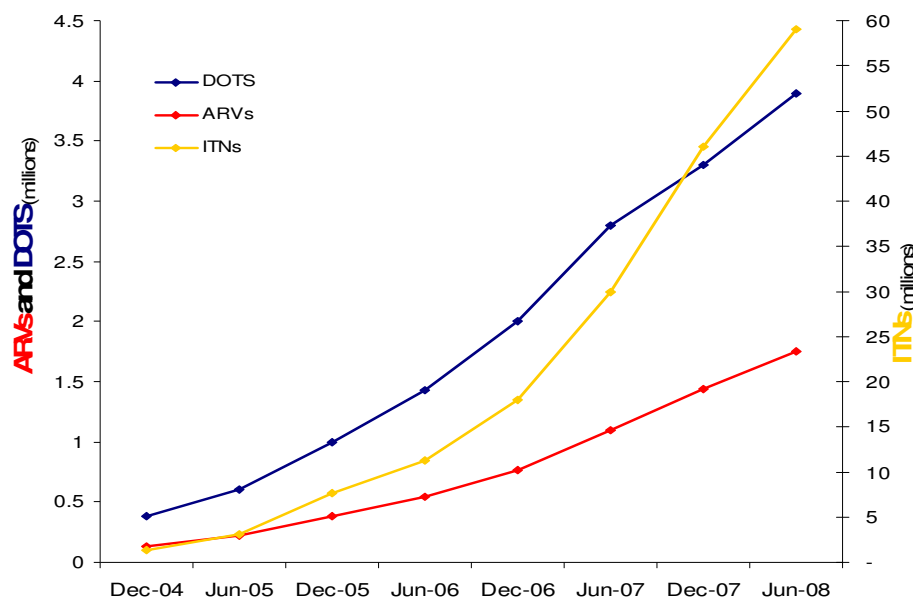
**Table 1: Global Fund top 3 results indicators - June 2008<sup>1</sup>**

Indicator	Mid 2007	Mid 2008	% increase since mid-2007	Global Fund target end 2008
HIV: People on ART	1.1 million	1.75 million	59%	1.8 million
TB: DOTS treatment	2.8 million	3.9 million	39%	4.5 million
Malaria: ITNs distributed	30 million	59 million	97%	70 million

3. Fig.1 demonstrates that in the last two years there has been a clear acceleration in the scale-up of these three key interventions.

<sup>1</sup> Updated figures will be available in December 2008

**Fig.1: Results for Global Fund top 3 indicators December 2004 – June 2008**



4. In addition to these three interventions, further expansion has occurred over the last year in the other treatment and prevention priority areas that are routinely tracked by the Global Fund. Another million orphans and vulnerable children have received basic care and support. Nearly thirty million more HIV testing and counseling sessions have been conducted and two million more people have received basic HIV care and support.

5. Although the number of pregnant women who received a complete course of antiretroviral prophylaxis to prevent HIV transmission to their children through Global Fund-supported programs has increased by 155 per cent in the last year, reaching 271,000, much more needs to be done to increase access to these services. Similarly, while there has been an increase of 56 per cent in the number of people receiving treatment for MDR-TB, targets need to be more ambitious, particularly as the Global Fund is the primary funder of treatment for MDR-TB.

6. Overall, the rates of expansion of prevention, treatment and care services across all top 10 Global Fund indicators range from 39 per cent to 158 per cent in the 12 months from mid-2007 to mid-2008.

7. Tremendous progress has been made with malaria prevention, treatment and vector control interventions, which rapidly impact on health outcomes. Evidence from several endemic countries has confirmed declines in malaria cases and child mortality of up to 50 per cent where high coverage of effective prevention and treatment has been achieved, including in Rwanda, Zanzibar, Eritrea and Burundi. Parts of Ethiopia, Kenya, Mozambique, South Africa, Swaziland and Zambia are enjoying substantial reductions in malaria mortality. These highly encouraging results have led the international community to set increasingly ambitious targets and resulted in the announcement of substantial new donor support for malaria during the MDG Summit in September.

8. A more comprehensive set of results will be presented to Board members at the pre-Board information session. Results data will also be available in the forthcoming results report, to be published in early 2009. Study Area 3 of the Five Year Evaluation will report in March 2009 on the impact of Global Fund programs, with an early summary of findings to be presented to the Board at this meeting.

9. From next year, more detailed information about the portfolio will become available through Enhanced Financial Reporting (EFR). This will allow disaggregation of resources spent by traditional budget categories such as human resources, training, pharmaceuticals and other health products. Information will also be available on Service Delivery Areas related to prevention, treatment and health systems strengthening activities, as well as by implementing entity. EFR will also allow the Global Fund to better track resource utilization at both the principal recipient and sub-recipient levels. The Secretariat will also improve the disaggregation of its data by gender.

## Portfolio Overview

### *Disbursements*

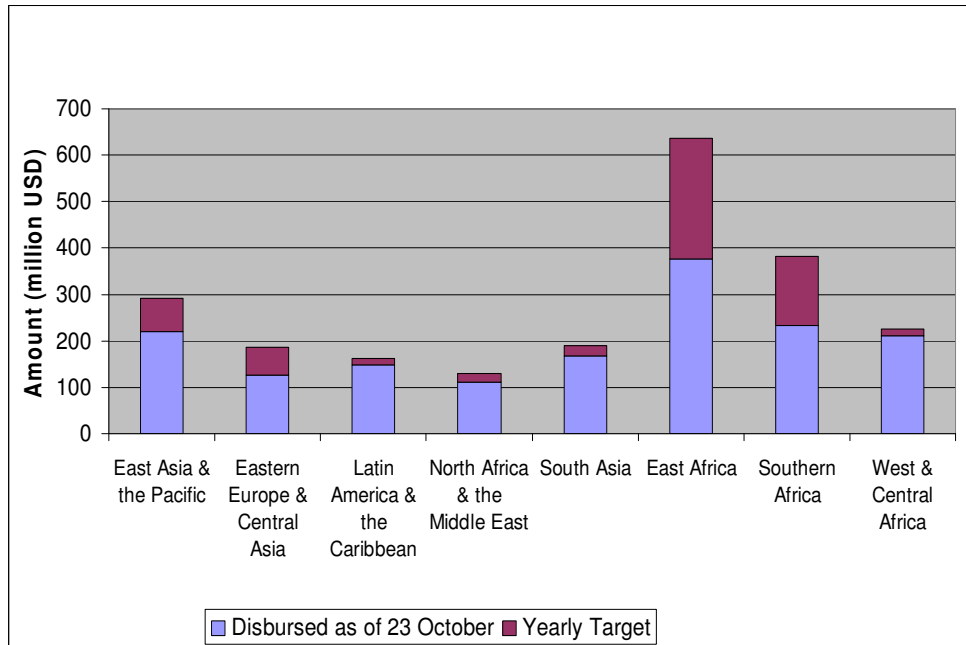
10. The grant portfolio is now large and complex and will grow significantly in 2009 and 2010 as Round 8 grants are disbursed. By mid-October 2008, a cumulative total of \$6.6 billion dollars had been disbursed through more than 550 grants in 136 countries.

11. Annual disbursements continue to increase with successively larger rounds. In 2008, nearly \$1.6 billion had been disbursed by mid-October, amounting to 72 per cent of the 2008 target of \$2.2 billion (Table 2). Fig. 2 shows actual disbursements compared to disbursement targets by region. The Secretariat is confident that it is on track to meet the annual target for 2008.

**Table 2: Global Fund disbursement history 2006 –2008**

Year	Yearly Disbursement Target (\$ million)	Disbursed at mid-October (\$ million)	Disbursement rate at mid-October	Disbursed at end-December (\$ million)	Yearly Result v KPI
2006	1,400	858	61%	1,322	94%
2007	1,700	1,210	71%	1,727	102%
2008	2,200	1,592	72%	-	-

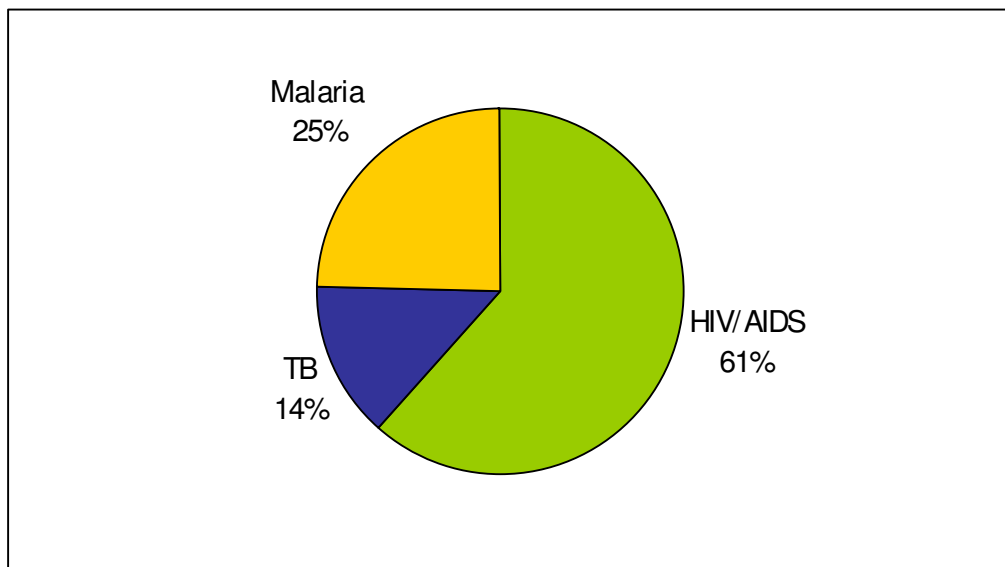
**Fig. 2: Actual disbursements v disbursement target by region in 2008**



12. The composition of the portfolio by region has remained relatively consistent over the last few years, with the proportion disbursed to sub-Saharan Africa standing at 58 per cent. The proportions disbursed to East Asia and Pacific, Latin America and Caribbean, Eastern Europe and Central Asia, South Asia and Middle East/North Africa range from 13 to 6 per cent of total funds disbursed.

13. The proportion of funds approved for each of the three disease components is shown in Fig 3. The overall proportion approved for malaria increased by 3 per cent following Round 7, while the AIDS component decreased by 3 per cent.

**Fig. 3: Approved Global Fund resources by disease component Rounds 1-7**



14. Global Fund resources are being directed to the places where they are most needed. Nearly 60 per cent of the funds approved in Rounds 1 to 7 were for sub-Saharan Africa. About 65 per cent of Global Fund financing for orphan support goes to the southern Africa region. Appropriate targeting is also evident across the three diseases. About 35 per cent of financing for antiretroviral treatment is being spent in southern Africa. The Board has approved \$1.5 billion for the 19 African countries that account for 90 per cent of the continent's malaria burden. More than \$1 billion has been approved for TB programs in the 22 high burden countries that account for 80 per cent of global TB incidence. In the last year, 22 additional countries supported by the Global Fund have commenced joint TB/HIV activities. And the Global Fund is supporting programs in two-thirds of the 27 countries identified as priorities for action against multi drug resistant TB.

15. The Global Fund is one of the largest financiers of health systems in the world today, with an estimated 35 per cent or about \$4 billion of total approved financing to date supporting key health systems components. The Fund's innovative approach has enabled countries to specifically request cross-cutting health systems strengthening components in their proposals, with \$186 million approved in Round 7 and a further \$290 million recommended by the TRP in Round 8. The predominant areas in which cross-cutting support was requested in Round 8 were for health workforce recruitment and retention; strengthening information systems, supply chain management, and supporting regional and community level service delivery.

16. The Global Fund is helping countries to increase workforce capacity in their health systems, for example, by providing direct salary support in Zimbabwe, Swaziland and Lesotho; salary top-ups in Malawi, Swaziland, Lesotho, and Paraguay; and performance based incentives in Republic of Congo, Central African Republic, Russia, Cambodia and Vietnam. Restoring the well-being of health workers also improves workforce capacity, such as in Malawi, where more health workers were put on antiretroviral treatment than were needed to implement the country's ART program. The Global Fund is committed to ensuring that such financing is aligned with country human resource and compensation policies.

17. Around 96 percent of Global Fund grants have a human resources training component, cumulatively supporting 7.6 million person-training episodes to date.

#### *Grant signing*

18. At the time of writing, 71 of 90 Round 7 grants (79 per cent) had been signed. Two of the 90 grants have had their deadline extended pending an appeal, and an extension has been requested for a further eight grants (Table 3).

**Table 3: Status of Round 7 grant signing<sup>2</sup>**

Status	Number of Grants
Signed	71
Not signed	9
Extended deadline because of appeal	2
Extension requested	8
<b>Total</b>	<b>90</b>

19. The KPI target of nine months between Board approval and first disbursement has never been met and will not be met in 2008. The Secretariat is undertaking an evaluation of Round 7 signing to determine how its internal procedures can be simplified or reengineered to expedite signing for Round 8. Implementing efficiencies within the existing architecture is becoming increasingly urgent given the increased demand expressed in Round 8 and the ever-increasing number of grants and principal recipients.

#### *Discontinuations*

20. There have been no grant discontinuations since my last report. The Continuation of Services agreement with Togo ends in March 2009 and the TRP has recommended that the country's Round 8 HIV grant be approved. Efforts by the Togo National AIDS Program, with the support of bilateral and multilateral partners, have resulted in a more coordinated approach to addressing capacity constraints in that country.

#### *Phase 2 review*

21. In 2008, the Phase 2 Panel has made "Go" or "Conditional Go" recommendations for all 41 grants reviewed, with no "No Go" recommendations. A total of 53 Phase 2 agreements have been signed this year with a total value of \$987 million. Grants rated A or B1 have received about 95 per cent of their initial request, B2 grants 73 per cent and C grants 27 per cent.

#### *Rolling Continuation Channel*

22. Of the 63 grants reviewed for RCC eligibility in 2008, 26 (41 per cent) qualified. This qualification rate is 11 per cent higher than in 2007 and exceeds the rate of a quarter to a third of grants expected to qualify for RCC in any given year. Of the 122 grants eligible for RCC in Waves 1 to 4, 38 (31 per cent) have qualified and 27 (22 per cent) have been approved by the Technical Review Panel (Table 4).

<sup>2</sup> As of 23 October 2008



**Table 4: Status of Rolling Continuation Channel Waves 1-4**

Wave	Eligible	Qualified	Received	Recommended	% of eligible grants approved
1	51	11	10	10	20%
2	31	11	10	8	26%
3	18	8	7	6	33%
4	22	8	8	3 (pending Board approval)	14%
<b>Total</b>	<b>122</b>	<b>38</b>	<b>35</b>	<b>27</b>	<b>22%</b>

#### *Grant Closure*

23. A significant number of grants will soon reach the end of their terms. Grant closure presents a new challenge to principal recipients and the Secretariat as it is a relatively complicated and labor-intensive process involving reconciliation of budgets and expenditures, taking stock of fixed assets purchased, undertaking a medicines inventory, reimbursement of unspent funds and the submission of final reports. Grant closure may take up to a year to complete for the more complex grants.

#### *Procurement of pharmaceutical and health technologies*

24. An analysis of available data reported in the Price Reporting Mechanism (PRM) since 2007 shows that the largest proportion of procurement expenses (53 per cent) is for antiretroviral drugs (44 per cent for first line ART; 9 per cent for second-line ART). Artemisinin-based combination therapy accounts for 13 per cent of reported expenditures, bed nets 14 per cent and TB drugs, 6 per cent. Condoms, diagnostic kits, drugs for opportunistic infections and other health commodities account for about 14 per cent of reported expenditures.

25. The Voluntary Pooled Procurement and Capacity Building Services project is on track, with implementation expected in the first half of 2009. It will offer services to principal recipients to improve price, delivery and portfolio outcomes, while building procurement capacity in the country.

#### *Price Reporting Mechanism*

26. Compliance with reporting to the PRM has increased in both quality and quantity. By September 2008, 112 of 116 countries (97 per cent) with grants including a health product component were reporting to the PRM, which now comprises 286 grants representing 78 per cent of active grants with such a component. The total value of transactions reported to the PRM increased by 77 per cent in the last 12 months, reaching \$ 1.1 billion.

27. All data in the PRM are made available on the Global Fund website. Further, to enhance price transparency and to increase price efficiency, the Global Fund, Unitaid, the International Development Association and UNICEF are among the organizations that provide their data to the Global Price Reporting Mechanism hosted by WHO, which in turn provides summary reports of the collated data.

28. A more advanced PRM system (to be renamed the Price-Quality-Reporting or PQR system) will be launched this month and will include data on quality assurance.

29. Analytical of PRM outputs will be instrumental in identifying areas where efficiency savings can be made when procuring pharmaceuticals and health technologies in the future and in securing greater value for money. For example, early analysis of PRM data shows a smaller observed variation from lowest prices in the case of generic first-line antiretroviral drugs than for second-line antiretrovirals. These analyses will enable procurement efforts to be targeted more effectively to achieve efficiency savings.

#### *Quality Assurance*

30. The review of the Quality Assurance Policy has been completed and will be considered by the Board at this meeting.

31. Principal recipients are required to provide monthly reports of compliance against the Quality Assurance Policy based on past procurement. This enables the Secretariat to identify instances of non-compliance and work with PRs to address shortcomings. It is encouraging to note that in 2008, the average number of notifications under the Quality Assurance Policy increased by 80 per cent over 2007, to 2.67 per month, reflecting better understanding of the notification process by principal recipients and improved adherence to the policy in general.

32. In 2008, more than 98 per cent of single and limited source pharmaceuticals products purchased were products suitably assessed for quality, safety and efficacy by WHO or a stringent regulatory authority (according to the Global Fund Quality Assurance Policy), while all procured products subject to mandatory testing have met the relevant quality control criteria.

33. The Global Fund does not directly engage in procurement of pharmaceuticals or health technologies. However, Principal Recipients are required to refer to the Interagency Guidelines for Good Procurement Practices and to follow good practice in accordance with national law and international guidelines to ensure Global Fund grant monies are used to procure quality assured cost-effective products at the lowest price.

#### *Round 8*

34. With a record two-year amount of \$3.15 billion recommended to the Board for approval and a record overall approval rate of 54 per cent, Round 8 is a major success. I extend my congratulations to Secretariat staff and to the TRP for so effectively managing a round of unprecedented size and complexity.

35. The larger and higher quality proposals submitted in Round 8 signal the increasing confidence of countries in applying for Global Fund resources to scale up national disease programs, consistent with the Board strategy of significantly building demand.

36. Round 8 is a clear demonstration of the success of the Global Fund's partnership model. The roadshows held by the Secretariat and its partner agencies; bilateral and multilateral support for CCMs; technical assistance provided by UNAIDS, the Stop TB Partnership, Roll Back Malaria, WHO and bilaterals, and financing by the Gates Foundation and Open Society Institute to support country teams, have all contributed to making Round 8 a success.

37. In its report to the Board, the Technical Review Panel notes that the targeted support of Roll Back Malaria to countries was instrumental in the presentation of increasingly stronger proposals, leading to an unprecedented approval rate of 68 per cent for malaria. The TRP identifies in proposals the need to improve joint TB/HIV programming, the integration of disease interventions into sexual and reproductive health services, health systems strengthening activities and targeted interventions to fill programmatic gaps for vulnerable populations.

38. Approximately \$320 million was recommended for programs that the TRP identified as gender-sensitive or gender-transformational. The TRP noted encouraging examples of robust gender analysis among proposals submitted and recommends that these should be made available as case studies to guide applicants in the future.

39. In addition to health systems strengthening, a majority of proposals recommended for funding in Round 8 include efforts to strengthen community systems, particularly for the non-public sector, in areas such as partnership development; capacity building for management and strategic planning, and monitoring and evaluation.

40. Pending Board approval at this meeting, I welcome five new countries to the Global Fund portfolio - Cape Verde, the Democratic People's Republic of Korea, Fiji, Mauritius and Solomon Islands - and I look forward to them making significant progress in their fight against the three diseases.

#### *LFA retendering*

41. The LFA retendering was successfully completed in August and handovers are now under way in more than 40 countries. The diversity and number of LFAs has increased (from six to 11). The proportion of grants for which KPMG or Price Waterhouse Coopers are responsible has decreased from 80 to 60 per cent while Swiss Tropical Institute and UNOPS are now responsible for an additional 10 countries. Training and orientation are being provided to all LFAs and the Secretariat is working to ensure that handovers do not disrupt grant performance.

#### *Grant oversight*

42. I welcome the priority that the Inspector General has given to detailed country-level work in 2008, with considerably more planned for 2009. The Secretariat is committed to ensuring that appropriate follow-up actions are taken in response to the Inspector General's recent reports and that appropriate lessons are drawn to improve grant management. I particularly welcome the Inspector General's finding that the government of Uganda has shown a renewed commitment to investigate malfeasance, prosecute culprits and recover misappropriated Global Fund monies. The Secretariat expects the authorities in Uganda to see the investigation and recovery processes through to completion.

#### *Aid effectiveness*

43. Improving aid effectiveness is a key objective of the Global Fund and its guiding principles are consistent with those of the 2005 Paris Declaration on Aid Effectiveness. In September, I attended the Accra Conference on Aid Effectiveness where the Global Fund endorsed the Accra Agenda for Action, which includes a

strong focus on country ownership, results and building partnerships for development. The Agenda for Action specifically notes that “global funds and programs make an important contribution to development” and called upon “all global funds to support country ownership, to align and harmonize their assistance proactively, and to make good use of mutual accountability frameworks, while continuing their emphasis on achieving results.”

44. The Secretariat has established an aid effectiveness team to closely monitor the Global Fund’s progress against the principles embodied in the Paris Declaration and the Accra Agenda for Action and to develop appropriate responses. A recent self-assessment against the Paris Principles (involving input from 54 countries which account for 59 per cent of funds disbursed in 2007) shows that in 2007 the Global Fund continued to perform well in the areas of “managing for results”, country ownership, funding program approaches, aligning its grants with country cycles, use of national procurement systems and helping to build country monitoring, evaluation and performance systems. The Fund will work to better harmonize its reporting requirements with those of other partners.

## **PART 2: BUILDING A STRONGER ORGANIZATION**

1. This year represents a watershed for the Global Fund with the implementation of a new Secretariat structure and its move to becoming an autonomous international institution.

### **The new Secretariat structure**

2. I am very pleased that, in just a year, we have moved from the completion of the Organizational and Management Review to the implementation of a new corporate structure and the recruitment of a new management team for the Global Fund.

3. The objectives that guided the restructuring of the Secretariat were set out in the report from the Organizational and Management Review. They included “enhancing communication and transparency; improving efficiency; strengthening management; empowering staff; improving cross-Secretariat collaboration; fostering innovation; ensuring accountability, and allowing for scalability”. The new structure has been in place since May 2008. I believe that in general staff members have found the structural changes to be positive. Where necessary, I have asked Directors to make further refinements the organigram to meet the needs of their Clusters and Units.

4. The refurbishment of the Secretariat offices has almost been completed. Staff members are now more comfortably accommodated in less cramped conditions and additional space is available to accommodate growth.

### **Recruitment and staff profile**

5. Very encouraging progress has been made in recruiting the contingent of new staff needed to accommodate increasing demand for Global Fund resources, management of the growing portfolio and the move to the Fund’s own administrative and IT systems. By early October, close to 80 per cent of the 110 new positions approved for 2008 and 96 other vacant positions had been filled. This has been possible through the dedication of the Human Resources Team and despite a number of logistical challenges, notably the switch to WHO’s new information technology platform (the “GSM”) in June.

6. At the end of September, the Secretariat had 369 fixed-term employees. Nearly two thirds of these were women, but women are still under-represented at the senior management level. More than 60 percent of current employees have been with the organization for less than two years. The diversity of staff is reflected in the representation of some 70 nationalities in the Secretariat; however, I still hope to see an increase in the proportion of staff from outside Europe and North America, which currently stands at around 40 per cent.

7. I regularly participate in the induction sessions held for new staff members and I am consistently struck by their tremendous cultural and professional diversity and how much they are driven by a common commitment to the mission of the Global Fund. It is clear that the Global Fund is attracting some of the best and brightest people in global health.

8. The five new Cluster Directors are now in place. They will be supported by 14 Unit Directors, 12 of whom have been recruited. As recruitment currently stands, the group of Cluster and Unit Directors is comprised of eight people from the global south and nine from the global north, and 4 women and 13 men. Eight of the directors were existing Global Fund staff and nine were recruited from outside the organization. As I noted in my message to the Board in July, I believe that this group reflects an appropriate balance of continuity and change in the Secretariat. The selection process that was followed for these senior positions set a high standard of rigour and transparency for an international organization.

9. I take this opportunity to recognize some senior members of staff who are making transitions. Bartolomeo Migone joined the Fund in 2003 and became Legal Counsel in 2005. Bart has been closely involved in grant negotiation and oversight and in supporting the Fund's governance. I wish him well in his new role as Legal Counsel with the World Food Program. I also extend my thanks to Ines Garcia-Thoumi, who has served as Director of the Business Services Unit for the last two years and who has made an invaluable contribution to the ASA transition. Finally, I thank Dianne Stewart, the primary interface between many Board members and the Secretariat for the last five years, who has recently moved to New York.

### **An autonomous international institution**

10. The Board made a clear decision at its meeting in Kunming a year ago that the Administrative Services Agreement with WHO should end and that the Global Fund should function from January 2009 as an autonomous institution. Since then, thousands of hours of staff time have been devoted to making this possible.

11. I wish to congratulate all those who have contributed to this effort, including Helen Evans, Barry Greene and the other members of the ASA Steering Group. The Staff Council has played a key role both on the Steering Group and by mobilizing around 100 other staff members to actively participate in working groups on subjects such as human resource policies, pensions, health insurance, salaries, allowances, and tax equalization.

12. The Secretariat has been guided at all times by the principles for the transition that the Board endorsed last year. Particular attention has been paid to striking an appropriate balance between minimizing increases in overall operating expenses and honoring the Board's commitment that no current staff member would be

disadvantaged. It has also been important to develop a compensation and benefits package that allows the Global Fund to attract and retain appropriate staff.

13. I am very pleased that the Board has now approved a flexible and competitive salary structure, a portable cash benefit provident fund and a human resources framework that will enable the Secretariat to operate autonomously from January 1. A new information technology (“ERP”) platform will also be operational on that date, placing these systems under the Global Fund’s full control for the first time. As the Secretariat was obliged to switch to WHO’s GSM platform at the same time as it developed its own system, this is quite an achievement.

14. I am particularly pleased that the Global Fund has negotiated a health insurance package that will provide significantly improved benefits to all staff and their dependents and that sets a high standard among international organizations by providing 100 per cent coverage for the health needs of people living with HIV/AIDS and other chronic conditions.

15. The transition work is not complete. I nevertheless look forward to working with staff over the next six months to translate the human resources framework approved by the Board into rules and regulations that reflect an organizational culture for the Global Fund that is based on shared values of transparency, respect and partnership.

16. As I noted in my report to the Board in April, I strongly believe that, as the major international financier for Millennium Development Goal 6, the Global Fund should be associated in a meaningful way with the United Nations. I ask for the assistance of all Board members in supporting and promoting the Fund’s application for observer status in the UN General Assembly.

### **PART 3: PROGRESS AGAINST PRIORITIES**

1. This section addresses my two key corporate priorities apart from strengthening the Secretariat: partnerships and resource mobilization. It also discusses three other issues that I have frequently emphasized in my term as Executive Director:

#### **Partnerships**

2. The progress that has been made to date in scaling up responses to the three diseases is the result of a collective effort. I am convinced that the further success of the Global Fund as a financing mechanism will depend significantly on how effectively we now work together to strengthen the Fund as a partnership.

3. Study Area 2 of the Five Year Evaluation has clearly identified areas where the partnership is working effectively and those where it is not. The recent Board retreat, the ongoing and extensive consultation process, the e-forum and the Partnership Forum in Dakar next month all provide opportunities for partners in the Fund to reflect on the evaluation findings. As the Global Fund updates its partnership strategy next year in light of its current growth, it is important that all stakeholders now move beyond the rhetoric of partnership by making real commitments to enhance synergies and increase collaboration.

4. The first priority for all partners should be to strengthen the Global Fund partnership with, and in, implementing countries. Although donors and multilaterals

are strongly engaged with the Fund at the global level, the sense of ownership of the Global Fund by partners at country level varies considerably from country to country.

5. The Global Fund Framework Document conceived of Country Coordinating Mechanisms not just as a coordination mechanism but as the Fund's platform for partnership at country level. The Five Year Evaluation, an analysis by the International Treatment Preparedness Coalition and the Secretariat's recently published series of case studies show that several bilateral and multilateral partners are playing an important role to support the work of CCMs in a number of countries. However, in many countries, more can be done by partners to engage with CCMs and to support them in areas such as mobilizing civil society and the private sector and strengthening capacity. It is especially important that partners undertake these roles in countries where resources from the Global Fund account for a large proportion of the health budget.

6. Most CCMs are still a work in progress. That is why I am strongly of the view that, to the extent possible, the partnership as a whole should focus on providing support and guidance to CCMs rather than adding to their already considerable burden in the form of new rules or mandatory requirements.

7. The Secretariat is increasing its capacity to support in-country partners with the hiring of new Fund Portfolio Managers and eight new civil society and private sector officers in the Country Programs Cluster. The latter will play an important role within country teams to mobilize and support civil society and private sector partners as recipients, members of CCMs and implementers.

8. Since the last Board meeting I have had the opportunity to visit several implementing countries including Honduras, Nicaragua and Papua New Guinea. As always, my meetings with government officials, implementers, health care workers, CCMs, NGOs and people living with HIV/AIDS give me a tremendous sense of the impact of Global Fund resources.

9. The International Health Partnership (IHP) is playing a valuable role in promoting dialogue about health systems financing. As I reported to the Policy and Strategy Committee in September, the Global Fund is playing an active role in the IHP, including as a member of its steering committee and in working groups, including one on validation of national strategies. Over recent months, the focus of the IHP has moved to the development of "compacts" between development partners at country level. While the Secretariat has indicated that the Global Fund cannot be a signatory to compacts because it is only able to make funding commitments based on a country-driven proposal, a letter of support for the principles of the IHP is being provided by the Global Fund when a country compact is signed.

10. The informal meetings of heads of the eight major health agencies – the "H8" – continue to provide a useful forum for the exchange of information about global events and initiatives and to coordinate messaging and advocacy in global health. The next meeting in December will be hosted by the Global Fund in Geneva and will focus on strategies to maintain health on the global development agenda in 2009.

11. The Development Banks present promising new opportunities to expand the Global Fund partnership. Under the recently-concluded Memorandum of Understanding with the Islamic Development Bank, for example, the IDB will soon be working with CCMs in the Middle East to co-finance national programs for the three diseases. Recent discussions with the African Development Bank explored

opportunities for the ABD to provide complementary support for health infrastructure development and technical assistance in countries with Global Fund grants.

12. The Report of the International Task Team on HIV-related Travel Restrictions provided to the Board at this meeting is the result of a dynamic collaboration led by UNAIDS and the International AIDS Society with the participation of many other partners that began following the Global Fund Board meeting in China last year. The outcome of the Task Team's work provides an excellent illustration of the Global Fund's capacity to effectively mobilize a global partnership around important policy and advocacy issues.

13. Major events in 2008 have been used to showcase the Global Fund partnership at work, including the Tokyo International Conference on African Development (TICAD) in May, the HIV Implementers Meeting in Kampala in June, the International AIDS Conference in Mexico City in August, the MDG Summit Malaria Meeting in New York in September and the conference of the International Union Against TB and Lung Disease in Paris in October. I was especially pleased to join President Jorge Sampaio to promote the Call to Action on TB and HIV at the UNGASS review in June. The Global Fund typically co-hosts satellites and symposiums with partner organizations at such events.

14. The Access to Life photographic exhibition was launched in Washington in June by former UN Secretary General Kofi Annan. It succeeded in drawing extensive US media attention to the work of the Global Fund and celebrating joint efforts with PEPFAR to expand access to antiretroviral treatment. Thousands of delegates visited the exhibition at the International AIDS Conference in Mexico City, and it is now being prepared for a tour of European capitals in 2009.

15. The Global Fund maintains a close relationship with the GAVI Alliance. For Round 8, health systems strengthening experts from GAVI's Independent Review Committee joined the Global Fund Technical Review Panel to help ensure that support provided by the two organizations for health systems strengthening is complementary.

16. The Fund's partnerships with WHO, UNICEF and the World Bank are also strong and this is increasingly apparent at country level. I strive to maintain close relationships with the heads of these agencies. In July, for example, I attended the annual meeting of the WHO Eastern Mediterranean Region and held a joint ministerial session with Margaret Chan. Such occasions help to send a strong signal that our agencies are working effectively together.

17. The Global Fund has been collaborating closely with Roll Back Malaria on the development of the Affordable Medicines Facility for malaria. I particularly thank RBM partners for their instrumental role in the presentation of strong malaria proposals in Round 8.

18. I also thank the Stop TB Partnership for its continued support of the Global Fund and to countries. I look forward to a number of major events on TB in 2009, including the Stop TB Global Forum, which takes place every four years, and the Ministerial Summit of all 27 countries identified as priorities for MDR-TB.

19. In December, Peter Piot will retire after 12 years as Executive Director of UNAIDS. Peter's contribution to the AIDS movement and to global health cannot be overstated. The creation of the Global Fund in 2001 was due in no small part to his



determination and tenacity in building political commitment for an expanded global response to the AIDS epidemic. Since then he has particularly emphasized the importance of an operational partnership between UNAIDS and the Global Fund to support implementation of resources at country level. I thank Peter for his extraordinary leadership and wish him well in his new role at Imperial College. I am looking forward to an equally warm and productive relationship with his successor.

### **Resource mobilization**

20. Resource mobilization efforts have continued since the Berlin replenishment meeting, consistent with the recommendations of the Resource Mobilization Task Team in 2007.

21. At a major international symposium in May in Tokyo hosted by the Secretariat and Friends of the Fund Japan, a new pledge of \$560 million from Japan was announced by Prime Minister Fukuda. Joint efforts with Friends Japan and other partners contributed to the reaffirmation of commitments by G8 leaders at their summit in Hokkaido in July to provide at least a projected \$60 billion over five years to fight infectious diseases and to strengthen health systems.

22. It is very good news that the network of Friends of the Global Fund organizations around the world continues to grow. Friends Latin America was launched during the International AIDS Conference in Mexico. The first Board meeting of Friends South Asia will be held in New Delhi on November 5. Friends Australia will be launched in early 2009 under the patronage of the Governor-General. I am grateful to all the existing and new Friends organization for their tireless support.

23. The Bill and Melinda Gates Foundation is now providing resources to the Global Fund to explore the creation of an innovative financial product open to private and institutional investors that would offer competitive returns and at the same time generate resources for the Global Fund. The project would aim to attract leading philanthropic, institutional and private investors as well as Sovereign Wealth Funds.

24. I continue to meet with key donor countries at every opportunity. This year I have spent considerable time in France and the United States and have recently promoted the work of the Global Fund through the European Union's network of parliamentarians. I have also visited Australia, Estonia, Japan and Slovenia since the last Board meeting and I look forward to visiting Canada in the New Year.

### **A learning organization**

25. The Five Year Evaluation has been a major undertaking for the Global Fund. This report has provided several examples of the ways in which the recommendations of Study Area 1 on organizational efficiency are being integrated into the daily practice of the Secretariat. Important discussions about Study Area 2, dealing with the key area of partnerships, are underway in a variety of fora. Study Area 3, a large and innovative effort to measure impact against the three diseases at the same time as it builds capacity in countries, will report in 2009.

26. The evaluation has been a challenging and rewarding process for the Global Fund partnership as a whole, demonstrating that the Fund is a learning organization which holds itself, as well as its beneficiaries, to a high standard of accountability. I

look forward to the results of Study Area 3 and will make the development of the management response to the evaluation findings a high priority in the New Year.

### **Serving countries better**

27. The review of the Global Fund architecture that the Board will consider at this meeting aims to reduce the burden on countries when they interact with the Fund through a simplified and more coherent grant architecture. Consistent with this review, I have recently asked all staff to identify and act upon opportunities for the Fund to better serve countries. The need for this was highlighted when Bill Paton observed in his first weeks as Director of Country Programs that over 30 separate reports and reporting responsibilities are borne by Principle Recipients. While the number of these has sometimes grown for good reason, the Secretariat believes it has reached a point where 'less would be more' effective. At the recent Board retreat a target of reducing countries' reporting and communication workload by 50 per cent was proposed, and the Secretariat is now taking this forward. These steps have the potential to actually increase oversight and accountability by freeing up time for other priorities.

28. The Secretariat is also aware of the need to improve communications with and between implementing countries and other partners. The e-forum [www.myglobalfund.org](http://www.myglobalfund.org) and the newly-redesigned Global Fund website [www.theglobalfund.org](http://www.theglobalfund.org) are steps towards this goal. Two new Southern Communications Officers are also being recruited. Communications with partners also needs to be a key component of the communications and partnerships strategies to be developed in 2009.

### **Both people- and disease-centered**

29. Major initiatives to be discussed at this Board meeting strike the necessary balance between tackling the diseases more effectively and addressing the needs of the people who are most vulnerable to disease.

30. The Global Fund's strong disease focus is illustrated by the strategic discussion that the Board will have on the role of the Global Fund as a responsible investor in the fight against tuberculosis, and its discussion on the Affordable Medicines Facility for malaria (AMFm). If it is approved by the Board, the AMFm will be implemented in an innovative phased approach over a 24 month period to road test the concept, identify any "red flags" in implementation and enable lessons to be drawn before it is rolled out globally. This measured approach will be a significant step towards the goal of dramatically increasing the availability and affordability of artemisinin-based combination therapies across the public and private sectors.

31. I extend my thanks to all members of the Ad Hoc Committee on the AMFm - including its Chair, Todd Summers and Vice Chair, Eytayo Lambo - for their work to clarify outstanding issues and to propose a credible operational plan.

32. The gender strategy that the Board will consider at this meeting, together with the forthcoming strategy on sexual minorities, show how important it is for the Global Fund to be people-centered in its approaches, as well as disease-focused. I am strongly committed to women's and girl's health and equity, and to greatly improving the quality and coverage of interventions for sexual minority groups. I look forward to working with Global Fund partners and staff, including the new Senior Gender Adviser, on implementing these important strategies.

33. As the two strategies have developed, the Fund has inevitably been asked to look at ways of addressing the needs of other population groups. I am generally of the view that as a general rule we should now look to members of the Global Fund partnership to address such challenges, rather than imposing new requirements on countries or burden on the Secretariat. I would however welcome a Board discussion in the near future about how the Global Fund as a partnership can more effectively support the scale up of prevention, treatment and care for injection drug users, who remain very poorly served in too many countries where injection drug use is the major mode of HIV transmission.

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34. The current global financial crisis provides no excuse for the world to resign itself to poverty and disease. On the contrary, it presents an opportunity to highlight the need for more, not less, public and private development aid in the field of health. This is because the unprecedented mobilization for the health of the poor in the past few years is producing results. Scaling back these efforts would jeopardize the advances we have observed and place at risk the critical investments made so far.

35. The crisis also highlights why *equity* should feature more prominently in debates about development aid, including inequities in access to health care and the need to reduce such inequities within and between countries. As the report of the WHO Commission on Social Determinants of Health makes clear, it is not certain that economic growth related to globalization has actually accelerated progress towards the Millennium Development Goals. In many countries, the correlation between growth and poverty reduction has been negatively affected by substantial increases in income inequality and inequities in wellbeing, including in health. The Global Fund's work to improve the health of the poor is therefore more important during a time of economic downturn than ever.

36. Investing in health and fighting disease represent a source of hope for those in the world who are most in need, as well as the rather consistent possibility of "good news", even in turbulent times. Through its work, the Global Fund is providing some reassurance that - with what we are now coming to see as relatively small investments - returns can be measured in terms of human life.

Michel D. Kazatchkine  
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