

## REPORT OF THE EXECUTIVE DIRECTOR

### INTRODUCTION:

1. Since the Board last met in New Delhi six months ago, the global financial and economic crisis has worsened and most of the major developed economies have entered a period of deep recession. However, it is increasingly clear that the consequences of the crisis will be most severe in the developing world due to falling demand for exports, reduced foreign investment, tightening of capital, exchange and interest rate fluctuations and lower remittances. The International Monetary Fund recently reported that, of the 26 countries it considers highly vulnerable to the crisis, half are in Africa. An additional 48 million people in developing countries will be plunged into absolute poverty this year as a result of the crisis, according to World Bank estimates.
2. A global crisis requires global solidarity. Continued investments in social protection and human development in developing countries are widely seen as essential to maintain global stability during the crisis and to prevent inequities between rich and poor countries from widening even further in the longer term. This is particularly true for health, where inequities are most visible and where the gains of recent years have provided so much hope. For all these reasons I believe that the mission of the Global Fund is more important now than ever before.
3. Paradoxically, the economic crisis arrived at the end of a very successful year for the Global Fund. Demand for resources and disbursements were in line with ambitious targets. Results and initial impact, as detailed in the Global Fund's new results report, continue to be highly encouraging across the three diseases. The Fund has consolidated its role as a significant contributor to health systems strengthening and to the achievement of the health-related Millennium Development Goals. It also continues to innovate in areas such as resource mobilization, partnership, the AMFm and aid effectiveness. On January 1 2009, after intense preparation, the Administrative Services Agreement with WHO ended and the Global Fund became an autonomous, international institution.
4. At the Mid-Term Review of the Global Fund Second Voluntary Replenishment held in Spain in April 2009, donors recognized these achievements while also acknowledging that, in the current economic climate, they face difficult decisions about their levels of development assistance. The Fund presently faces an estimated funding gap of US\$4 billion to US\$ 5 billion for the period 2009-2010. The Board and the Secretariat will need to engage in a concerted effort along five avenues to address this deficit.

5. First, we must all work harder than ever to intensify resource mobilization efforts, maintain the support of existing donors, secure new ones, engage the private sector and take advantage of new opportunities, such as innovative financing streams and co-investment.

6. Second, we must aggressively advocate at the political level and in international fora, emphasizing that political decisions about whether or not to sustain the gains made in global health will have grave human consequences.

7. Thirdly, we must work hard to make efficiency gains in every grant and grant renewal, and in every area of the Secretariat's work.

8. Fourth, we should be vigilant in monitoring countries' own investments in health, both those that are genuinely in financial trouble and those that would find in the crisis an opportunity to reduce or divert domestic health funding.

9. Last and perhaps most challenging of all, we may need to carefully review our current policies on funding prioritization. This will mean paying close attention to disease burden and epidemiological context, and not just GDP, ever-mindful of emerging threats, such as MDR-TB. We will need to ensure that equity is adequately considered and that vulnerable populations are adequately protected.

10. With this report, my fourth as Executive Director, I wish to remind the Board of the many reasons why - even in difficult economic times - the Global Fund remains a successful model and a sound investment for the international community. At the same time, I wish to assure Board members that the Secretariat is acting in a responsible manner by taking steps to improve its efficiency, accountability and performance.

11. I extend my very warm thanks once again to all members of the Board for their hard work and dedication.

12. I particularly wish to thank those Board members whose terms will end at the conclusion of this meeting: Asia Russell and Javier Bellocq for their passionate contribution and dedication on behalf of developed country NGOs and communities living with the diseases respectively; Ricardo Luque Nuñez representing Latin America and the Caribbean; Sigrun Møgedal representing Point 7; Seydou Bouda representing West and Central Africa, and Regina Rabinovich representing Private Foundations. I also thank Martina Metz of the Germany-Canada-Switzerland constituency, and Melinda Kimble from the Private Foundations constituency, who have moved to new roles. I hope that all departing Board members will continue to be advocates for and friends of the Global Fund in the future.

13. As the Board will be electing a new Chair and Vice-Chair at this meeting, I wish to acknowledge the leadership of Rajat Gupta and Liz Mataka over the last two years. Rajat has made a particular contribution through his interest in malaria and his work in resource mobilization and engaging private sector support. I thank Rajat for the warm and constructive relationship that we have had for the last two years. Liz's commitment to gender, women and children has been especially valuable and I thank her for her efforts. I look forward to working with their successors to further strengthen the relationship between the Board and the Secretariat.

14. I would like to acknowledge the contributions of Bill Steiger and Mark Dybul, whose participation as members of the Board and the FAC respectively ended with the change of administration in the United States. Bill participated as a member of the US delegation in all 18

previous Board meetings and can truly be regarded as a founder of the Global Fund. Mark ably chaired the Finance and Audit Committee and helped to build a strong partnership between the Global Fund and PEPFAR. I wish both Bill and Mark well in the future and look forward to the continued strong participation of the United States in the life of the Global Fund. Louis-Charles Viossat has concluded his term as French Ambassador for AIDS and Transmissible Diseases and I also thank him for his service to the Board, and as Vice-Chair and recently Chair of the FAC.

15. The Committee Chairs and Vice-Chairs will change following this Board meeting. I thank Lennarth Hjelmåker and Paulo Teixeira for their service on the Policy and Strategy Committee; Sujatha Rao and Joseph André Tiendrebeogo for their service on the Portfolio Committee; Sheila Donishe Tlou and Jacob Gayle for their service on the Ethics Committee, and Peter Van Rooijen for recently serving as Vice-Chair of the FAC.

16. I thank all the other members of the Global Fund partnership, including UNAIDS, Roll Back Malaria, WHO, the World Bank, UNICEF, UNFPA, UNDP, the Global Business Coalition and the bilateral agencies. I have particularly appreciated the support of civil society advocates in the lead-up to the Mid-Term Review and the opportunity to work with members of the Stop TB Partnership at its recent partnership forum in Rio de Janeiro and in preparing for the Beijing ministerial conference on multi drug-resistant TB in March.

17. I warmly thank all my colleagues in the Secretariat for their dedication, including the members of the Executive Management Team.

18. I wish to salute Helen Evans, who at the end of May will take up the newly-created position of Deputy Chief Executive Officer at the GAVI Alliance. Helen leaves the Global Fund after four years as Deputy Executive Director with a proud record of achievement. Since joining the Fund in 2005, she has been instrumental in helping to establish many of the systems that we take for granted today. Throughout her term she has been a strong ambassador for the Fund. Most recently, her skills in organization-building have helped to ensure the Global Fund's smooth transition from the Administrative Services Agreement with WHO to a new era as an autonomous institution. Not only has she helped to maintain the general direction of the Fund during this challenging period, she has also tackled the many devils in the detail and has been mindful of the welfare of staff and their families. I know that Helen's longstanding commitment to global health will serve our sister organization GAVI well and strengthen the ties between both agencies at a time when we have so much to gain from working closely together. On behalf of everyone in the Secretariat, I congratulate and thank Helen for her work and I wish her every success in her new role.

19. Finally, I welcome all new members of the Board, including Michel Sidibe, who took up his position as Executive Director of UNAIDS on January 1, 2009. I know that he will maintain the strong partnership between UNAIDS and the Global Fund in the coming years.

20. The rest of this report is structured as follows:

Part 1 provides an overview of Global Fund results, highlights key aspects of the portfolio and describes a number of current operational priorities.

Part 2 addresses the Five-Year Evaluation of the Global Fund.

Part 3 describes resource mobilization and advocacy efforts.

Part 4 discusses administrative and organizational issues, including developments within the Secretariat and efforts to achieve operational efficiency gains.

Part 5 provides some recent examples of the Global Fund partnership at work.

Part 6 discusses progress on a range of important strategic initiatives.

## PART 1: RESULTS, PORTFOLIO OVERVIEW AND OPERATIONAL ISSUES

### 2008 Results: Scaling up for impact

1.1 A comprehensive overview of the Global Fund's results in the three disease areas at the end of 2008 appears in the new results report, *Scaling up for impact*, known in the Secretariat as "the Green Report", which was published in March. In this section I highlight some of the key results in the report.

1.2 The report shows that Global Fund-supported programs are continuing to scale up interventions for the top three indicators (Table 1). DOTS for TB and insecticide-treated bed nets, in particular, have scaled up rapidly in the last two years (Fig. 1).

1.3 Antiretroviral treatment was provided to an additional 600 000 people in 2008. The rate of scale up, while significant, has been more linear in the last 12 months and will need to accelerate considerably if the key international goal of universal access to antiretroviral treatment is to be achieved by the end of 2010.

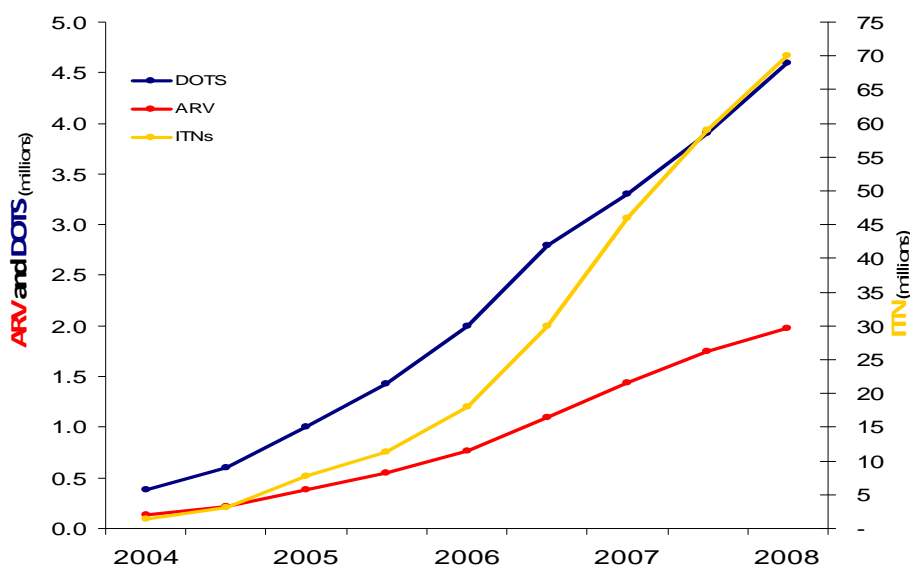
Table 1: Global Fund top 3 results indicators, December 2008

Indicator	Dec 2006	Dec 2007	Dec 2008	% increase in last year
HIV: People on ART	770 000	1.4 million	2 million	43%
TB: DOTS treatment	2 million	3.3 million	4.6 million	39%
Malaria: ITNs distributed	18 million	46 million	70 million	54%

1.4 Results for several HIV prevention-related indicators are quite impressive. The total number of HIV testing and counselling episodes supported by the Global Fund increased by 84 per cent in just the last year, from 34 million to 62 million, while the total number of cases of sexually transmitted infections treated doubled to 4.4 million, as did the number of people exposed to behaviour change communications, which stood at 91 million by the end of 2008. The total number of condoms distributed with Global Fund support has increased by nearly two-thirds in the last year alone, with 450 million distributed in 2008.

1.5 In my last report to the Board, I noted that, while the number of women receiving antiretroviral prophylaxis to reduce mother-to-child HIV transmission had increased significantly in the previous 12 months, global coverage remains insufficient. Results for the end of 2008 confirm this situation. Although there was an overall 12-month increase of 221 per cent in the number of women accessing PMTCT services with Global Fund support, to 445 000, most of these were due to the efforts of just two countries, Zambia and Tanzania. Much more needs to be done to achieve universal access to PMTCT services.

Fig 1: Scale up of top three Global Fund indicators, 2004 - 2008



1.6 The Board will have a discussion at this meeting about the Global Fund's role as a strategic investor in AIDS. It can draw encouragement from results showing that the Fund's significant investments in prevention are beginning to pay off in a number of countries and that the Fund is a major contributor to treatment scale-up, presently supporting around 50 per cent of all people on antiretroviral treatment globally, around 50 per cent of those on treatment in Africa and, if Thailand is excluded, about 75 per cent of those on treatment in Asia.

1.7 Global Fund-supported programs provided DOTS treatment for TB to an additional 1.3 million people in just the last year, bringing the total since 2004 to 4.6 million. Some of the countries with the largest Global Fund investments in TB have achieved or exceeded case detection rate targets set under the Global Plan to Stop TB, including China, the Philippines, Kenya and Egypt. In 2008, the number of people receiving treatment for TB while on antiretroviral therapy more than doubled to over 730 000, reflecting a growing commitment to tackling TB/HIV co-infection, but with much more still to do.

1.8 MDR-TB has been reported in more than 50 countries. Most of the current scale up of GLC-approved MDR-TB treatment is due to the Global Fund, and around 75 per cent of current MDR-TB patients are supported with Global Fund resources. Of the 27 high burden MDR-TB countries, 24 countries are eligible for Global Fund grants, and the Global Fund presently supports TB programs in 22 of these countries (excepting Myanmar and Ukraine). By the end of 2008, the Global Fund had supported a cumulative total of 16 100 MDR-TB treatments in 31 countries. Grants in an additional 31 countries and the Multi-country Western Pacific have approved proposals or grants to provide MDR-TB services.

1.9 Malaria results continue to be very encouraging. An additional 24 million insecticide-treated bed nets were distributed through Global Fund supported programs in 2008, nearly five times the number distributed in 2002, confirming the very rapid progress that has been made in malaria prevention over the last two years. Of the 70 million bed nets distributed through Global Fund-supported programs so far, 71 per cent have been in Africa. In addition, 30 million more malaria cases were treated in 2008, bringing the total to 74 million cases treated according to national treatment guidelines, with increasing use of ACTs. Globally, malaria prevention programs

supported by the Global Fund have also provided indoor residual spraying in more than ten million dwellings, offering protection to millions more people.

1.10 The international community is now on track to achieve the RBM target of universal access to insecticide treated bed nets for most-at-risk populations by 2010. Many African countries implementing Global Fund resources - including Rwanda, Madagascar and Zambia - have already met or exceeded the target while others, such as Niger, are poised to do so.

1.11 The Global Fund now plays a crucial role in the global response to malaria. It is the major funder of bed nets globally, with approved financing in Rounds 1 to 8 to distribute a total of 180 million insecticide-treated bed nets by 2010. This includes 77 million nets in sub-Saharan Africa, representing 60 per cent of estimated universal coverage needs for women and children (approximately 130 million nets).

1.12 The Green Report confirms previous estimates that around one third of Global Fund resources directly contribute to strengthening health systems so that interventions for the three diseases can be effectively delivered. In addition, approved resources for strategic health systems strengthening across more than one disease in Round 7, Round 8 and the Rolling Continuation Channel now amount to some US\$ 660 million (Table 2). Human resources and training accounted for the largest proportion of cross-cutting health systems strengthening activities in approved Round 8 proposals. It is estimated that the Global Fund has now supported a cumulative total of 8.6 million person-episodes of training.

Table 2: Global Fund support for cross-cutting health systems activities

Funding stream	Year (s)	Approved total (\$m)	Lifetime total (\$m)
Round 7	2007	186	363
RCC	2007-08	191	450
Round 8	2008	283	592
Total		<i>660</i>	<i>1 405</i>

1.13 A growing number of countries are now showing evidence of impact against the three diseases. For AIDS, the Green Report summarizes progress towards MDG targets for 14 countries that have some of the largest Global Fund investments in HIV control. Some favourable decreases in HIV prevalence are being reported among pregnant women in Ethiopia and Malawi (Fig.2) and among young people in Malawi and Rwanda, with more modest declines also seen in South Africa and Nigeria. Interventions for vulnerable populations are succeeding in Georgia, where declines in prevalence of 54 per cent have been reported among female sex workers and 16 per cent among men who have sex with men (Fig 3). These results are attributable to a number of factors including the impact of prevention interventions and behaviour change and possibly natural trends in the epidemic.

Fig. 2: HIV prevalence among pregnant women in Malawi and Ethiopia, 2003 - 2007

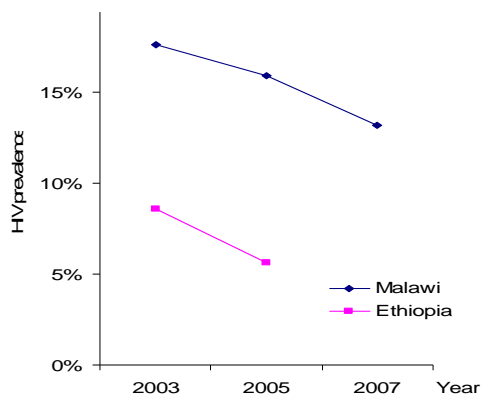
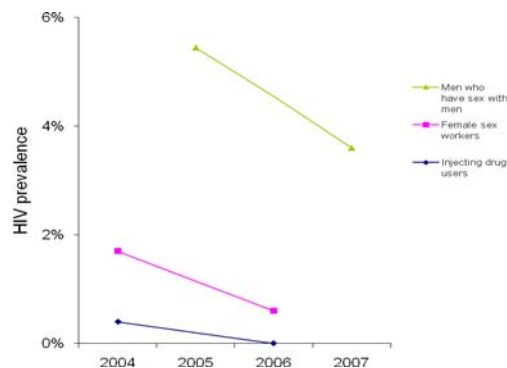


Fig. 3: HIV prevalence among most-at-risk populations in Georgia, 2004 - 2007



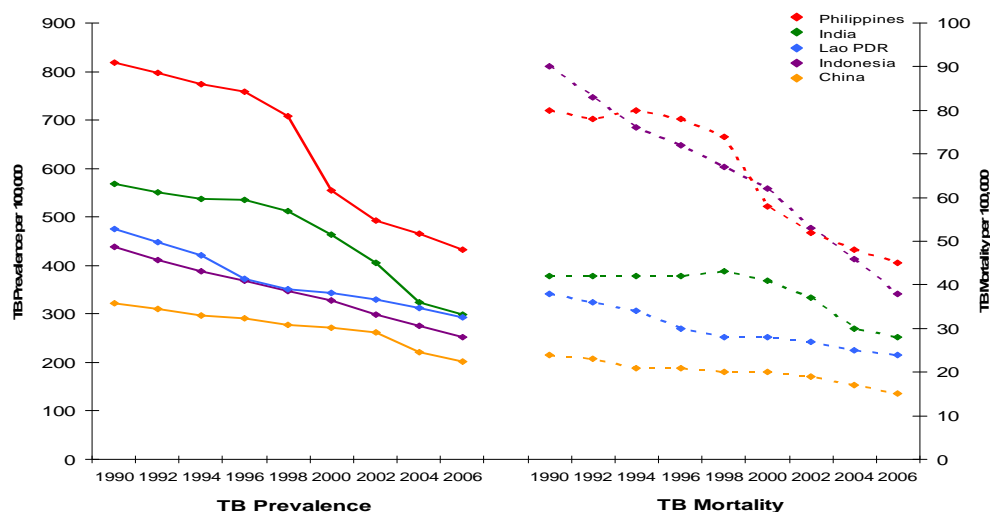
1.14 Antiretroviral treatment is leading to impressive declines in HIV-related mortality at a population level, such as in Addis Ababa, where a recent study estimates the reduction in AIDS deaths in 2007 of 60 per cent. In Botswana, where HIV prevalence has reached 30 per cent, the mortality trend has now declined in the age groups most affected by AIDS.

1.15 Another recent study estimates that a person who begins antiretroviral at age 20 in the UK can now expect to live another 40 years, with life expectancy in developing countries now another 25 years. The notable exception to this encouraging data is for injection drug users, who on average can expect to live 12 years less than a non-IDU starting treatment, reflecting the poor state of health care and lack of access to services for injecting drug users who are living with HIV.

1.16 The number of TB cases per capita is now estimated to be declining globally due to accelerated progress made in several high-burden countries including India, China and Indonesia. These and other Asian countries are also recording significant declines in TB-related mortality (Fig. 4). WHO Stop TB estimates that if such trends continue, MDG 6 for TB could be achieved in these countries, as well as in Somalia and Zambia. However, many other high TB burden countries in sub-Saharan Africa, including South Africa and Nigeria, and some Eastern European countries, are showing increased TB incidence, mostly exacerbated by HIV.

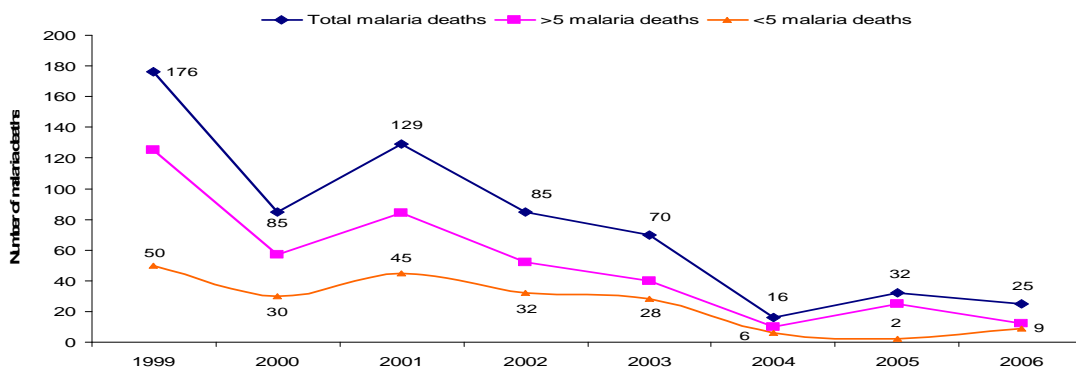


Fig. 4: TB prevalence and mortality estimates for five Asian countries, 1990 - 2006



1.17 Malaria control continued to provide the most vivid examples of impact in the last year, with further declines reported in disease transmission, case numbers, treatment demand and morbidity. In 2008 UNICEF estimated that global mortality for children under five has fallen below 10 million per year, compared to 13 million in 1990. The use of insecticide-treated bed nets and integrated management of childhood illness interventions have strongly contributed to this trend. Among the 15 countries with the highest Global Fund investments, there have been substantial declines in child mortality in Malawi, Mozambique, Eritrea (Fig. 5) and Ethiopia, as well as declines in Rwanda, Benin and Zanzibar that may be specifically linked to malaria prevention and treatment. Declines in the burden on health facilities are starting to be seen in Burundi, Ethiopia, Eritrea, Zanzibar, Kenya and Rwanda, as well as in the three countries covered by the multi-country grant in southern Africa. Continued impressive progress may be expected in the next few years as Round 7 and Round 8 malaria grants are implemented.

Fig. 5: Annual number of malaria deaths in Eritrea, 1999 - 2006



1.18 The 2008 results described in the Green Report compare favourably to the data reported in Study Area 3 of the Five-Year Evaluation, which assesses impact only to the end of 2006 (see Part 2 of this report). The data summarized here provide further evidence that, at the mid-way point to 2015, the Global Fund is making a significant contribution to the attainment of the Millennium Development Goals (MDGs) in terms of increasing available resources, helping to achieve international coverage targets and growing impact.

1.19 From the end of 2009, the Secretariat will report against the new corporate KPI framework that was approved by the PSC last September. The new framework specifically includes annual reporting by the Secretariat on impact achieved in countries with Global Fund resources, with biennial reports to be provided on global progress made towards achieving the MDGs.

### Portfolio overview

1.20 Rounds 7 and 8 together with Phase 2 renewals and 5 completed waves of RCC have added significantly to the size and complexity of the Global Fund portfolio. By mid-April 2009, a cumulative total of US\$ 7.6 billion had been disbursed through nearly 600 grants in 140 countries.

1.21 Key attributes of the portfolio include the following:

- Around 56 per cent of Global Fund resources have been committed to AIDS programs, 30 per cent to malaria 14 per cent to TB (Fig. 6). The proportion of the portfolio for malaria increased by around 5 per cent after Round 8, while AIDS decreased by 5 per cent and TB has remained stable for several years.
- The Global Fund's contribution to international AIDS financing doubled between 2003 and 2005, rising to 23 per cent of all international resources for AIDS in 2007. The Fund is the major international financier for TB, providing around 57 per cent of external resources, and for malaria, with the Fund's contribution estimated at around 60 per cent of external resources. The latter figure is likely to increase beyond 2008 taking into account the success of malaria proposals in Round 8.
- Regional distribution of Global Fund resources remains relatively stable, with about 60 per cent of resources approved for sub-Saharan Africa (Fig. 7).

Fig. 6: Approved Global Fund resources by disease component, December 2008

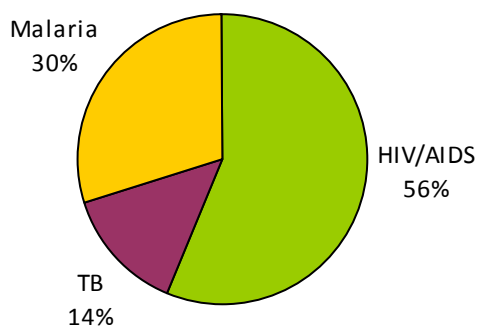
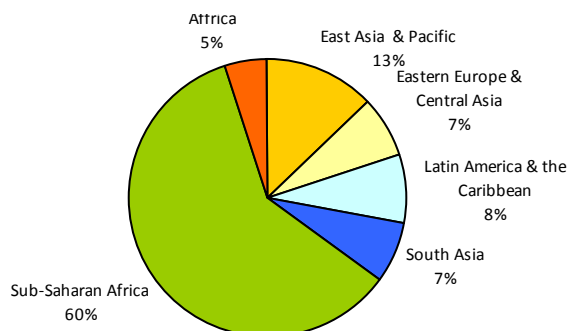


Fig. 7: Approved Global Fund resources by region, December 2008



1.22 Global Fund resources overwhelmingly reach the poorest countries, with 92 per cent of resources in Rounds 1 to 8 approved for either low-income or lower-middle income countries (Fig. 8).

1.23 A survey of principal recipients undertaken by the Secretariat shows that nearly a third (32 per cent) of budgeted funds for calendar year 2007 was allocated to activities implemented by

NGOs, 38 per cent to programs implemented by Ministries of Health, 18 per cent to programs implemented by other government institutions and 3 per cent to programs operated by the private sector (Fig. 9). UNDP and other multilateral institutions implemented 9 per cent of funds allocated in 2007.

Fig. 8: Approved Global Fund resources by income level, December 2008

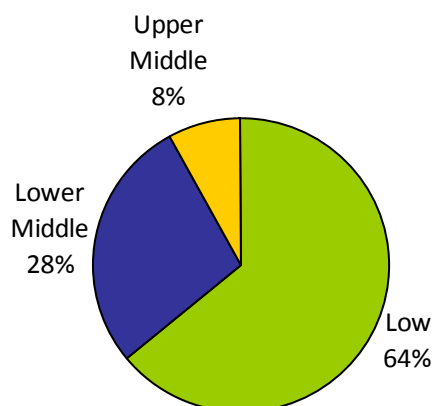
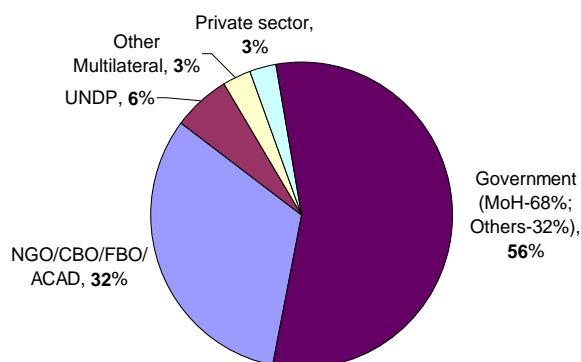


Fig. 9: Budget distribution by implementing entity, 2007 calendar year



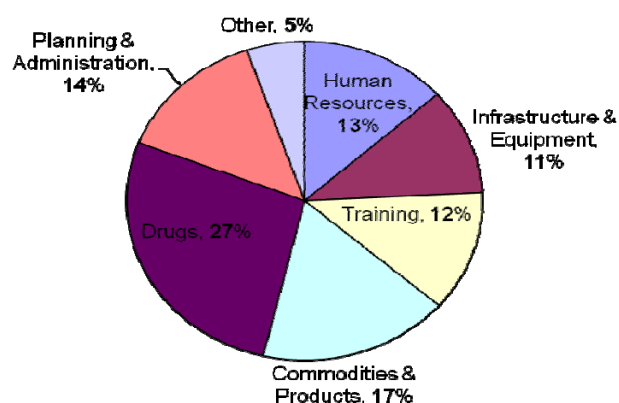
1.24 The proportion of non-government implementers can be expected to increase with the introduction of dual track financing in Round 8. More than half of all Round 8 proposals recommended by the TRP as Category 1, 2, or 2B included at least one government and one non-government principal recipient. In those proposals that nominated two principal recipients, 75 per cent chose to nominate one government and one NGO principal recipient. In those proposals that included three principal recipients, a third chose to nominate one government, one NGO, and one FBO, while another third chose to nominate one government and two NGO principal recipients.

1.25 The survey of principal recipients showed that, by service delivery area, roughly a third of the total reported 2007 budget amount was for prevention; 38 percent for treatment, mainly for HIV grants; nine percent was spent on care and support and 23 percent on developing an enabling environment.

1.26 The survey also showed that drugs, health commodities (such as condoms) and health products (such as bed nets and diagnostics) accounted for around 44 per cent of Global Fund resources, with 25 per cent for human resources and training and 11 per cent for infrastructure. Overhead expenses, not previously captured by the Global Fund, account were reported as 2 per cent of the total budget amount (Fig. 10).

1.27 By early April, more than 80 per cent of all active grants scheduled to report had complied with the new Enhanced Financial Reporting requirements. Data collected through EFR is beginning to provide a more detailed overview of the portfolio in service delivery areas and by implementer.

Fig. 10: Distribution of grant budgets by standard cost category, calendar year 2007



### *Community systems strengthening*

1.28 Round 8 was the first round to specifically include funding for community systems strengthening. An analysis shows that nearly 80 per cent of the 174 Round 8 proposals included community systems strengthening activities. Applicants from low-income countries included community systems strengthening activities more often in their proposals (82 per cent) than either low-middle-income countries (77 per cent) or upper-middle-income countries (70 per cent). Malaria and HIV proposals included community systems strengthening activities 15 to 25 per cent more often than TB or cross-cutting HSS proposals.

### *2008 Disbursements*

1.29 Annual disbursement reached US\$ 2.25 billion in 2008 (Table 3), in line with the target of US\$ 2.2 billion. This result once again reflects the hard work of the Secretariat, principal recipients, implementers and partners. Another ambitious disbursement target, US\$ 2.9 billion, has been set for 2009.

Table 3: Global Fund disbursement history, 2002 - 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Disbursed (\$ billion)	0.1	0.23	0.63	1.05	1.32	1.73	2.25	-
Target	-	-	-	-	1.4	1.7	2.2	2.9
Rate	-	-	-	-	94%	102%	102%	-

### *Round 7 grant signing*

1.30 Of 90 grants approved in Round 7, 85 were signed within the 12 month deadline and five were granted extensions; these five grants were signed between December and February.

1.31 The average time between proposal approval and first disbursement for the 90 approved Round 7 proposals was 11.2 months, compared to the KPI target of eight months. As mentioned in previous reports, the eight-month target has never been met, although the time between approval and first disbursement has been remarkably consistent over the last three years, at around 11 months (Table 4).

Table 4: Average time between grant approval, signature and disbursement, Rounds 5 - 7

Period	Round 5 (average)	Round 6 (average)	Round 7 (average)
Time between approval and signature	262 days	273 days	285 days
Time between signature and first disbursement	62 days	54 days	45 days
Time between approval and first disbursement	324 days	327 days	326 days

1.32 As discussed at the PSC meeting in March 2009, the increasing complexity and size of grants is a major factor in this KPI not being met. Other contributing factors include the need to complete TRP clarifications, which often take several months and grant consolidation. In many cases, countries themselves request a first disbursement in January of the following year in order to align with national budget cycles. Round 8 grants include the added complexity of negotiating Board-mandated efficiencies, more principal recipients as a result of dual track financing and new elements such as the provision of pooled procurement services. Experience overall has consistently shown the need to balance the speed of signing with the quality of grant agreements and that grants signed under the most satisfactory conditions are those that disburse better over the long term.

### *Round 8 grant signing and efficiency gains*

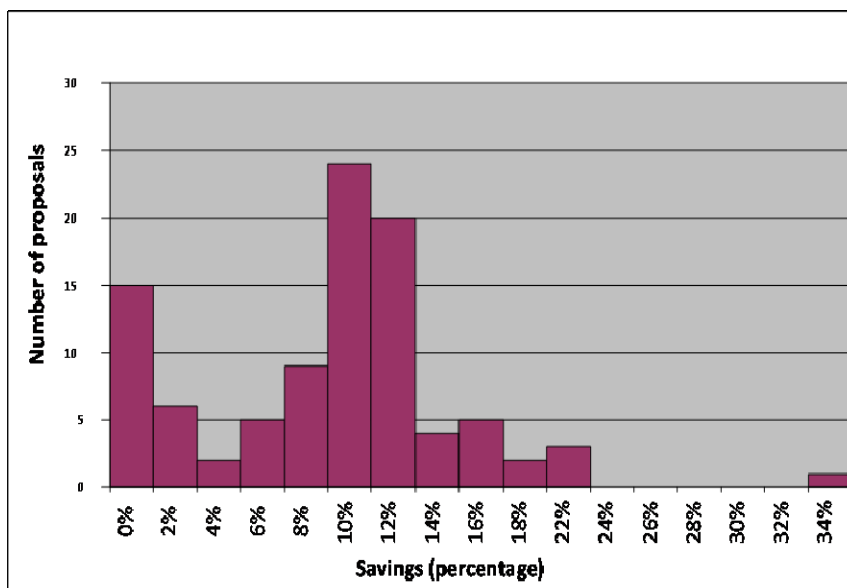
1.33 The first three Round 8 grants, all for HIV in Indonesia, were signed in mid-April. Total efficiency gains of around 12 per cent (\$5.5 million) were achieved across these grants. Of 94 Round 8 proposals, 84 had completed the TRP clarifications process by mid-April.

1.34 Further to the Board's decision when approving Round 8 in November, the Secretariat has worked to ensure that countries understand the need to achieve a 10 per cent overall efficiency gain rather than a flat 10 per cent saving across all programs. Guidelines on achieving efficiency gains have been communicated to all CCMs, with the advice to look first at possible savings that would not lead to the cancellation of activities or a reduction in performance targets, and that adjustments should not disproportionately affect vulnerable groups.

1.35 Overall, countries are managing to achieving efficiencies with no cuts in targets. The total value of efficiencies achieved in negotiations to date is just over 9 per cent, with further gains

expected as grant negotiations continue. The efficiencies achieved in individual grants so far range from zero to 34 per cent (Fig. 11) with most proposals achieving efficiencies in the range of 10 to 12 per cent.

Fig. 11: Efficiency gains achieved in Round 8 grant negotiations by April 2009



1.36 It is too early to report efficiency gains with regard to new RCC grants and Round 8 Phase 2 renewals. However, savings of nearly 24 per cent have been achieved in the Phase 2 renewals approved by the Board between December 2008 and March 2009. Resources are also being freed up through efforts to de-commit or return unspent funds to the Trustee earlier in the grant closure process.

1.37 Savings achieved through grant closures, lower operating expenses, currency exchange rate movements and contributions from donors beyond amounts previously pledged enabled the Board to approve funding for a third tranche of Round 8 Category 2B grants in early April. The Fund still faces a gap of US\$ 264 million to conclude approvals for Round 8.

#### *Grant performance*

1.38 The vast majority of grants in the portfolio are performing well. Table 5 shows that, of the 402 grants that received a disbursement in 2008 or by April 2009, 86 per cent were rated either A or B1 at the time of disbursement.

Table 5: Ratings for all grants receiving a disbursement in 2008 or 2009, by region

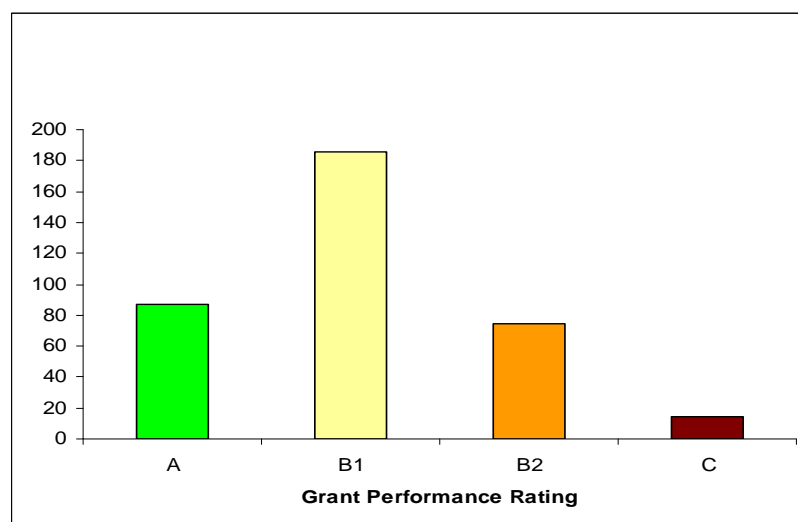
Region	Number and percentage of grants, with rating				
	A	B1	B2	C	Total
East Asia & the Pacific	38 (59%)	21 (33%)	4 (6%)	1 (2%)	64
South Asia	22 (56%)	14 (36%)	2 (5%)	1 (3%)	39
Eastern Europe & Central Asia	34 (64%)	17 (32%)	2 (4%)	0	53
Latin America & the Caribbean	32 (67%)	12 (25%)	4 (8%)	0	48
North Africa & the Middle East	12 (29%)	20 (48%)	7 (17%)	3 (7%)	42
SSA: East Africa	19 (43%)	16 (36%)	9 (20%)	0	44
SSA: Southern Africa	16 (35%)	17 (37%)	11(24%)	2 (4%)	46
SSA: West & Central Africa	30 (45%)	26 (39%)	8 (12%)	2 (3%)	66
Total	203 (50%)	143 (36%)	47 (12%)	9 (2%)	402

1.39 A new grant performance rating system was piloted last year and implemented across the portfolio in February. The new methodology provides a more objective, transparent and uniform approach for evaluating grant performance at the disbursement stage. Based on results for individual indicators, a consolidated “indicator rating” is calculated for the grant, which is used by the Fund Portfolio Manager to develop an “overall grant rating” that takes into account any management issues that the grant is facing. An indicative disbursement range is then generated for the Fund Portfolio Manager. The FPM may decide to disburse outside of this range but the approval of the Unit Director is required if this occurs twice in succession.

#### *Phase 2 renewals*

1.40 Phase 2 grant renewals accounted for 49 per cent of approved funding in 2008, compared with 62 per cent in 2007. By mid-April, more than 120 countries had accessed Phase 2 funding in 351 grants. Phase 2 reviews also find that most grants are well performing (A1 and B-rated, Fig. 12) and these grants account for 84 per cent of the total Phase 2 funds invested. Only 3 per cent of grants have received a “no-go” decision at the Phase 2 review. No “no go” decisions were taken in 2008.

Fig. 12: Phase 2 approvals submitted to the Board by March 2009



1.41 Funding continues to follow performance. In 2008, A- and B1-rated grants received 24 per cent more resources than B2- and C-rated grants.

1.42 The average time for signing Phase 2 agreements is still around six months.

#### *Rolling Continuation Channel*

1.43 RCC has now become a more established process. Five waves have been completed and the seventh wave is presently under way. In Waves 1 to 7, 35 per cent of the 202 eligible grants qualified for RCC. Of the 52 qualified grants so far, 70 per cent have been approved, with a total value of more than US\$ 1.5 billion. The decision taken by the Board last year to allow qualified but not approved RCC grants to resubmit has had a positive outcome: 10 of the 11 grants that chose to resubmit have been approved on second review.

#### *Grant consolidation*

1.44 A total of 17 cases of grant consolidation have been completed since this exercise began two years ago. In Round 8, 19 proposals included an expression of interest in consolidating the new grant with an existing one. Consolidation is presently being considered in a further 18 cases.

#### *Grant closures*

1.45 A total of 46 grants have now been formally closed as a result of reaching the end of the grant life time, consolidation or termination. Of these, 30 were closed in 2008. An additional 128 grants have recently reached the end of their life time and are in the process of being closed. As indicated in my last report, this involves a significant amount of work for the Secretariat.

#### *LFA training*

1.46 The successful retendering for Local Fund Agents has been a significant accomplishment over the last two years, leading to an increased number and more diversity of LFAs. With handovers taking place in more than 40 countries, extensive LFA training was provided between November 2008 and February 2009, including an intensive focus on data quality auditing. During this time, a total of 421 participants covering 122 countries were trained over six four-day events. Participant surveys have shown a high level of engagement, with an overall satisfaction rating of 81 per cent and an average rating of 85 per cent of training outcomes achieved. I was pleased to hear from one experienced LFA during a recent country visit that he considered it the most effective professional training he had had in many years, and I congratulate all the Secretariat staff involved in this major exercise.

#### *Risk Management*

1.47 A preliminary Risk Management Framework has been developed that is the result of work undertaken over the last two years and the need for which is emphasized in the findings of the Five-Year Evaluation. The framework aims to guide, at both strategic and operational levels, the systematic assessment, documentation, referral and management of corporate risks faced by the Fund in all areas of its activity: governance; resource mobilization; management of the portfolio; partnerships, and financial and corporate systems. Although responsibility for addressing risk resides at all levels of the Global Fund, a new Corporate Risk Officer will coordinate activities under the framework, oversee the Corporate Risk Register and develop appropriate risk management methodologies.



1.48 A new and systematic approach to managing operational risk has already been implemented by the Secretariat. This approach aims to identify risky environments in countries based on five specific dimensions of risk; 22 countries are currently classified as high risk. It also standardizes documentation of mitigation measures to address risky environments at country level. The process in effect allows the measures in the Additional Safeguards Policy to be applied flexibly and in a customized fashion as part of everyday grant management as the need arises.

#### *Additional Safeguards Policy*

1.49 The Additional Safeguards Policy is invoked at the discretion of the Executive Director based on recommendations and data provided by responsible managers. Three countries were being managed under the ASP at the end of 2008 and a further three have since been added.

#### *Inspector General*

1.50 The Inspector General continues to provide valuable assistance to the Secretariat in identifying and investigating risks in the grant portfolio. His office is actively auditing grants and performing diagnostic risk assessments in countries, with a recent focus on the significant challenges to grant management in Zimbabwe and follow up on misappropriation of Global Fund resources in Uganda. He is also playing a key role in providing assurances on grant management and managerial and governance processes, for example, through his audit of the LFA retendering process. He has contributed strongly to the development of the Risk Management Framework. I am committed to responding quickly and appropriately to the recommendations of the Inspector General and have implemented the policy established by the Board at its Eighteenth Meeting that disbursements should not be signed while a grant is being investigated by his office.

1.51 A comprehensive protocol is being developed to guide interactions between the Secretariat and the Office of the Inspector General.

1.52 I was pleased to learn that in April 2009 two convictions were made in Uganda concerning misappropriation of Global Fund resources by government officials. These convictions send a strong message that the misuse of Global Fund resources will have serious consequences. I hope that any further criminal proceedings will be initiated as quickly as possible and that additional steps will be taken by the authorities in Uganda to recover misappropriated funds.

1.53 A number of challenges with Global Fund grants in Zimbabwe last year have been resolved. However, in light of the weak institutional environment, the CMM has agreed to a proposal that UNDP assume the role of principal recipient for all grants. The Secretariat intends to continue making disbursements under the Additional Safeguards Policy and to monitor the grants carefully.

#### *Operational priorities*

1.54 The new Secretariat structure has strengthened grant management and oversight of operational performance. Because the new Regional Unit Directors do not have direct responsibility for the day to day management of individual grants, they are able to focus on intensifying operational partnerships at the country level, including working with partners to identify implementation bottlenecks and improve performance. They and their teams are working with partners country by country in areas such as Round 9 proposal development, attention to gender issues, strengthening CCMs and mobilizing technical support.

1.55 Other operational priorities for the Secretariat include streamlining procedures; improving communication with countries; partnership development and mobilization of technical assistance at country level, and improving transversality in grant management across the organization.

1.56 A “grant team” approach has also been implemented to ensure that administrative, legal, financial and policy issues involving different Units across the Secretariat are addressed through parallel - rather than sequential - processes. This is helping to reduce delays in processing disbursements and make routine aspects of grant management more efficient. The capacity to communicate with countries in seven languages (UN-6 plus Portuguese) has also been developed.

1.57 The Global Fund Operational Policy Manual has been streamlined in a new, third edition. The manual includes shorter, clearer Operational Policy Notes with flow charts to help staff more effectively navigate the grant life cycle.

1.58 An Implementer’s Manual, providing similar information, will be available in October. Together with the LFA Manual that was launched last year, the Implementers Manual aims to improve understanding in countries about how the Global Fund works.

#### *Voluntary Pooled Procurement / Procurement Support Service*

1.59 The Secretariat has significantly increased its activity in the area of procurement. The Voluntary Pooled Procurement and Capacity Building Services project is now in the final stage of roll-out. The two Procurement Service Agents selected for the service are the Partnership for Supply Chain Management in the case of ARVs and ACTs, and Population Services International for LLINs. Nine countries have registered to participate, and the consultative process for an additional 11 countries is ongoing. The first orders through the service will be placed in May 2009 following negotiations with and selection of suppliers. The Clinton Foundation HIV/AIDS Initiative is providing technical assistance.

1.60 The selection process for providers of Capacity Building and Supply Chain Management Assistance will be finalized by the end of May. The Secretariat is in the process of consolidating an initial list of principal recipients that have indicated their interest in accessing supply chain management assistance.

1.61 Operationally, Voluntary Pooled Procurement will be known as the Procurement Support Service, recognizing that there are two elements to the service being provided. The pooled procurement service is a short term strategy aimed at ensuring that cost effective and efficient procurement processes are in place in countries. Capacity building and supply chain management assistance aims to help countries strengthen their procurement and supply management systems over the longer term.

#### *Price and Quality Reporting (PQR) System*

1.62 The process of strengthening the Price Reporting Mechanism over the last two years has enhanced the completeness and quality of self-reported data. The system provides price information about health products purchased with Global Fund resources and allows the Secretariat to more effectively monitor and analyze drug quality, procurement practice and market dynamics. It should also help the Global Fund to be more proactive in helping countries to obtain best value, promote transparency of price levels achieved and contribute to further economies of scale in the marketplace. An analysis of price and volume trends for ARVs, ACTs, LLINs and TB drugs by country has been completed and includes benchmarking of average and

lowest international prices achieved by key procurement agencies. The report will be available shortly. LFAs will continue to verify for completeness and accuracy all data entered into the PQR by principal recipients.

1.63 The Global Fund's database is currently the largest available on drug prices for the three diseases, and provides a strong vehicle for collaboration with WHO and UNITAID.

#### *Implementation of the Quality Assurance Policy*

1.64 Since November 2008, the Secretariat has prepared an agreement with WHO to host the Expert Review Panel established by the revised QA policy. It has also invited manufacturers of selected product formulations to submit expressions of interest for dossier review by the ERP for malaria, anti-TB and ARV formulations. All communications with manufacturers were publicized on the Global Fund website to ensure transparent information-sharing. The first set of reviews began in March, and recommendations provided to the Global Fund will be published by mid-June. Technical documents related to the QA policy, including quality monitoring guidelines and an updated Global Fund Guide to Policies on Procurement and Supply Management, have recently been developed. All aspects of the revised QA Policy are expected to be ready for implementation by July.

#### *Procurement and Supply Management Policy*

1.65 As the Five-Year Evaluation emphasizes, procurement practices and bottlenecks are a key determinant of grant performance. The Secretariat will this year undertake a comprehensive review and analysis of the Global Fund's Procurement and Supply Management Policy, taking into account concerns raised in the Evaluation, the development of the PQR system, implementation of voluntary pooled procurement and the AMFm, and other partners' procurement policies. As proposed in Study Area 2 of the Five-Year Evaluation, the overall objective of the review is to ensure that the Global Fund complies with and promotes international best practices in the procurement of health products. This will be a major and important project by the Secretariat, involving collaboration with many partners.

## **PART 2: THE FIVE-YEAR EVALUATION OF THE GLOBAL FUND**

2.1 The Five-Year Evaluation of the Global Fund has been a large and complex undertaking over the last two years, generating a large amount of information and a number of recommendations to guide the Fund's future development. I thank everyone involved in this major project, including Rolf Korte and members of the TERG who have devoted so much of their time and commitment.

2.2 Study Areas 1 and 2 have provided timely guidance to the Board, the Secretariat and to me as Executive Director contemplating some of the structural and management reforms needed to increase the Secretariat's efficiency, adapt to rapid growth and strengthen the Global Fund partnership. The sequential release of findings in these two study areas over a 12-month period enabled me to draw upon the recommendations "in real time".

2.3 The Secretariat has established a Five-Year Evaluation Task Force to review the recommendations and has so far responded to the recommendations of the first two study areas in

reports to the recent PSC and FAC meetings<sup>1</sup>. The PSC will create an ad hoc committee to monitor implementation of the recommendations.

2.4 In this section I highlight some of the key recommendations and responses by the Secretariat, noting where issues are addressed in other parts of this report.

**Study Area 1 recommendations: Improving the effectiveness and efficiency of the Global Fund Secretariat, business model and governance**

2.5 An update on the implementation of the 2007 Global Fund strategy, *Accelerating the Efforts to Save Lives*, was presented in Cáceres. Progress on most of the elements of the strategy is reported in other parts of this report, including dual track financing and pooled procurement in Part 1 and National Strategy Applications and the review of the Global Fund architecture in Part 6.

2.6 The new corporate structure recommended in the Organizational and Management Review (Booz Allen Hamilton, 2007) has been implemented and Cluster and Unit Directors have been recruited. A transitional human resources framework has been put in place and comprehensive human resources policies consistent with the principles approved by the FAC and the Board last year will be developed in the next few months.

2.7 The Board-approved budget framework was applied fully for the first time for the 2009 budget.

2.8 The Fund's growth has emphasized the need for effective internal and external communications. Communications issues are discussed in Parts 1 and 5 of this report.

2.9 The ASA transition and the post-transition phase have provided an opportunity to review many mission-critical systems, including information technology applications. Enhanced Financial Reporting will progressively enable deeper analysis of the grant portfolio.

2.10 Recommendations relating to risk management and resource mobilization are addressed in Parts 1 and 3 of this report respectively.

2.11 Performance-based funding is at the heart of the Global Fund model. The Secretariat is working on numerous fronts to strengthen the PBF system, including through the new grant performance rating system mentioned in Part 1 of this report. Strengthening data quality is particularly important to track performance, minimize risk and show the value and impact of the Fund's investments. A Data Quality Task Force was launched in the Secretariat in March with a mandate to guide the development and implementation of a portfolio-wide Data Quality Framework and Strategy for the Global Fund, and advise me and the Executive Management Team on the state of data quality within the portfolio. The Task Force will propose data quality initiatives, policies and operational changes to existing mechanisms for managing data, and will monitor and report on their implementation. A further key deliverable will be an Operational Policy Note to harmonize data quality tools and introduce data quality as an indicator in grants. A specific review of TB indicators and TB data quality has been launched, to be followed by the same exercise for malaria.

2.12 Other data quality measures, such as additional on-site data verification by LFAs and data quality audits, are being introduced this year. In 2009, an 80 per cent target has been set for

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<sup>1</sup> Documents GF/PSC11/08 and GF/FAC12/12

implementation of on-site data verification, compared to the present rate of 29 per cent. A third wave of data quality audits will also be undertaken, and mechanisms for following-up recommendations from the audits will be integrated into routine grant monitoring.

## Study Area 2 recommendations: How the Global Fund works with partners

2.13 I have consistently emphasized that strengthening partnerships is a key priority for me as Executive Director. Work to improve operational partnerships at the country level is described in Part 2 of this report. Recent developments at the global level, including new Memoranda of Understanding, the development of the Partnership Strategy framework and Global Fund participation in aid effectiveness and health systems strengthening initiatives, as well as issues relating to CCMs, are discussed in Part 5.

2.14 Financing technical assistance has been one of the most debated issues during consultation with partners on Study Area 2 recommendations. Partner consultations have highlighted the need for the Global Fund to find innovative solutions for TA coordination, funding and use, including joint resource mobilization efforts with partners. The Bill and Melinda Gates Foundation has recently commissioned McKinsey & Company to carry out an assessment of the TA landscape, which will assist in more clearly defining divisions of labour and other work that is still needed in this complex area.

2.15 The Secretariat is committed to expanding the engagement of the private sector in Global Fund activities in four distinct roles: contributor of resources; implementer of grants; provider of commercial goods and services; and public advocate and contributor to good governance.

2.16 Health systems strengthening is now an important component of the Global Fund portfolio and a key strategy for addressing cross-cutting constraints to fighting the three diseases. In 2009, the Secretariat is working with WHO, UNAIDS and the World Bank to develop a performance measurement framework for health systems strengthening. Initiatives to increase coherence with GAVI and the World Bank on health systems financing are discussed in Part 6.

## Study Area 3

2.17 The TERG will present Study Area 3 findings to the Board at this meeting. Study Area 3 has clearly shown the challenges of evaluating a fast moving organization operating in varied and dynamic contexts in 140 countries across three diseases. As the contractors and TERG acknowledge, the evaluation has experienced limitations in sampling of the countries, the instruments used, the data captured and the analysis. Much has happened since the period between 2002 and 2006, which was the focus of the evaluation. Despite these limitations, the evaluation has yielded some important observations about the business model of the Global Fund and its processes in 18 different countries, and has been an important learning exercise.

2.18 Many of the findings are to be expected in a young organization operating in very diverse settings with challenging socioeconomic and political contexts and where programs are rapidly scaling up interventions. To a large degree, the observations relating to CCMs, performance-based funding, the functioning of LFAs, risk management and the partnership environment have been anticipated by the Secretariat and strategies have been initiated to address them.

## *Health systems*

2.19 A key concern expressed by many at the start of the Evaluation - and clearly the focus of the evaluators in Study Area 3 - was the potential effect of a rapid increase in funds for the three diseases on funding for other conditions that need to be addressed by health systems.

2.20 Encouragingly, the results show that there have been massive increases in resources to the 18 countries studied, most pronounced in the high-burden countries. Health budgets have increased in the countries studied but the report finds no evidence that this increase has been achieved at the expense of resources for other interventions. The study also found that in most countries, resources for child health and for maternal and neonatal health grew between 2003 and 2006. These investments have led to rapid scale up and this has had some positive effects on health information systems, which are now receiving more attention than before. The evaluators found that data on coverage of MCH interventions show little evidence of a negative change in trends, making comparisons between data for 1995-2003 and data for 2004 and later.

## *Malaria*

2.21 In the study countries, funds for malaria control consistently increased from 2003 to 2009, with the initial increases led by the Global Fund, which now accounts for about 60 per cent of all external funding for malaria globally.

2.22 There is clear evidence of a dramatic increase in ITN procurement, distribution, and usage in the period and countries studied. The number of ITNs purchased by countries has increased, along with ITN ownership, and the percentage of children and pregnant women reporting sleeping under an ITN has also increased.

2.23 The scale up of IPTp has clearly been one of the major successes in the malaria control effort in Sub-Saharan Africa. In the countries with trend data –Malawi, Tanzania, and Zambia—SA3 suggests upward trends in coverage of 45 per cent, 57 per cent, and 63 per cent, respectively, at the time of their most recent survey.

2.24 Rwanda, Tanzania, Zambia are showing important reductions (of 50 per cent or more) in parasite prevalence in young children and reductions (also of 50 per cent or more) in moderate-to-severe anemia in young children.

## *AIDS*

2.25 The findings with regard to AIDS are very positive, with dramatic increases in funding reported in all 18 study countries. The evaluators found consistent evidence that increased funding has resulted in a rapid and significant increase of the number of sites delivering HIV interventions in all evaluation countries since 2003/04.

2.26 In general, the readiness of facilities to deliver services was found to be adequate. HIV service coverage increased rapidly in all 18 countries. HIV testing and counselling among adults has at least doubled, with a similar increase in HIV testing and counseling of pregnant women for PMTCT.

2.27 The numbers of persons on ART and coverage increased rapidly in almost all countries.

2.28 There is consistent evidence of modest declines in highest risk sexual behaviour in the countries with relevant surveys.

2.29 Declines in HIV prevalence are reported in Malawi, with decreased incidence in Tanzania in the period 2002 to 2007. Modelling suggests declines in prevalence (after adjusting for ARV effect) in Ethiopia, Benin and Rwanda.

2.30 Between 2001 and 2007, the number of deaths from AIDS decreased in seven of the 18 study countries. The study estimates that an extraordinary 550,000 life years have been added in the 18 countries between 2004 and 2007 alone.

### *Tuberculosis*

2.31 The study found that 9 of the 18 countries had 100 percent DOTS coverage in 2000, with 14 having 100 per cent coverage by 2003. The study only included 6 high-burden countries, of which three already had well established TB control programs; demonstrating dramatic improvements in this sample would be challenging. MDR-TB and TB/HIV co-infection were not addressed by the study.

2.32 Nevertheless, the evaluators found that TB funding increased threefold in the 22 high-burden TB countries between 2003 and 2007 and that the Global Fund was providing over 25 percent of external TB program funding in 11 of the 22 countries.

2.33 Ten of the 18 study countries showed modest to large gains in treatment successes with between 150 000 and 700 000 deaths averted.

### *Next steps*

2.34 A management response to SA3 is being developed and a response to the Synthesis Report will follow. I look forward to working with the Board and the committees to respond appropriately to the Evaluation recommendations.

## **PART 3: RESOURCE MOBILIZATION AND ADVOCACY**

### **Mid-Term Review and short-term funding needs**

3.1 The Mid-Term Review of the Second Voluntary Replenishment, held in Cáceres, Spain, in April, was productive and successful, notwithstanding the constrained economic context. I thank everyone involved, including the Government of Spain for its strong support and its pledge at the meeting of an additional US\$ 13 million, Svend Sandström for serving as Chair, all Board members who attended the meeting and the staff involved in its organization.

3.2 Donors acknowledged that the Global Fund has achieved impressive results and impact, particularly in the last two years, and accepted that the demand estimates presented by the Secretariat for 2009 and 2010 are credible. They urged the Secretariat to maintain its strong results focus as the key basis for advocacy for the Global Fund and global health, and to continue to emphasize the strengths of the Global Fund as an institution that is inclusive, country driven, evidence based and performance-based. Progress in areas such as gender and health systems strengthening was welcomed.

3.3 Donors highlighted areas in which the Global Fund needs to do more. These include scaling up HIV prevention efforts; strengthening links between interventions for AIDS and sexual and reproductive health; aligning CCMs and grant management processes more strategically with national strategies, plans and planning cycles, and harmonizing with partners.

3.4 The Secretariat was urged to pursue cost effectiveness and efficiency measures in order to ensure that available resources yield maximum results. The measures now being taken are described in Part 4 of this report. It was also asked to review the Global Fund's role in the global health architecture to ensure harmonization with other health and development actors, while still remaining focused on areas where it has comparative advantage.

3.5 In the medium to longer term, donors sought better forecasting around resource needs, and requested information at future meetings regarding domestic funding commitments and counterpart contributions to Global Fund financing.

3.6 While affirming their pledges made at the Berlin Replenishment Meeting in 2007, the donors in Cáceres were not in a position to make significant new pledges. The Secretariat presented scenarios showing a funding gap in the range of US\$ 3.9 billion and US\$ 9.8 billion in 2009-2010 (Table 6). The Secretariat currently estimates that the gap is between US\$ 4 billion and US\$ 5 billion.

Table 6: Estimated demand and funding gap for the Global Fund, 2009-10\*

US\$ billions	2008	2009	2010	Total Need	Available	Gap
Scenario 1	3.9	5.1	4.5	13.5	9.5	3.9
Scenario 2	3.9	6.6	5.5	16.0	9.5	6.4
Scenario 3	3.9	8.0	7.5	19.4	9.5	9.8

3.7 There remains a gap of US\$ 264 million to fully fund Round 8. The Board has set aside US\$ 900 million for Round 9 and the first learning wave of National Strategy Applications, as well as a small amount for renewals in 2011, but there are presently no significant new resources available for Round 10.

3.8 Given the current resource constraints, participants in Cáceres asked the Global Fund to make more extensive use of equity principles when prioritizing grant applications, particularly with regard to factors such as disease burden, income level and cost sharing. I strongly support this approach and I believe that if the Fund is to maintain its focus on fighting the three diseases then epidemiology should be the paramount consideration.

3.9 The FAC has requested that the Board establish a working group to review current policies that guide both resource mobilization and resource prioritization and to develop a framework for managing the current tension between resource demand and supply. This will be one of the most challenging tasks facing Board members in the coming months.



## Resource mobilization in 2008

3.10 Despite the challenging economic context, there were a number of positive developments with regard to resource mobilization in 2008. These are described in detail in a separate paper at this Board meeting<sup>2</sup> and summarized below.

3.11 Of the donors who were not able to announce pledges in Berlin, Canada has confirmed CAD450 million for 2008-2010 and Japan has committed US\$ 560 million for a multi-year period starting in 2009. The US has appropriated US\$ 840 million for the fiscal year 2008 and US\$900 million for 2009.

3.12 Among smaller contributors, Romania and Latvia have joined as new donors, Kuwait has renewed its support having made its last contribution in 2003, and Greece, Hungary, Iceland, Poland and Slovenia have increased their commitments. Lichtenstein has maintained its steady support. All these donors have the capacity to become bigger and more regular contributors.

3.13 The Secretariat has carried out significant activities over the last year to position the Global Fund in relevant political fora, including the G8 and regional and national parliamentary groups.

3.14 Outreach to new donors remains intensive, including smaller donors from the OECD DAC, new EU Member States, emerging economies and oil producing states. Between us, Christoph Benn (Director of External Relations and Partnerships) and I have made frequent visits to a number of these countries in the last year and have met with key regional and intergovernmental organizations.

3.15 The area of innovative financing has expanded. Since September 2007, innovative financing mechanisms have contributed US\$ 122 million to the Global Fund against projected pledges and contributions forecast of US\$ 316 million for the period 2007 to 2010. Although the overall share of innovative financing remains relatively small, the Global Fund is emerging as a global leader in this area.

3.16 Since the launch of Debt2Health in 2007, Germany has signed two debt swap agreements, with Indonesia for €50 million and another last year with Pakistan for €40 million. The Australian government has committed to implementing a Debt2Health swap with Indonesia for AUD75 million, which is expected to be the first debt swap for health utilizing commercial debt.

3.17 In 2007 and 2008 the partnership between the Global Fund and UNITAID has grown and most of the activities in our joint roadmap are being implemented. UNITAID has committed US\$ 145 million to the Global Fund for activities supporting second-line drugs in all three disease areas, of which US\$ 70 million has been disbursed. In January, the UNITAID Board approved up to US\$ 130 million for the AMFm. In March, an additional proposal was submitted to UNITAID requesting US\$ 122 million for MDR-TB drugs and diagnostics for Round 8 and RCC Wave 4.

3.18 Private sector resource mobilization has experienced rapid growth. In 2008 private sector contributions amounted to 6.4 per cent of overall pledges and contributions, making significant progress towards the long term goal of 10 per cent of overall resources. By the end of March, Product (RED) had generated US\$ 130 million to support Global Fund grants in Africa, and RED continues to innovate. Last year, for example, (RED)WIRE, a digital music magazine, was launched.

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<sup>2</sup> Document GF/B19/9

Subscribers to (RED)WIRE in the US pay a monthly fee, half of which goes directly to the Global Fund. (RED) expects to launch one or two new partnerships in 2009.

3.19 Two other campaigns have also shown good results. The “Idol Gives Back” program produced by Fox Television in the US has now supported the Global Fund for two years, providing a total of US\$ 16.6 million, mostly directed to the Global Fund HIV grant in South Africa’s Western Cape Province. In April, the Board of Comic Relief voted to provide US\$ 3 million to support Global Fund malaria grants in southern Africa. The funds were raised from the general public in the UK as part of Comic Relief’s biennial fundraising event, Red Nose Day, which is the largest single regular fundraising day worldwide.

3.20 Chevron became the first Global Fund Corporate Champion in 2008, with a funding commitment of US\$ 30 million over three years, to be directed to Global Fund grants in six countries. In the current economic environment, securing new corporate commitments at the same level is a challenge. The Secretariat is therefore expanding the Corporate Champions program to include a wider range and different levels of partnership. A key development in this regard is the adoption by the Board of a policy regarding in-kind donations. This has enabled an initial trial partnership to be developed with Standard Bank of South Africa, Africa’s largest bank, for the *pro bono* provision of financial management capacity-building to Global Fund recipients in four countries.

3.21 The Bill and Melinda Gates Foundation continues to be the largest private sector funder of the Global Fund. In addition to its support of US\$ 100 million a year, it offers grants outside the Global Fund architecture to support advocacy and stakeholder engagement, including support for Friends organizations around the world. The United Nations Foundation is also a key partner and is presently supporting a malaria partnership involving faith-based groups in the US who are aiming to raise US\$ 100 million to fight malaria, starting in 2009. New foundation donors are emerging, including Communitas Foundation of Bulgaria and the MAC AIDS Fund.

3.22 Work continues with the support of the Gates Foundation to develop a high-quality financial product open to private and institutional investors based on the (RED) model of for-profit business and social return. The financial crisis means that investments combining transparency and social responsibility may be more attractive. The Secretariat has also established a team to focus on high net-worth individuals and their foundations as new avenues for funding, with the aim of launching a targeted campaign by the end of 2009.

#### Preparing for the next replenishment

3.23 In Cáceres, donors agreed to carry out a Third Replenishment in 2010 to provide funding for 2011 and beyond. This process will be absolutely critical in setting the scene for the attainment of MDG 6 and the other health-related MDGs by 2015.

3.24 Intensive advocacy efforts by the Secretariat and all stakeholders in the Global Fund needs to be begin now to ensure that the highest-level political support for funding the Global Fund and global health is sustained in the next few years. Major events this year and next, such the UN Secretary General’s high level event on health in June, ECOSOC, the G8 and the 2010 MDG and UNGASS reviews will be critical in this regard.

3.25 We will also need to closely follow up on the recommendations that emerged from Cáceres, with a strong focus on demonstrating results across the health MDGs, especially in those areas that are lagging, such as maternal and child health and reproductive health. We will need to work with

partners such as GAVI and the World Bank to promote a coherent agenda on health systems, and explore potential modifications in the global health architecture to show that the Global Fund and other major actors in health are committed to harmonization, alignment with countries and achieving value for money. Strengthening our own information systems to provide the best possible performance data is also critical. And we will count on civil society and a broad coalition of NGOs in the health and development field to continue mobilizing in support of the Global Fund.

3.26 Although these are all major challenges, I am confident that the many activities described in this report will contribute to achieving these objectives and that the Global Fund model will continue to set an example in global health.

3.27 In May 2009, the Secretariat will begin preparations for the 2010 replenishment under the leadership of Stefan Emblad, who joins the Global Fund from the World Bank as Director of Resource Mobilization. I look forward to working with him and his team, Board members and partners to ensure that support for the Global Fund is maintained in the critical years ahead for global health.

## PART 4: ADMINISTRATIVE AND ORGANIZATIONAL ISSUES

### Post-ASA transition

4.1 On January 1 2009, the Administrative Services Agreement with WHO terminated and the Global Fund became an autonomous, international financing institution with its own information technology platform, employment contracts, human resource policies, Pension Fund, health insurance scheme, grade and salary structure, payroll, accounting, procurement, security, travel, occupational health and other administrative services. All this was accomplished through the tremendously hard work of many in the Secretariat under the leadership of Helen Evans and Heather Allan, with the continuous support of the ASA Steering Group, Atos Consulting, the FAC, the Staff Council and staff members. Staff in the Corporate Services Cluster, notably the IT and Human Resources Units, and in the Finance Cluster, deserve special thanks and acknowledgement.

4.2 I also thank the many people at WHO who helped to make the transition as smooth as possible, including Dr Margaret Chan and Denis Aitken, as well as the government of Switzerland, whose support has included rapidly issuing new *cartes de légitimation* that maintain diplomatic privileges in Switzerland for Global Fund staff.

4.3 More than 90 per cent of the ASA transition milestones were met by the end of 2008. While the post-transition phase is on schedule, work continues in a number of areas, notably in the development of the information technology system and operational human resource policies. The latter includes matters such as performance pay; job classification; recruitment regulations for sourcing of job candidates; flexible working arrangements and career development. Addressing these essential policy issues is one of my highest priorities for the remainder of the year.

4.4 Determining the tax liability of such a diverse group of employees in their home countries and implementing appropriate compensation measures is a major exercise and work in this area is also continuing.

4.5 The Global Fund and its assets - including funds, archives and staff - no longer have diplomatic immunities, privileges and exemptions outside Switzerland and the US. A working

group of interested constituencies is being established to examine ways of conferring such privileges, immunities and exemptions elsewhere.

4.6 Efforts continue to build support for observer status in the UN General Assembly, with the matter likely to come before the Assembly at its September meeting. I thank Sigrun Møgedal for her continued leadership of a group that is working to delineate the relationship that a newly-autonomous Global Fund should establish with the UN system.

4.7 A decision will be taken in the next few months with regard to continuing negotiations with the United Nations Joint Staff Pension Fund regarding a potential transfer payment.

4.8 The transition support services provided by Atos Consulting over the last year have been of very high quality. I thank Kevin Kidman and his energetic team for their hard work and friendly presence.

#### Staff and recruitment

4.9 I am very pleased that 95 per cent of existing employees agreed to accept new employment contracts with the Global Fund from January 1 2009. This demonstrates the high level of commitment of staff to the mission of the Fund.

4.10 In March 2009, independent consultants were contracted to conduct a survey of staff engagement, motivation and satisfaction to provide feedback to management and identify priorities for improvement in the post-transition period. The survey attracted a response rate of 77 per cent. Action plans will be developed to ensure that issues raised in the survey are appropriately addressed, particularly as they concern human resources policies and strengthening management at all levels of the Secretariat.

4.11 The Staff Council has continued to make a valuable contribution to the ASA transition and in the post-transition phase. Most recently, the Council has proposed more flexible and progressive arrangements with respect to parental leave and the Global Fund's definition and treatment of domestic partners.

4.12 The Secretariat has grown significantly in the last year to handle its increased volume of work. By the end of March it had 456 full time staff, compared to 346 at the same time last year. In 2008, the Board approved 127 new positions, including positions linked to specific Board decision points. Throughout the year recruitment activity was carried out in respect of 240 fixed term and temporary positions, including Board-approved positions, temporary contracts and backfilling due to promotions, transfers and resignations. For 2009, the FAC has approved 124 new positions, including positions linked to decision points. So far this year, 71 positions have been filled including backfilling and unfilled positions from 2008. More than 50 new staff members have already joined the Secretariat since January 1 2009.

4.13 Ensuring a diverse workforce remains a priority. The percentage of women in the Secretariat overall (60 per cent) is very favourable compared to similar organizations in Geneva, although the proportion of women in senior positions at the end of 2008 was 32 per cent, versus a target of 40 per cent. The percentage of staff from underrepresented regions in the Secretariat at end 2008 was more than 13 per cent, close to the KPI target of 15 per cent. The KPI for employing members of affected communities has been dropped for 2009 because maintaining confidentiality makes it difficult to measure. The Secretariat remains committed to hiring appropriately qualified people living with or affected by the diseases.

## Management issues

4.14 The new Secretariat structure implemented a year ago is now well established, with some adjustments still needed in some Clusters and Units. The revised structure - particularly the introduction of a new level of senior management - has helped to stabilize and strengthen the Secretariat, but I intend to prioritize work with Cluster and Unit Directors in the coming months to further strengthen management arrangements and capacity.

4.15 Following Helen Evans' departure from the Global Fund at the end of May, a recruitment process for a new Deputy Executive Director will be undertaken. I will announce arrangements shortly to ensure that Helen's functions are adequately covered in the interim.

4.16 I extend a warm welcome to Gulen Newton, who is participating in her first Board meeting as Director of the Legal Unit, and Josephine Mwelu Mutuku, the new Director of Human Resources, both of whom are playing a key role in the post-ASA transition.

4.17 Two Director positions in the Secretariat are still to be filled (Information Technology Unit and Partnerships Unit).

4.18 Despite some improvements in the second half of 2008, the KPI relating to staff performance management fell short of the annual target (66 per cent of staff had defined performance objectives and only 20 per cent had completed a term-end review, compared to a target of 90 per cent). This is in part due to challenges associated with the WHO GSM and an influx of new managers, but also to management culture and a lack of staff incentives to complete appraisals. Because a performance-based organization such as the Global Fund needs to do better in this area, it is a priority to design a system that links pay and promotion to performance, improve IT solutions and provide training and support in performance appraisal for managers.

4.19 The Executive Management Team meets twice a month to provide overall strategic guidance to the Secretariat. Monthly meetings of the "EMT-plus", comprising all Cluster and Unit Directors, are planned.

## Operating expenses, savings and efficiency gains

4.20 The KPI target for Secretariat operating expenses is that they should amount to no more than 3 per cent of the value of grants under management and no more than 10 percent of total expenditures. Actual expenses were 1.6 percent of grants under management and 6.6 percent of total expenditures. Excluding the exceptional costs of the ASA transition, these percentages were 1.4 percent and 5.8 percent respectively.

4.21 Operating expenses did increase significantly from US\$ 115 million in 2007 to US\$ 164 million in 2008, but this increase was less than had been budgeted. The main factors contributing to the increase were the addition of 55 staff members in 2008 and the one-time costs of the ASA transition.

4.22 At US\$ 164 million, operating expenses were less than the budget of US\$ 210 million. Difficulties in hiring staff during two transitions of arrangements meant that fewer staff than budgeted could be hired in 2008. As a result of this, and also because of savings on professional fees, travel and meeting costs, Secretariat expenses amounted to US\$ 136 million in 2008, US\$ 20 million less than budgeted. Funding of CCMs, undertaken for the first time in 2008, was substantially less than budgeted, and a number of anticipated LFA expenses were not incurred

in 2008 and some were postponed to 2009. As a result, operating expenses were US\$ 45.5 million less than budgeted, and these funds were an important component of the resources available for approving Round 8 grants.

4.23 The Secretariat reported to the FAC in April on its work to assess practices across the organization and to identify further savings, however small, to reinforce a message and culture of efficiency.

4.24 A 10 per cent savings target has been set for travel costs in 2009. This will be achieved by restricting business class travel to journeys of nine or more hours, rather than six hours, including for the Executive Director and Senior Management. A minimum 10-day advance booking is now mandatory for ticket purchases. This will require increased discipline by managers and more forward planning by staff. The Fund's travel consultants will monitor targets and report on the savings achieved.

4.25 The post-ASA transition is providing a timely opportunity to explore further savings in areas such as procurement, IT, document sharing, publications, facility rental, catering, copying and phone usage.

4.26 I am grateful to all staff for their cooperation as we work to realize these gains and for their willingness to show solidarity with donors and implementing countries during challenging economic circumstances.

## PART 5: THE PARTNERSHIP AT WORK

### 2008 Partnership Forum

5.1 The biennial Global Fund Partnership Forum, held in Dakar in December, was a great success and reflected the diversity of the Global Fund partnership, drawing 450 participants from 102 countries, half of them from civil society and 12 per cent from the private sector. A key goal of the forum is to include participants not normally involved in the Fund's work; Dakar was successful in attracting 24 parliamentarians. The forum reflected the Fund's capacity to innovate, with "talk show" and "press conference" formats being particularly popular. The participation of 500 people in an e-Forum prior to the meeting showed that the forum is now becoming a process rather than a single event.

5.2 With its broad theme of partnership, the Forum generated an extensive series of recommendations on subjects such as the Global Fund's gender and sexual minorities strategy, strengthening CCMs, demand and resource mobilization, technical assistance, health systems and human resources, governance and capacity building. It also provided the opportunity for participants to discuss the impact of the financial crisis on global health, receive updates on the review of the Global Fund's architecture, react to the findings of Study Areas 1 and 2 of the Five-Year Evaluation and provide input on the Fund's evolving Partnership Strategy.

5.3 I thank everyone involved in making the forum a success, including Shaun Mellors, Pierre Blais and the members of the Partnership Forum Steering Committee.

## Partnership strategy

5.4 The Secretariat is currently developing a Partnership Strategy Framework to delineate the main roles and responsibilities of partners in the Global Fund. The PSC reviewed a draft of the framework in March and a more developed strategy will be presented for the Board's consideration in November.

5.5 Memoranda of Understanding have recently been finalized with the Stop TB Partnership and the Islamic Development Bank. We must now work to ensure that such agreements are meaningfully operationalized at country level. The PSC has approved a new KPI for 2009 to track the number of new operational partnership agreements. The targets are 3 and 8 new partnership agreements for 2009 and 2010 respectively.

5.6 Four staff members have been recruited specifically to help build and maintain partnerships with civil society and the private sector at the country level.

## Friends of the Global Fund

5.7 I was very pleased to participate in the launch of two new Friends organizations this year: Pacific Friends of the Global Fund in Sydney in February, and Friends of the Global Fund Middle East and North Africa in Amman in April. As with their counterparts in Africa, Europe, Latin America, Japan, South and West Asia and the US, the new Friends organizations will play an important role in helping to mobilize and maintain visibility and political and financial support for the Global Fund. All of us at the Secretariat are very grateful for the work of the people involved in this unique group of organizations.

## Aid effectiveness in action

5.8 Strong partnerships are a key element of the aid effectiveness agenda. As I reported to the PSC in March, the Global Fund remains actively engaged in the work of the International Health Partnership and related initiatives, both as a member of the IHP+ Scaling Up Reference Group, and its working groups, notably the working group on National Strategies, which has in turn provided valuable input into the development of the Global Fund's National Strategy Application process.

5.9 PEPFAR is proposing to development explicit partnership agreements in the countries in which it is present, and the Global Fund looks forward to contributing to these efforts.

5.10 The Global Fund and GAVI are exploring opportunities to enhance their collaboration through possible joint financing of health systems strengthening. Given their compatible models, closer collaboration between the two organizations in this area would represent a significant step towards the harmonization that donors are requesting, make life simpler for countries and help to accelerate progress across MDGs 4, 5 and 6. It may also provide a joint platform through which to channel any new funds that are generated for health systems through initiatives such as the High Level Task Force on Innovating Financing for Health Systems. A joint working group has been established to develop a proposal in this area for our respective Boards to consider in late 2009.

5.11 The two organizations have also approached the World Bank with a view to discussing tripartite collaboration on the health systems agenda, and hope to begin discussions with senior Bank officials in the coming weeks. Dr Margaret Chan has kindly offered to facilitate this process and will report on progress to the High Level Task Force on Innovating Financing for Health Systems at its meeting in May.

5.12 In 2008, the Global Fund completed a review of its practices in aid effectiveness in line with the Paris principles. Based on this review, the PSC has endorsed an Action Agenda to improve aid effectiveness in Global Fund-financed programs. The agenda is being implemented in a phased manner with three actions prioritized for 2009: coordination of program salary scales; alignment with country cycles, procedures and systems, and improving in-country transparency and accountability. Operational policy approaches have been finalized for the first two, with the third expected in mid-2009. An Aid Effectiveness Support Tool has been developed to strengthen aid effectiveness measures at Phase 2 review. Aid effectiveness is also now included as a Key Performance Indicator.

5.13 The 2008 KPI results showed that 65 per cent of grants are aligned with country or principal recipient fiscal cycles (compared to the target of 70 per cent). This represents a substantial increase from the 43 per cent result reported in 2007. Unlike the 2007 result, which covered a subset of grants, the 2008 measure covered all principal recipients in the 451 grants that were active in 2008. This is the encouraging outcome of operational policies implemented in 2008 to ensure that fiscal cycle alignment is part of the grant negotiation process, with further improvements expected this year.

5.14 In January 2009 I was pleased to host the informal meeting of the H8 group of agency heads at the Global Fund offices in Geneva. A focus of the discussions was agreeing on common messaging for health advocacy in the context of the economic crisis. The next meeting will be hosted by the Gates Foundation in June.

#### Country Coordinating Mechanisms

5.15 The CCM is still a relatively new and unique structure unparalleled by other governing bodies in health or development assistance. As a multi-stakeholder forum raising and distributing large resources, the CCM is, by definition, political. CCMs tend to be imperfect because of their democratic and inclusive nature and we should consider debate and occasional struggle as standard operating procedure. Knowing these challenges, the Secretariat aims to continually improve CCM functioning by encouraging diversity and promoting transparent governing processes.

5.16 Many CCMs excel: they are creating robust structures to develop gap analyses of national strategies; choosing the most qualified principal recipients and sub-recipients, and ensuring transparency and accountability. Others are still struggling to integrate the concepts of transparency and inclusiveness within their local context.

5.17 In total 136 CCMs have met or exceeded the recommended 40 per cent non-government member threshold. Globally, non-government representatives now comprise 45 per cent of all CCM membership. In the last two years, around 10 per cent of CCMs have changed their Chairs from a government to non-government representative, with improved grant performance in many cases.

5.18 The Five-Year Evaluation has highlighted the need for improved integration of CCMs and national coordinating bodies. We must remember that CCMs were created, in large part, because few analogous national bodies existed to raise and distribute resources in a way envisioned by the Global Fund model. Improving alignment with other national structures is desirable, and has progressed well in Rwanda, Mozambique, Tanzania and other countries where strong national strategies are in place and central government is providing strong leadership. In November the Board will consider a revised CCM funding model that, among other things, offers incentives for CCMs to harmonize and align with other national bodies. There is, nevertheless, no one-size-fits



all approach and we should not blame CCMs for compromising aid effectiveness or risk undermining the progress that they have made in promoting multi-stakeholder participation.

5.19 As noted in the Five-Year Evaluation, CCMs have to date focused their attention on raising resources, rather than providing grant oversight. This is rapidly changing, particularly where non-government members are now chairing the CCM. The Secretariat is placing special emphasis on addressing CCM oversight this year by producing a best practice document on CCM oversight and guidelines that distinguish oversight from monitoring and evaluation. Under the terms of our MoU, UNAIDS is also working to strengthen CCM capacities in this area. Aidsplan has also recently produced an independent guide to grant oversight for CCMs.

#### Communications and advocacy

5.20 On World AIDS Day 2008, with the endorsement of UNAIDS and UNICEF, Madame Carla Bruni-Sarkozy signed her engagement letter as a global ambassador for the protection of mothers and children against AIDS. She began her assignment in February by joining me in Burkina Faso, where she met with patients, health personnel and civil society partners, and will gradually develop her advocacy role over the next two years. The Global Fund is fortunate that she has agreed to lend her commitment and passion to promote improved access to treatment and prevention for mothers and children and the much needed scale-up of PMTCT programs.

5.21 More systematic outreach by the Secretariat has contributed to a markedly higher profile for the Global Fund in the media over the past six months. Global media coverage of the Fund is estimated to have increased by about 40 per cent in the last year with strong growth of coverage in developing countries. Substantial interest has been generated about the Global Fund's financing needs in light of the economic crisis, and there has also been considerable media interest in Global Fund results and the success of the Global Fund model.

5.22 The Secretariat is in the process of developing a new communications strategy for the next three years to assist in resource mobilization and as an integral part of the work to improve partnerships and interact more effectively with implementers. Since January, an independent, external task force of communications experts has been developing a set of recommendations to guide the new strategy, and is particularly interested in expanding the Fund's use of new media and collaborative communications work with partners.

5.23 The Global Fund's *Access to Life* exhibition has been on a tour of European capitals to coincide with the Mid-Term Review and the forthcoming G8 meeting. In April, the Global Health Council awarded the Global Fund and *Access to Life* its Global Health Excellence in Media Award for photojournalism. I congratulate Jon Lidén and everyone who has worked on the project for so successfully presenting the human face of the Global Fund's work.

5.24 Internally, a branding section on the Global Fund intranet was launched in parallel with the ASA transition to promote the Global Fund's new status as an autonomous institution and to assist staff in communicating the Fund's core values externally. A new daily News Digest and monthly Science Digest and Science e-Library have also been launched to help staff keep abreast of key political developments and research in global health.

## PART 6: STRATEGIC INITIATIVES

This section provides updates on four important initiatives that exemplify the Global Fund's role as an innovator in global health.

### Affordable Medicines Facility for malaria (AMFm)

6.1 After two years in development, Phase 1 of the AMFm was launched in Oslo in April 17. This is the result of the hard work of many individuals and agencies including Roll-Back Malaria, the World Bank, the governments of the UK, Netherlands and Tanzania, UNITAID, the Bill and Melinda Gates Foundation and the Clinton Foundation.

6.2 I am also grateful to the World Bank, which has enabled Olusoji Adeyi to join the Global Fund on secondment to lead the new AMFm Unit in the Secretariat. I thank Soji for his contribution to this important initiative.

6.3 The AMFm Phase 1 Application Form and guidelines were developed through a consultative process that incorporated comments from eligible countries, technical partners and the Ad Hoc Committee. Eleven countries have been invited to participate in the first phase. RBM's Harmonization Working Group has worked closely with these countries to help them make an informed decision about whether to participate and is coordinating technical support for applicants in partnership with the Clinton Foundation.

6.4 The call for applications was issued in late March 2009 with a deadline of 1 July 2009. The TRP will report its recommendations for a Board decision in November.

6.5 A draft Technical Framework for monitoring, operational research and independent evaluation has been developed and shared with the Ad Hoc Committee and key technical partners.

6.6 Resource needs for ACT co-payments in Phase 1 are now estimated at between US\$ 225 million and US\$ 233 million. The UNITAID Board has pledged up to US\$ 130 million for the AMFm Copayment Fund and the UK has pledged £40 million. It is expected that, with the additional resource mobilization efforts now under way, sufficient funds will be available in time for the Board's funding decisions in November.

6.7 Supporting interventions will be financed through savings from ACT budgets under existing grants or if these are insufficient or the country has no grants with ACT budgets countries may request additional funding through a standard Global Fund malaria grant.

6.8 The PSC has recommended that the Board maintains the AMFm Ad Hoc Committee for the duration of AMFm Phase 1. I thank Todd Summers, who has served as the Chair of the Committee since its inception and who will soon step down, as well as the other committee members, for their contributions.

### National Strategy Applications

6.9 The First Learning Wave of National Strategy Applications was launched in February 2009. Of 23 invitees, 20 (7 for HIV/AIDS, 8 for malaria and 6 for tuberculosis, spanning a range of geographies) expressed their interest in participating and submitted their national strategy and related documentation for desk review. This very high participation rate, especially for an

experimental phase, demonstrates the tremendous interest on the part of countries in this new approach.

6.10 In this first wave, the TRP is conducting the review of national strategy documentation. By early May, the Secretariat will have informed CCMs whether or not they will be invited to submit an NSA. If so, a country visit will be undertaken to collect additional information; if not, they will have an extended deadline should they wish to apply in Round 9 for the same disease.

6.11 Following TRP review of the actual National Strategy Application, the TRP will make funding recommendations that the Board will consider at the same time as Round 9. Already, lessons are being collected that will help inform the work of the IHP+ on a joint assessment approach for national strategies. An update session on the progress of the First Learning Wave is being held during the pre-Board briefing day.

#### Architecture review

6.12 Progress on the review of the Global Fund architecture was reviewed at the PSC in March. The objectives of the review are to simplify processes for obtaining Global Fund resources, align them better with countries, reduce transaction costs and accommodate new funding modalities, such as NSAs. Last year the Board reviewed progress and gave its in-principle endorsement to a “single stream” funding approach.

6.13 A current focus of the work in this area involves exploring how best to build performance-based funding into a single stream model. An emerging view is that in-depth reviews on a periodic basis can be structured in such a way as to increase funding predictability and improve alignment with countries. The PSC will review progress again in September. Implementation of the new architecture is scheduled for 2010.

6.14 The PSC has requested that the Secretariat undertake an assessment of the impact of the new architecture and the benefits that might be realized. The Accenture Group has kindly agreed to provide *pro bono* consulting time to develop the study framework.

#### Gender and sexual minorities

6.15 Since the Board approved the Global Fund Gender Equality Strategy last year, Françoise Ndayishimye has joined the Secretariat as Senior Gender Adviser and worked with partners to develop an implementation plan for the strategy, which was presented to the PSC in March. An Internal Gender Task Team has been established in the Secretariat to work with Françoise on the implementation of the strategy. An Advisor on Sexual Minorities has been recruited and will begin in June, and a gender officer is being recruited to coordinate performance and other gender-specific data relating to the portfolio. Discussions with many partners- including UNAIDS, UNDP, UNFPA, UNICEF, CIDA, OSI and Friends groups are ongoing to ensure broad participation in the implementation of the strategy.

6.16 The implementation plan prioritizes activities in 2009 such as increasing gender programming in countries (tools and guidelines, work with CCMs and building TRP capacity); monitoring and evaluation (including KPIs and grant performance indicators); partnership development; communications and advocacy; Global Fund leadership, and internal management and human resources policies and practices.

6.17 A gender analysis of the portfolio has been undertaken for Rounds 1 to 7 to determine the extent to which gender-related interventions are included. This work provides a baseline for future evaluations. An analysis of Round 8 HIV proposals showed a much larger range of proposed intervention categories, but few proposals in Round 8 were deemed to be gender-sensitive or -transformative. The analysis also shows that women comprise only around 30 per cent of the total membership and 24 percent of the leadership of CCMs, sub-CCMs and Regional Coordinating Mechanisms.

6.18 In March the PSC also reviewed and had a lively debate on a draft Global Fund Strategy in Relation to Sexual Orientation and Gender Identities (SOGI) which proposes approaches consistent with the Gender Equality Strategy. The Board will review the draft strategy at this meeting.

6.19 In recent months I have worked closely with Secretariat staff and partners, including UNAIDS, on advocacy relating to the treatment of men who have sex with men (MSM) in Africa. I was very pleased to learn of the recent court decision in Senegal acquitting nine MSM advocates who have been in detention since last year. I have also written to the government of Burundi, a sub-recipient of Global Fund resources, expressing my concern about proposed amendments to the national penal code that would criminalize MSM.

6.20 Finally, discussions have taken place with OSI, the International HIV/AIDS Alliance and other organizations in recent months, most recently at the International Harm reduction Association conference in Bangkok in April, about the possibility of developing a demand mobilization strategy for harm reduction. I believe this initiative is very important given the rate of transmission of HIV attributable to injecting drug use globally and the inadequate level of funding that has been made available to date.

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6.21 As I enter my third year as Executive Director, I am conscious that 2009 will be a challenging year for the Global Fund. In November, the Board will be asked to approve Round 9 and the first wave of NSAs in a constrained financial environment.

6.22 The choices that we make as an international community in the coming two years will not only have a significant impact on whether the Millennium Development Goals are ultimately achieved, but will set the tone for the future course of globalization. This is a choice to pursue a form of globalization that only brings the benefits of development to countries during prosperous times, or one that also supports the world's poorest citizens in difficult times, as well. It is a choice between sustaining the fight against the three diseases that in the last decade has contributed so much to reducing inequities between rich and poor countries, or allowing those inequities to create an intolerable gulf in the world once again.

6.23 In preparing this report, I was struck by the extraordinary range of activities being undertaken by the many organizations and individuals who make up the Global Fund. There are thousands of people in all corners of the world who are deeply committed to the Fund's work and whose hopes depend on its long-term success. I was also struck by the way in which the ASA transition and each of the Fund's many innovations are providing new opportunities to build a truly unique institution together.

6.24 I am confident that, with the combined efforts of everyone who is devoted to the mission of the Global Fund, we will be able to maintain the Fund's leadership in fighting disease and poverty in the years to come.

6.25 I wish the Board well at its Nineteenth Meeting.

Michel D. Kazatchkine  
Geneva, April 27, 2009

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