

Thirty-Second Board Meeting Report of the Executive Director

REPORT OF THE EXECUTIVE DIRECTOR

Introduction

Dear Board members, colleagues and friends,

It is a privilege to share this year's progress, learning, challenges and opportunities in our collective mission to end the epidemics of HIV, tuberculosis and malaria while building strong health systems and serving countries as they move along the development continuum. As you know, we reported results that demonstrate that as of mid-2014 programs supported by the Global Fund have put 6.6 million people on antiretroviral treatment, distributed 410 million mosquito nets to protect children and families against malaria, and treated 11.9 million people for tuberculosis. As in the past, this report is not meant to cover everything or to duplicate what you receive through many other channels from the Secretariat. Rather, it is intended to provide some big picture themes and trends.

On behalf of the Secretariat, many thanks for your continued support and engagement. As a 21st-century partnership, together we are becoming stronger and more effective servants. Because we are a partnership and this is our Global Fund, the words "we" and "our" are used throughout.

The past year has been an exciting journey. Like all journeys, ours has had its ups and downs. But the trajectory seems right. We are on a good path. Our primary task has been implementing the new funding model as a concrete manifestation of the Strategy that the Board embraced in 2011. It has been a collective effort and has evolved in real time.

As we have been running in the present, we have also had an eye to the future. In fact, the implementation of the funding model has raised issues that require more thinking and adjustment in the way we work. As we walk down a path we cannot fully see, we can at least discern and even help create the direction we want to go. There are twists and turns that remain beyond our control, and some of them present fresh opportunities.

In many ways, this is the most exciting and remarkable time in the history of development and global health. The turn of the century marked a watershed. New ideas coupled with tens of billions of dollars achieved breathtaking results. But the underlying paradigm - Official Development Assistance - stayed largely unchanged. As many countries rapidly grow economically, politically and socially, the foundations of the past 15 years are beginning to crack, and within the next 15 years seem likely to crumble. Looking to the post-Millennium Development Goal era and universal health coverage, it seems important to draw on the experiences and knowledge of the past and ask: What will the world look like in 15 years? What is the role of development and global health in that world? What, if anything, is the role of the Global Fund in that world? Discerning answers to those questions may guide us in the way we work now and for the next several years.

This report attempts to rest in the tension between running in the present and walking towards the future – a precarious but fascinating place to be. We in the Secretariat are enormously thankful that we are all in it together with you.

Cheers,

Mark

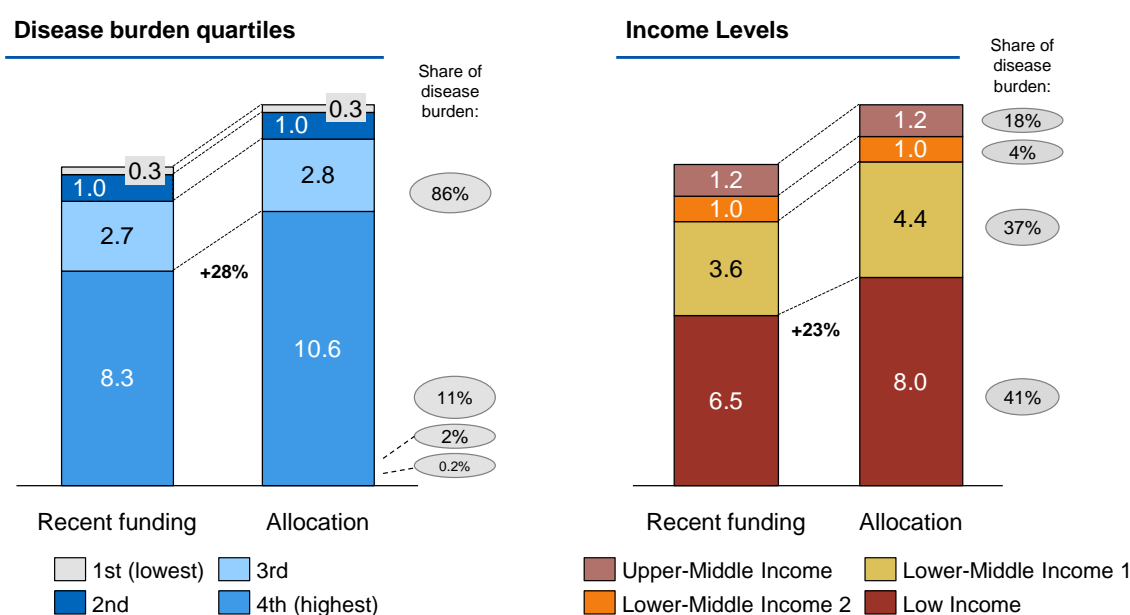
I. Running in the Present

The new funding model

- Over the past year, the priority has been to fully implement our new funding model. It has been neither easy nor without challenges. But there has been significant progress and we are on a promising path. As the end of the year approaches, our funding model is no longer new, and making it operational means we can officially call it “our funding model.” In the first half of this report, where we assess the past year, the term “new” may still apply. Going forward, and in the second half of this report, there is no need to use “new” anymore.
- Following the launch of the Fourth Replenishment in late 2013, we have continued to receive generous support from a number of partners and have now raised US\$12.32 billion for the 2014-2016 period. No matter what funds are available, we know that most countries are under-funded relative to their needs. Our challenge is to make the most of what we can. Designing the new funding model and beginning its implementation was a real challenge. But it has also been an exciting opportunity to think creatively about what should be done to raise more funds and to more effectively invest the resources available.
- The new funding model is a game-changing investment framework. With the advantages of predictable funding and flexible timing, it is above all designed to invest more in countries with the lowest income and highest burden of disease. The extensive preparatory work, led by the Board, allowed us to move aggressively and intensively this year. We started by running the allocation model to direct resources for maximum impact for people affected by the three diseases. It was not simple. We remained mindful of how each decision ultimately affected people’s lives. Informing countries and partners, which we did in March, was not easy either. We stressed the bigger picture, and the opportunity for re-programming where it made sense, we remained firmly committed to the Board’s guidance to direct significant funds to countries with high disease burdens and limited resources. Comparing this year’s allocation with recent funding from the past shows that we were able to increase resources as intended.

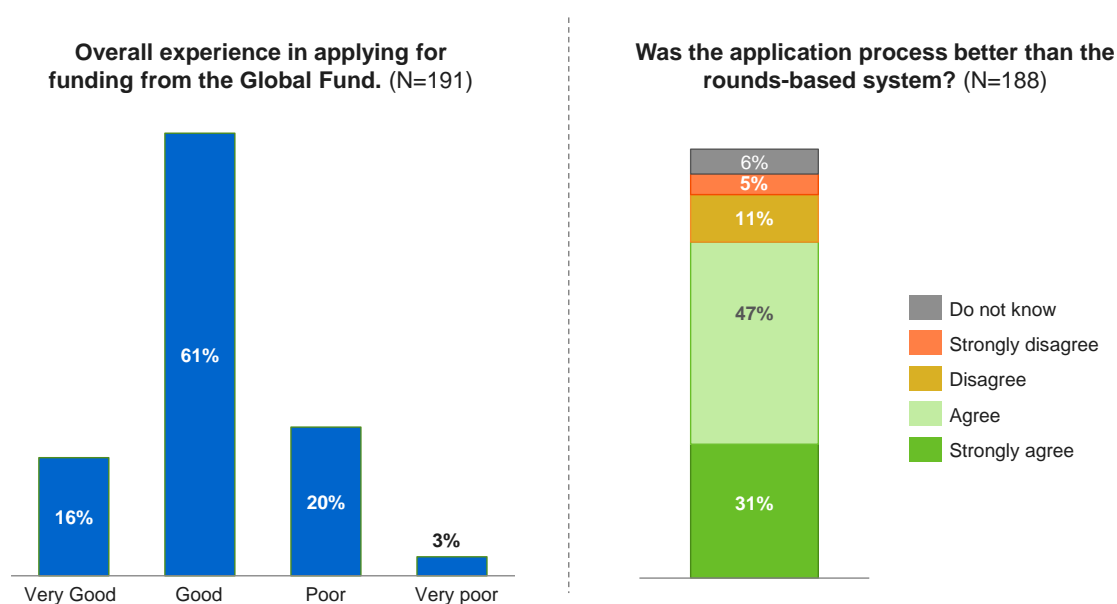
Comparison Recent Funding vs. 2014-16 Allocation

[USD billions]



Note: "Recent funding" are 2010-2013 disbursements. Figures are limited to countries eligible for funding as of the 2014 eligibility list.

4. To explain how the allocation worked, country teams and partners met extensively with CCMs, and conducted regional meetings, each of which presented good moments for learning, feedback and improvement.
5. It has been exciting to see the first concept notes roll in, to see partners express priorities in fresh ways. The first batch of concept notes arrived two months after the allocation announcement. Since then, 72 have been received requesting US\$5.8 billion allocated and US\$1.5 above allocated funding, and the first investments under the new funding model have already come to the Board for approval. So far, US\$365 million has been awarded in incentive funding.
6. In a survey of applicants, 78 percent of respondents felt that the new funding model application process was better than the rounds-based system, and 77 percent of participants said that their experience in applying for funding under the funding model was good or very good.



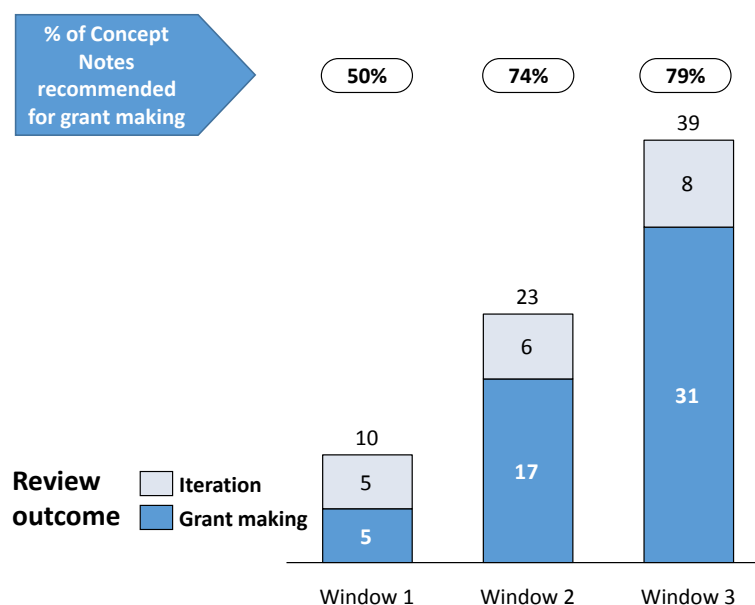
Gains

7. We have observed many positive trends. Most countries achieved more inclusive country dialogues and better engaged key populations. From Moldova, whose CCM brought more community voices into concept-note development to Nigeria, where workshops allowed key population representatives to voice their concerns, countries have demonstrated a commitment to greater diversity in the process. In Nigeria, the workshops became a vibrant space of engagement – the first to involve a group of people who inject drugs in the national HIV dialogue. It has also led to the establishment of a national network of sex workers, a vehicle to increase their engagement in the national HIV programming. These processes build a more inclusive human family to fight diseases.
8. We also see greater alignment with national strategic plans. A survey on concept note quality among members of the Technical Review Panel found that almost all concept notes were based on national health strategies and plans. A survey of applicants showed 90 percent of respondents saying their concept notes were based on national strategic plans, a sign of greater quality demand in concept notes. We have also seen more engagement between country teams in the Secretariat and the CCMs, and have heard from many

countries that engagement with country teams was critical in supporting country dialogue and concept note preparation. Broadly communicating feedback from the TRP has led to a noticeable improvement in the quality of concept notes that have followed, reflected in a rising rate of approval to 79 percent in window #3, compared with 50 percent in window #1.

Outcomes of windows 1-3

[number of concept notes, %]



Promoting Shared Responsibility

- **US\$2.8 billion in new domestic financing**
- **62 percent increase**

Increased domestic finance is essential for sustainability and equitable economic growth as countries move along the development continuum. In many countries the trajectory of increasing government contribution was already in motion before the new funding model. In others, substantial additional government commitments have been triggered by policies of the new funding model. It is important to note that we encourage increased financing for health, not for HIV, TB and malaria. In a survey conducted among country stakeholders and participants of the initial funding windows of the funding model, we included questions on counterpart financing. A majority (83 percent of 127 survey respondents) were of the opinion that our increased focus on counterpart financing has encouraged greater government commitments.

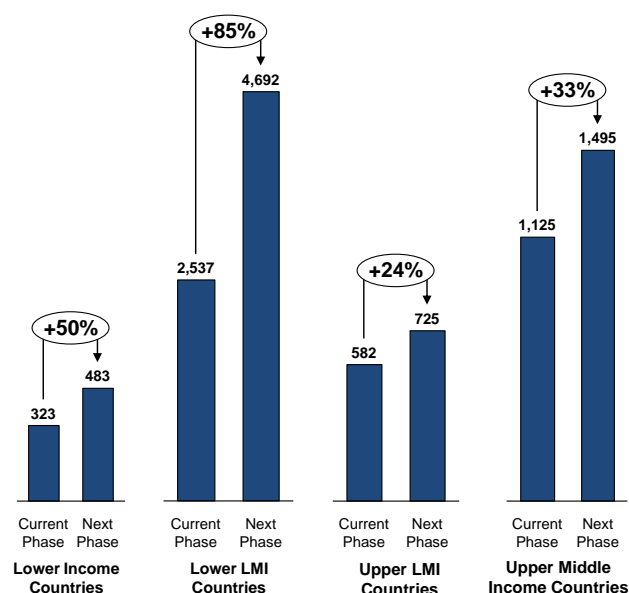
But the proof is in the numbers. A review of 68 key disease programs found that governments have committed an additional US\$2.8 billion for 2015-17, compared with their spending in 2012-14 - a 62 percent increase.

Current government funding vs. next phase commitments by income category – 68 programs of first three waves of Concept Note submission

[USD millions]

Income category	GF ¹⁾ allocation
Low	2,214
Lower- LMI	3,270
Upper- LMI	303
UMI	103
Total (US\$ M)	5,889

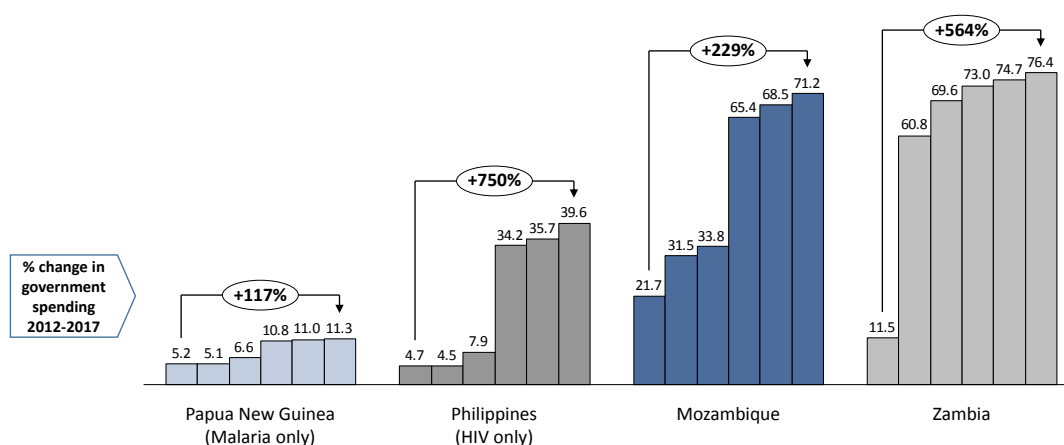
1) Global Fund Initial NFM allocation from January 2014 onwards to components accessing funding in first three waves



Here are examples of a growing trend in government spending.

Examples of increased domestic government contributions 2012-2017

[USD millions, %]



Given the high level of commitments in counterpart financing overall, the challenge will be to carefully track expenditures and ensure commitments are converted to budgets. To help, the Board approved a special initiative for 'Improving Value for Money and Financial Sustainability' to support countries in measuring and maximizing domestic spending. Another challenge is to ensure civil society remains engaged and funded as governments increase domestic resources and, ultimately, transition from external financing.

These efforts recently received a big boost at a high-level meeting on domestic financing for health at the United Nations General Assembly. Hosted by Kenyan President Uhuru Kenyatta in partnership with other African countries, the African Union and the United Nations Foundation. The meeting also explored what leaders from low and middle income countries can do to accelerate wide-ranging and innovative investments in health. More efforts have been planned to keep momentum to pool the highest level of resources possible for health.

Towards Full Transition

Ultimately, increased domestic finance will lead to transition from Global Fund support. A terrific case in point is Thailand, a country that has opted to transition ahead of schedule. In the next two years, the country plans to use Global Fund resources to seal gaps in their response to HIV and TB before transitioning to a fully government-supported program as of 2017.

Lessons, Challenges and Opportunities

9. This list of issues is not meant to be exhaustive. But it does indicate that while there has been good progress, we are learning important lessons about the limitations of the new funding model. It is important to remain vigilant in our collective learning and to do what is possible within this cycle to adjust and correct the way we work. But it is also important to do in-depth analysis to ensure the next cycle takes us to yet another level to better serve others.

Allocations

10. One challenge has been the limitations of the allocation formula. The allocation methodology, of course, could not account for the extraordinary four-year funding period of the transition, and therefore, for example, the need to replace long-lasting insecticide-treated nets twice in some countries within this allocation period.
11. We also have some tension between our dual goals to support countries to save lives and to end epidemics while building health systems. These two goals may be branches of the same tree but they do not always grow easily together. As countries succeed, the total number of infections significantly decreases. That is a very good thing. But if allocations are driven by disease burden and ability to finance, there is not as much room to end epidemics. This will be a key strategic issue for the next allocation cycle. Related to that is to consider if Bands are the optimal tool to balance lives saved with ending epidemics.
12. Another area where we can do more is in managing how the Incentive Funding pool is used. In some cases, prioritized, innovative approaches – or even essential interventions – were put in above allocation requests, while “business as usual” was pursued within the allocation amount. In other cases, there was a clearer prioritization of allocated funds where incentive funding wasn’t available. This indicates that we still need to do more to support an approach that looks at the entire pool of resources available – from all sources including the Global Fund – to achieve maximal impact.
13. In addition, we have heard from some countries about the difficulty of agreeing on their program split, as well as the challenge of having inconsistent grant durations.

Process

14. As noted above, while more than three-quarters of survey respondents had a favorable view of the new funding model, 23 percent said that their experience was poor and only 16 percent said it was “very good.” We are working to understand concerns so that we can address them.

Substance

15. We have concerns about prioritization of health systems strengthening within program split discussions and getting the right level of cross-cutting HSS investments when integrated into a disease component. In the end, systems are needed for all three epidemics, for responding to emergent epidemics and for creating universal health coverage to best ensure the health of individuals, families and communities.
16. Although the country dialogues are more inclusive, in some cases, good efforts to address key populations and human rights issues did not extend into programming and budgets. In other cases, the issues weren’t addressed at all. Without greater focus and resource commitment towards marginalized groups at high risk of infection and accessing services, countries cannot save as many lives as possible or advance towards ending their epidemics.
17. There seemed to be particular problems related to adolescent girls and young women. This could be a significant challenge but also a great opportunity with recent data on the effectiveness of various cash transfers that decreased HIV infection by 30 to 60 percent. By keeping adolescent girls and young women HIV-free and in school, we not only impact the HIV epidemic but could create a pandemic of healthy, educated women who get married later, have children later – if they decide to have them - and gauge the size of the family they can support. Then they would have a chance at equal opportunity. This could be a game-changer in the post-2015 agenda, combining health and education to transform societies and the world – the essence of what has been called human security.

Words Matter

18. Language is important and can carry unintentional negative consequences. For instance, the term “over-allocated” was interpreted by some as indicating that a country has excessive funding for health making it difficult to advocate for increased domestic financing. As we have discussed before, words like “assistance”, “aid”, “recipient” and “graduation” – among others – rankle some whom we serve because they reflect paternalistic thinking and are not consistent with the founding principles of the Global Fund or the new funding model. We will be replacing some of these problematic terms to more accurately describe and communicate what we all do.

Increasing Value for Money

Procurement and Supply Chain Management

- *US\$272 million saved in commodities over past 12 months*
 - *Monthly on time delivery increased from 38 to 68 percent – in 6 months*
 - *Pooled procurement mechanism increased from US\$300 million to US\$1.2 billion*
19. In the last few years, the Board has consistently asked the Secretariat to play a greater role in procurement and in shaping markets for key commodities. Over the past 20 months, we have stepped up our game on procurement operations and strategy and changed the way

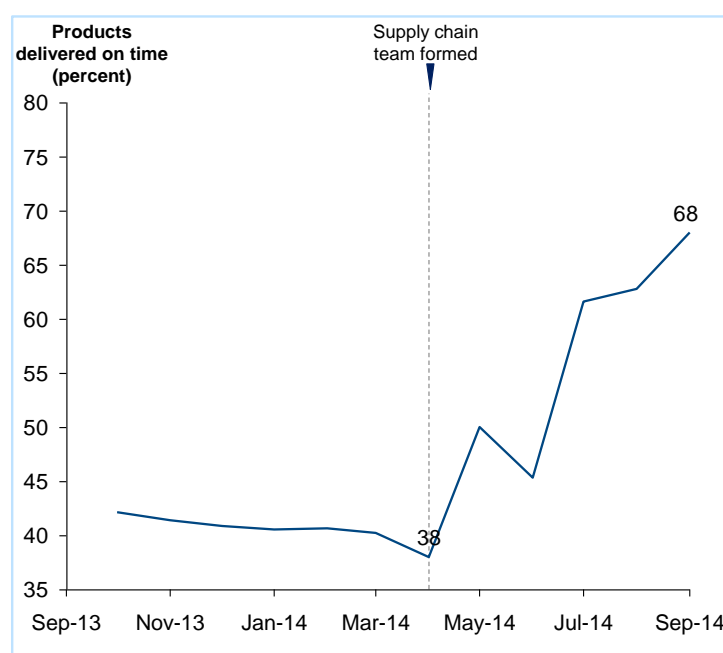
we work across the supply chain to increase access to products. It is a transformative project that we call Procurement 4 Impact (P4i).

The guiding principles of P4i are:

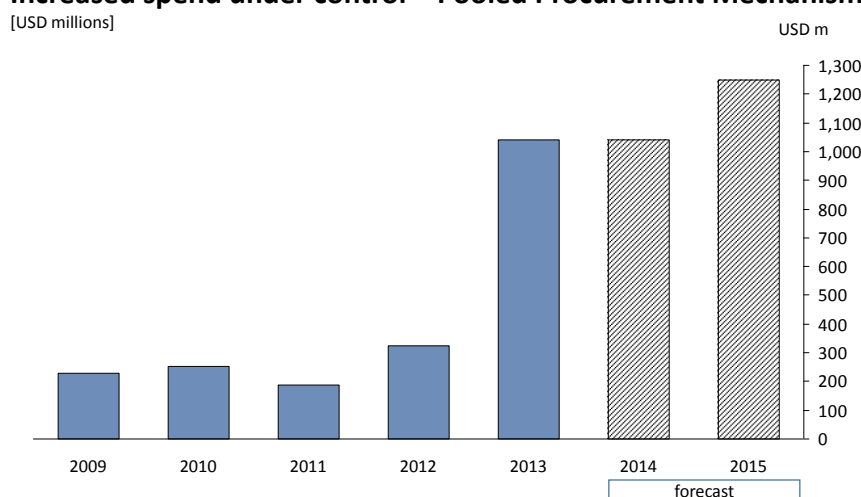
- Earlier involvement and closer collaboration with manufacturers
- Improving our purchasing capability and changing our contracting models
- Optimizing our supply chain to reduce cost and improve quality and efficiency
- Better planning and scheduling to support continuity of supply
- Delivering more products at the right time and place to more people

20. A significant problem with Global Fund procurement has been delivering products on time. For the bulk of procured drugs and products via the Pooled Procurement Mechanism, we were at a relatively poor 38 percent in early 2014. We set a goal to increase that to 60 percent by the end of the year. By September 2014 delivery of these products on time reached 68 percent. As a reference, the industry standard is 80 percent.

Supply chain performance (manufacturer to port-of-entry)



Increased spend under control - Pooled Procurement Mechanism



21. We continue to work closely with thought-leaders in market dynamics to advance our shared understanding of the current global health procurement landscape. As an example, UNITAID and the Global Fund announced a Memorandum of Understanding for collaborative working in August 2014. Partners such as the UK's Department for International Development, the World Health Organization, the President's Malaria Initiative, UNICEF, UNITAID and the Clinton Health Access Initiative have also joined initiatives. In October, we hosted a 3-day strategic review where these and many other partners came together to critically look at what we achieved by working together in 2014 and to crack some of the challenges that remain open. We congratulate DFID for winning a Chartered Institute of Purchasing and Supply Award for improving the reputation and global reach of purchasing. The Global Fund was privileged to support DFID in their innovative work.

Increased Allocative Efficiency

22. With needs that are bigger than the resources available, ending epidemics and building health systems requires focused, data-driven approaches that can achieve the greatest impact. As mentioned above, the Technical Review Panel has seen increased prioritization in concept notes. In addition, through a Board-approved special initiative on optimizing value for money, a range of partners have engaged during the national strategic plan and concept notes development processes as well as during program implementation to strategically prioritize interventions to maximize impact – a processes that is often called “allocative efficiency.” Countries involved so far include Armenia, Bangladesh, Belarus, Ethiopia, Jamaica, Kazakhstan, Kyrgyzstan, Moldova, Mozambique, Sudan and Ukraine. Increasing allocative efficiency will be an important area of work in the coming months and years.
23. As countries work to improve allocative efficiency, it is clear that challenges remain. For example, HIV models are well ahead of tuberculosis and malaria models. Models are only as good as the data that go into them and data can be insufficient and unreliable. And care is needed in interpreting what comes out of a model. In the end, common sense, experience and wisdom have great value.

Data to Drive Impact

24. We are all aware that quality data is essential to make a big difference in responding to HIV, tuberculosis and malaria. We are working hard to improve the quality and availability of data, to enable strategic decisions from site, to national, to portfolio to global level. We are emphasizing the need to support national targets and data reporting systems as well as the strengthening of Monitoring & Evaluation systems with strong feedback loops to ensure delivery of quality services and achieving impact.
25. As part of the Global Health Leaders group, WHO led an effort to reduce the number and improve the quality of health indicators, focusing on 100 indicators. As part of that initiative, there is now important work underway to develop a common data verification platform, to yield a common approach for data and service quality reviews and health facility assessments.
26. The Global Fund also worked with technical partners to revise our indicators to focus on impact, including coverage rates for key affected populations. As part of the transition to the new funding model, those indicators are “going live.” There has been great collaborative work with countries to ensure they are embedded within strong systems and this will be aligned with the global effort.
27. With our current focus on strengthening availability of data that can be used to measure impact, we are working to support and strengthen national programs while underlining the need for countries to increase investments in monitoring & evaluation systems. Partners are mapping available resources for monitoring & evaluation in countries while assessing the needs that can be covered by grant resources and what can be covered by other sources. We still have data gaps, and in some countries we are providing additional funding for this process, through special initiatives.
28. Since 2012, we have worked with partners to support 20 high impact countries to do epidemiological and impact analyses. The findings from these exercises have been paramount in informing the revision of national strategic plans and subsequently the development of the concept notes.

Nigeria

In Nigeria, the HIV and AIDS epidemiological and impact analysis that started in February and was completed in August 2014 looked at key parameters such as total number of people in need of services, current coverage, service package and availability, nationwide and by state. Most important, it also looked at key interventions that have worked. The exercise sought to optimize a mix of intervention services, geographical focus, sub-group selection, and focus on maximizing impact by getting the best out of these combined measures. They are supported by domestic programs, the Global Fund, PEPFAR and other donors. As we move to the subnational and district levels in Nigeria, we have to be conscious of the fact that the optimization process faces more challenges of time and resource constraints as well as the need for stronger partner collaboration.

Tanzania

In Tanzania we started partnering in 2013 to strengthen the District Health Information System (DHIS), the platform of choice for the national health management information system since 2005. Timely reporting to the national level from 165 districts improved from

20 percent in 2009 to 61 percent in 2012 to 69 percent in 2013. By March 2014, the DHIS platform had been installed in all the 165 districts in the country. Currently, DHIS is being extended to all hospitals to improve reporting and analysis of mortality data. We support these initiatives through a health systems strengthening grant.

The Predictably Unpredictable: Responding to Emergencies

29. Health emergencies often surface when least expected. What is expected is that they will occur.
30. The Technical Evaluation Reference Group conducted a thematic review on fragile states and presented its finding to the Board's Strategy Committee in June 2014. Key recommendations include identifying a group of countries that merit special attention and developing a special approach to each based on the specific circumstances. The review provides the criteria and potential countries to consider. They also suggest referring to challenging operating environments, or COEs.
31. Adopting a country-by-country approach in these environments requires understanding the political, economic and social context. Responses need to be monitored, adapted and developed further. Considerable flexibility is needed for specific arrangements. We have continued to design differentiated programs for these diverse countries with a view to staying focused on defeating the three diseases. This important area will be a key focus of the development continuum work as discussed in Section II.
32. The country-by-country approach is demonstrated by these examples, including some countries identified in the Technical Evaluation Reference Group's thematic review:

Syria

33. Where civil war has taken a heavy toll, health systems and budget cuts have created severe operational challenges. We expanded work with local partners to reach creative solutions, including roundabout but successful delivery routes for antiretrovirals, reprogramming an HIV grant, more emphasis on vulnerable and internally displaced populations, and prioritizing testing and prevention of mother-to-child transmission of HIV.

South Sudan

34. In South Sudan, where conflict has displaced over 1 million people, we continued to support efforts to deliver essential medicines. We also have made advances in strengthening health systems, with better reporting and verification of programmatic results, and enhanced verification of ARV stocks.

Myanmar

35. Health indicators for Myanmar are among the lowest-ranking in Asia, with chronic under-investment in the health sector. Yet with the Country Coordinating Mechanism's expansion of scope to become the national coordinating body for all public health issues, diverse partners are participating and ambitious health planning is underway. As an early implementer for the new funding model, Myanmar is accessing new grants for HIV, malaria and TB.

Somalia

36. After two decades of civil war, Somalia's health system was chronically unstable and nearly destroyed. Even so, we have maintained steady support by working with partners like UNICEF and World Vision, who found local organizations at work on reconstructing public health facilities and prioritizing maternal and child health.

Pakistan

37. Pakistan, the only federal country in the world without a central Ministry of Health, faces organizational challenges on top of political shifts and natural disasters. Efforts to strengthen local focus on health investments comes through provincial health and disease strategies. Through the country dialogue and working with partners at the provincial level, we are striving to integrate our support with provincial health sector plans.

Ukraine

38. Even in a tumultuous year, partners in Ukraine show great determination to achieve maximum impact against HIV and TB. We are actively monitoring the situation and adjusting as needed. We are encouraged that the Parliament of Ukraine recently endorsed a new HIV/AIDS strategy that includes increased funding for program areas currently supported by the Global Fund. In uneasy circumstances, we remain responsive to continuing essential services and adapting to the changing environment.

Response to Ebola

With the Ebola outbreak, the essential role of building strong health systems has come into sharp focus. The three countries most affected by Ebola – Liberia, Guinea and Sierra Leone – are post-conflict states each with unique challenges in building effective health systems. Recently, Nigeria, Senegal, Uganda, Democratic Republic of Congo and Gabon have so far successfully controlled Ebola. There is a growing body of evidence to show that investments in specific disease programs have a positive effect on broader health systems, including related to the recent Ebola outbreak.

We are monitoring the Ebola outbreak closely, following the lead of each affected country, WHO, and partners on the ground and responding as swiftly and sensitively as possible to requests. We are supporting the purchase of protective gear, training of staff on infection control, and improved allocation of human resources or program assets. In addition, because symptoms are similar, malaria can complicate the diagnosis of Ebola. Fortunately, malaria interventions including universal coverage campaigns to distribute long-lasting insecticidal nets in Sierra Leone and Guinea were completed before the crisis. Liberia's mass distribution campaign of nets is scheduled for November 2014. We are working with the country and partners to deliver the nets in a way that is consistent with the situation on the ground. We have also made clear to the Ministry of Health that they can use Global Fund resources for presumptive therapy of malaria, consistent with WHO guidelines. We anticipate and hope that demand will increase. We are actively exploring if Emergency Fund resources are needed for malaria treatment and other needs in the affected countries.

Stepping Up Financials

39. In 2012, we began an ambitious project to modernize our financial systems, striving for a high level of transparency, accountability and reliability. In 2013, “Finance Step-Up” established the basis for an updated system, completely overhauling our financial architecture. New finance applications with significantly greater efficiency, improved workflow and tight internal and external controls were put in place.
40. The new systems, processes and controls were carefully tested and retested. In early 2014, we successfully completed the migration of all financial information covering 1,800 purchasing transactions and over 1,000 grants – closed and active, approved and not yet approved – into our new Enterprise Resource Planning tool, on time and without major issues. All of our financials are now in one single integrated data platform and are updated in real time.
41. We have also initiated a practice of robust financial planning and forecasting. The new systems have provided the required capability for the annual corporate budget and for quarterly forecasts for grants, operating expenses and contributions and for the three-year Mid-Term Plan, as required by the Amended and Restated Comprehensive Funding Policy for accurate assets and liabilities management. We now have the mechanisms we need to make sure we are investing responsibly and to identify and address emerging trends before they develop into financial challenges.
42. Throughout the year, we have continued to enhance our treasury capabilities. We strengthened our collaboration with the World Bank on the hand-over of cash management functions, following the successful handover of the grant commitment control function in March 2014. In parallel, we are establishing set of key contracts with strong and reliable commercial banks and we are currently implementing a new treasury tool that will expedite the safe transfer of funds, improving efficiency of cash management and reducing foreign exchange and other risks.
43. We have also developed an online financial dashboard that includes status of contributions, grant expenses and disbursements, and operating expenditures, allowing a user to customize a view of data in a variety of ways and to look at different levels of detail. This tool will soon be available to Board members, which should facilitate and improve oversight by the Board.
44. Ultimately, the Finance Step-Up project is about much more than systems, processes and tools – it is about building and developing a culture of enhanced transparency, accountability, innovation and operational excellence. To achieve victory over HIV, tuberculosis and malaria, we must be accountable, efficient and transparent in the way we manage our resources.

II. Walking Towards the Future

45. The global health landscape is inextricably tied to political and economic trends that continually change – requiring us to adapt and evolve. Looking ahead, we anticipate fundamental change in the very environment in which development and global health have operated for more than half a century. To provide the Board with analysis and options to impact the next strategy, many strands will need to come together. In many ways, our work

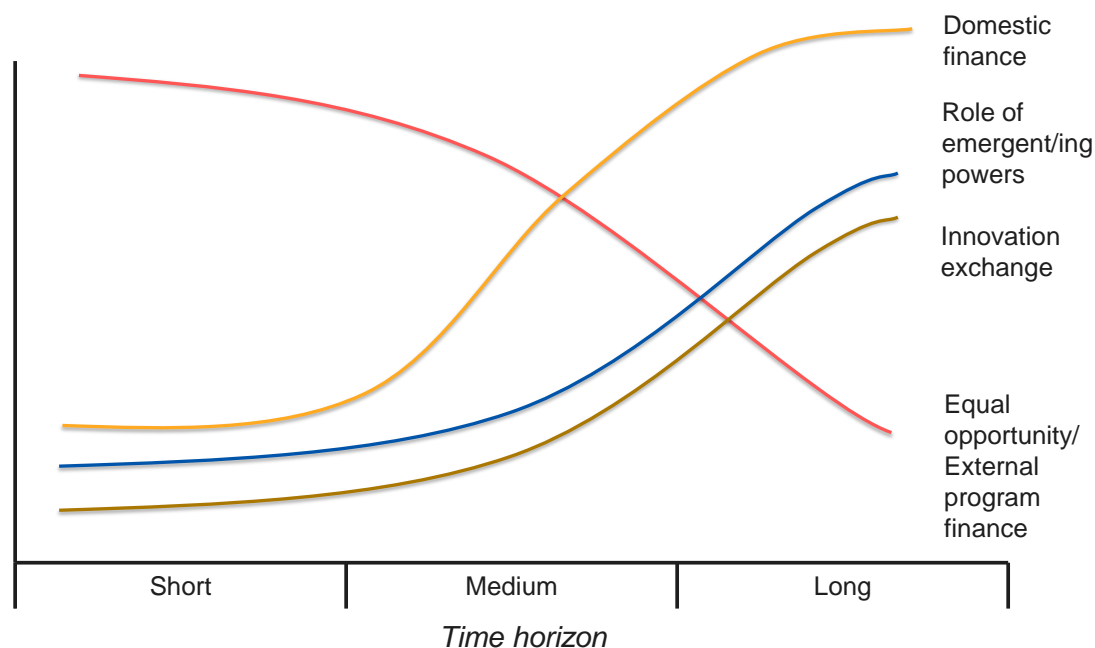
will be driven by the development continuum – the trajectory and pace of development that occurs in different ways at different paces in each country.

46. To begin, we can ask three key questions: What will the world look like in 15 years? What is the role of development and global health in that world? What, if anything, is the role of the Global Fund in that world? Board members and partners will undoubtedly raise other questions as the dialogue moves forward. By asking and, to the best of our ability, answering such questions, we can better guide our evolution now and better plan for the medium- and long- term. Our consistent goal is to achieve as much impact as possible for as long as there is a Global Fund.

The Development Continuum

47. The piece of work that will attempt to pull the strands of exploration and analysis together is the development continuum, framing how countries move from challenging operating environments to self-sufficient states with equal opportunity for their citizens, including equal access to health. As we understand the continuum better, we can better understand how a 21st-century partnership supports countries as they progress along the continuum – and even beyond support from external sources of funding.
48. Some trends can already be discerned. An increasing number of countries are already preparing to transition from low-income to middle-income status. A growing percentage of the world's poor, and the world's disease burden, will be in middle-income countries. Already, 70 percent of the world's poor live in middle-income countries. Already, 66 percent, 76 percent and 54 percent of HIV, tuberculosis and malaria, respectively, is in middle-income countries.
49. Middle-income countries have bigger potential to invest domestic resources for health. However, resources are not always invested to the level needed and, even when they are, many can be left behind. Low-income countries, especially those with challenging political environments, may need more support and differentiated approaches to investing. In all countries, civil society plays a key role and needs to remain engaged and well-funded, which can be difficult as governments increase domestic financing and move towards transition from external resources for health.
50. In that regard, economic scenarios can be weighed against epidemiological intelligence that points to diseases, especially HIV and tuberculosis, are becoming less generalized and more concentrated in certain locations and marginalized populations within a country. And while certain middle-income countries and regions make remarkable progress against these diseases, others are falling back. This may call for a diversified and differentiated approach in raising funds and investing, as part of the Post-2015 development agenda. This agenda will be significantly more diverse than the Millennium Development Goals.
51. The schematic below offers one way to begin to think about the changing world. Emerging powers will likely play a bigger role in the global health arena in the years to come. While traditional, large external investments will remain important in the short, medium and, in some countries, long term, a strong shift to increased domestic resources is anticipated. As noted above, the Global Fund is deeply engaged in supporting that shift, in the spirit of shared responsibility. But is there a role for the Global Fund as the foundations of Official Development Assistance, the bedrock of development and global health for more than half a century, begin to shift beneath us?

Notional Direction



52. Key to everything will be analyzing what has worked so far and understanding what countries want and need to move along the continuum, and what might they want and need even after they have transitioned from the need for significant external resources? One thing is certain: if we don't engage people from the countries in the thinking and, in fact, set the direction, we will be overtaken by events beyond our control. From an understanding of what countries want and need, we can then explore how the Global Fund can best serve them.
53. We are testing the waters in a few places, and we look forward to feedback, direction and full engagement as we all walk into the new world together.

First Step: Development Continuum Working Group

54. We are preparing the groundwork for the next Global Fund strategy by convening a working group that will bring together experts from a range of backgrounds, disciplines and organizations to explore how we should engage with changing country contexts and the evolving development landscape. Because the working group is a first step, and so that it is manageable, we did not attempt to tick all the boxes. We kept it small. Additional experts will be added to sub-working groups to think through specific issues and of course there will be a large and wide consultative process leading up to the Board adopting the next strategy.
55. The Development Continuum working group, which convened in October 2014, is establishing key facts about the changing development landscape and highlighting implications for the Global Fund. It will ultimately provide recommendations on how to improve the strategic impact and effectiveness of our engagement with countries. This work will feed into a broader global strategy consultation process over 2015. Anders

Nordström, Ambassador for Global Health, Ministry for Foreign Affairs, Sweden, chairs this Working Group, and plans to present its report and recommendations to the Board in March 2015. Some of the key questions include:

- How should the Global Fund support key populations left behind in the progress against HIV/AIDS, TB and malaria and engage countries where political will or financial support may be lacking?
- How should the Global Fund contribute to increased sustainability of our investments and ultimately support countries as they transition from Global Fund support?
- What instruments, tools and strategies does the Global Fund need in challenging operating environments (high risk, conflict/post-conflicts etc.)?
- What tools does the Global Fund need to best support the programmatic and institutional sustainability of health programs?

Equitable Access Initiative

56. A key aspect of the development continuum is defining it better. Currently, movement along the continuum is largely defined by Gross National Income (GNI). However, such a classification system has limitations, and it was not designed to be used for decisions related to health programs. This is recognized by many health care organizations. We have partnered with GAVI, The World Bank, WHO, UNAIDS, UNDP, UNICEF and UNITAID to convene a panel to look at a new framework for the development continuum specifically related to health. This Equitable Access Initiative will provide the Board with one strand of analysis and data to consider in developing the next Strategy.
57. Since the initiative was first mentioned in the last Executive Director's report, there has been very constructive input and course correction to focus squarely on a framework for smooth movement along a continuum related to health. The Panel will commission two or more groups to evaluate factors in addition to GNI, for example, percent of people living in poverty, with access to health services and commodities and health system capacity, and to develop a new formula and framework to define the continuum for health. The conveners are in the process of finalizing the appointment of co-chairs and panel members. It is expected that the panel will meet early in 2015 to set their course, and again in the first quarter of 2016 to make final recommendations on a framework.

Strengthening Systems

58. There are two related but slightly different perspectives to the development continuum – looking forward to what countries want and need to progress along it, and looking back at what countries put in place to help them move along it and even transition beyond external resource support. There will be considerable work and thinking on this topic, as has been noted. Reflection so far, in part based on our results-based financing efforts and the Board's direction on our approach to systems strengthening, has led to an initial focus on financial and risk management systems, procurement and supply management, and site-level quality assurance with all its related pieces of data management. We are pursuing several strands of work to support countries to develop and strengthen those key systems as we learn more about other areas countries want and need to move along the continuum.

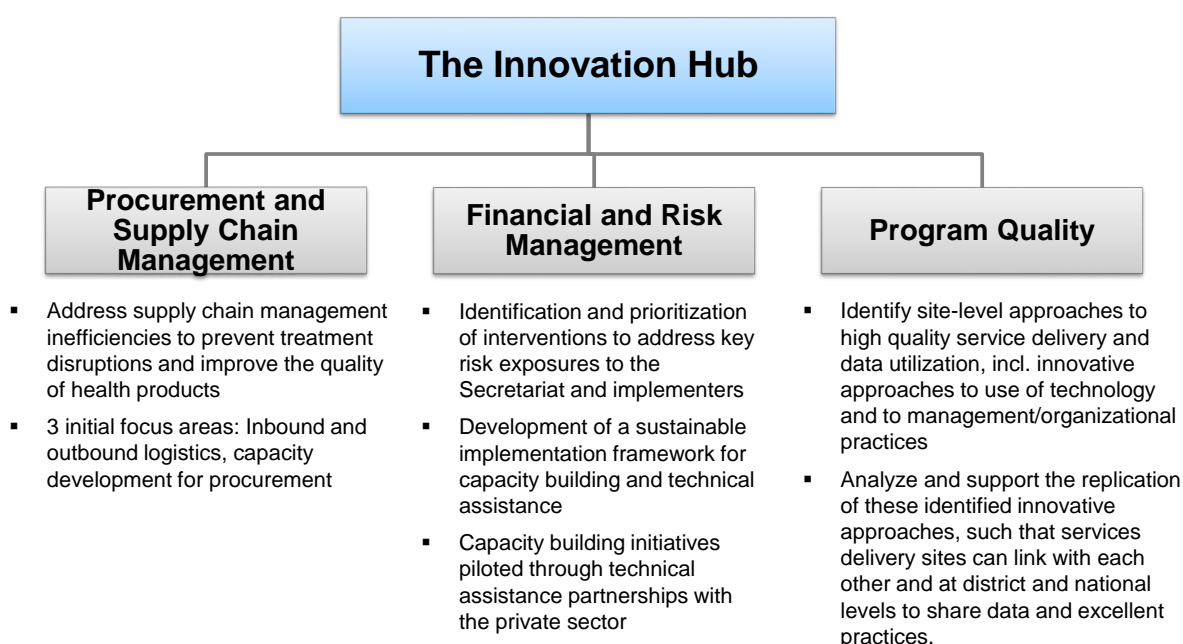
Learning about Systems through Results-Based Financing: the Rwanda Experience

Rwanda is confident that this year's results-based financing agreement will allow sustainability of programs and faster achievement of results. Over the next five years, Rwanda expects to reduce new HIV infections by two-thirds, and halve the number of AIDS deaths. Some people have called this way of investment "buying results." It is a pilot that can be tried in other countries. We are also exploring possibilities of how other partners can align their investments and work in Rwanda with this model.

Key to adopting this approach was the presence of strong national systems with strong internal controls and accountability in program management, data management systems, the Supreme national audit authority, procurement and supply chain, and financial management. Through results-based financing, national systems will be used and financial supervision and audits will be checked by the Global Fund Secretariat. By better understanding the systems that were in place to allow for a successful results-based financing approach, we can come to better understand how to support and serve countries to progress along the development continuum.

Innovation Hub

59. As a 21st-century partnership, we can and must draw the best innovations from across sectors while stimulating new innovations for more rapid progress and greater impact. This is what we hope to do through our new Innovation Hub. The hub will explore ways of developing partnerships and public goods to support long-term sustainability.



Financial Management and Innovative Finance

60. We are actively pursuing several innovative approaches to financial management at the implementation level. One promising partnership already underway is with Ecobank, a leading pan-African financial institution that operates in 35 countries. In regional and country-specific financing programs, Ecobank is strengthening financial management capabilities of grant implementers, training professionals in financial management, accounting and reporting. We see tremendous potential and want to expand this partnership rapidly.

Seeking Innovations from Other Sectors: Cash on Delivery

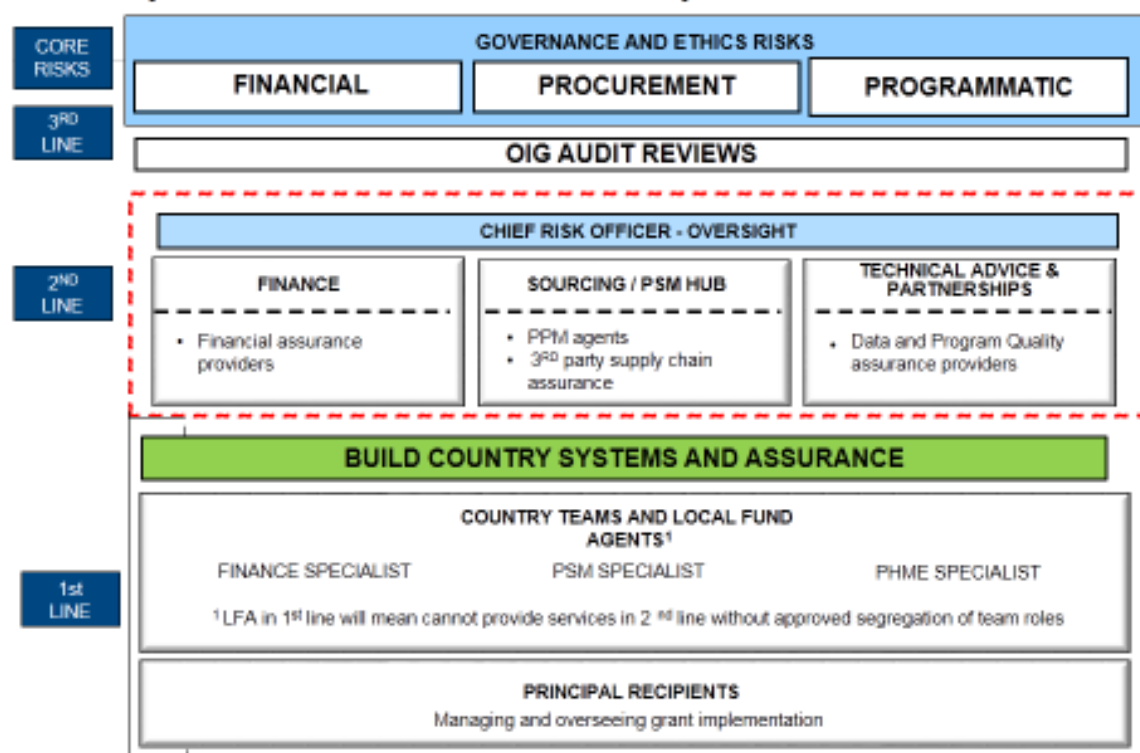
As a subset of results-based financing, “cash on delivery” is a catchy phrase for linking primary indicators – such as increased cure rates for tuberculosis – to funding. The idea is to reward success in achieving goals, rather than simply ensuring that money was spent. That moves everyone’s focus to “outcomes” rather than “outputs” and “inputs.”

There has been a lot of innovation and experience with cash on delivery models. With financial and intellectual support from the Gates Foundation, partners will track and evaluate cash on delivery strategies across sectors. Based on the findings, we anticipate piloting some models in the search for ways to achieve greater impact.

Improving Risk Management

61. We are working to strengthen our internal approach to risk to better support the building of risk management systems in country. It is not surprising that the areas of focus for risk management match the key systems we are working on, to better serve countries as they move along the development continuum.
62. At our meeting in Jakarta, we discussed the need to improve our risk and assurance approach. The first phase of that work, led by the Executive Director with significant involvement of the Inspector General, has recently been completed and has resulted in the identification of a number of improvements in planning, executing and reporting on assurance activities. The project is now moving into a pilot phase; implementation is expected to start in the second quarter of 2015. Below visual captures how we look at the different actors when it comes to providing assurance over grant progress and outcomes:

The Proposed Risk and Assurance Map



The Global Fund Le Fonds mondial El Fondo Mundial Глобальный фонд 全球基金 الصندوق العالمي 6

Quality Assurance and Data for Impact

63. Achieving impact at a national, regional and global level begins with striving for maximum impact at every site and every program. There are countries that achieve good impact, but have sites that do not. There are countries that struggle with overall impact but have sites and programs that achieve good results. Technical partners and, ultimately, each country set their standards and guidance on what should be done. At the site and program level, there is enormous operational innovation that leads to effective implementation of those standards and guidelines. As part of the Innovation Hub, partners are coming together to identify sites and programs that have figured out how to make things work in difficult environments, and to identify common operational innovations that are replicable in other settings. Once validated, those can become part of quality assurance tools to maximize impact, including for use as part of grant agreements and mandated of assurance providers.
64. One key area that contributes to impact is data management. This is not just the collection of data, but the use of data in real time to improve the cascade of service provision. While it is in its earliest stages, similar to the risk and assurance working group, we are pulling together the different parts of data management at the Secretariat to ensure we support linking verifiable site and program-level data collection and management with national efforts. That will contribute to our portfolio management for impact, but equally important, it will be an integral part of our collective effort to support countries to create the systems that are needed to move along the development continuum.

Global Public Goods

65. As countries progress along the development continuum, and even move beyond the need for external resources, it is important to analyze what global public goods could be most useful to them. Each area of the Innovation Hub will explore global public goods that could be needed and ways to deliver them. We are challenging ourselves within the Secretariat and within our broad partnership to identify the most important global public goods and to consider which organizations are best placed to develop them. The key to success is to begin with what countries want and need. We have great progress in procurement, and hope to advance in each area/system in the short to medium term.

e-Market Exchange

One key to supporting countries in the move towards transition from external funding for health, and even beyond transition, is to create access to the lowest possible prices for quality commodities – and access through a country’s own efficient procurement systems. With financial and intellectual support from the Gates Foundation, we are exploring the possibility of creating an electronic market exchange, an online platform that is open to everyone and essentially becomes a reliable marketplace and clearinghouse for information, prices, sales and overall tracking of health products.

This has four great advantages for countries:

- Accessing the lowest prices and the highest quality products, through their own procurement mechanisms;
- Avoiding the need to build a large procurement system in each country;
- Providing a high level of transparency and accountability in procurement systems;
- Giving local manufacturers more opportunity to access new customers.

While we will start with the Global Fund and commodities we support, it is our hope to spin off an open-source market exchange for health with independent, transparent management by another entity so that it can serve global health broadly.

Concluding Note

66. The landscape in global health and development – the ground beneath our feet - is rapidly shifting. While that can be challenging, it also opens up exciting possibilities. It has been quite a year as we have been running in the present. We look forward to working together as we also walk towards the future to be ever more effective servants to countries and people as they progress along the development continuum with equal opportunity and universal access to health. What a privilege to be on this path together!