

THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA
THIRD REPLENISHMENT (2011-2013)

THE FIVE-YEAR EVALUATION: AN UPDATE

LIST OF ABBREVIATIONS

AMFm	Affordable Medicines Facility - malaria
TB	tuberculosis
TERG	Technical Evaluation Reference Group
WHO	World Health Organization

BACKGROUND

1. In November 2006, the Global Fund Board launched an independent evaluation of the Global Fund's progress under the oversight of the Technical Evaluation Reference Group (TERG). The Five-Year Evaluation examined the following:
 - I. Organizational efficiency and effectiveness of the Global Fund;
 - II. Global Fund's partner environment; and
 - III. Collective impact on the burden of AIDS, tuberculosis (TB) and malaria.
2. At its Nineteenth Meeting in May 2009, the Board reviewed the final reports of the Five-Year Evaluation and requested the Secretariat to report to the Board at its Twentieth Meeting, through the Policy and Strategy Committee, on the Secretariat's progress in responding to the recommendations. The Global Fund Secretariat welcomed the Five-Year Evaluation as an opportunity for reflection and learning, and, as requested, presented a management response to the Board at the Twentieth Board Meeting in November 2009 (see Annex 1). The response includes time-bound actions responding to the five overarching recommendations.
3. This note provides a brief update on work undertaken since the November Board meeting, as requested by donors during the Mid Term Review of the Second Voluntary Replenishment in Caceres in April 2009, and includes a timeline for the main areas of work outstanding (see Annex 2).

UPDATE

4. **Resource mobilization:** Address concerns about the sustainability, predictability and additionality of funding. The Secretariat is implementing a resource mobilization strategy to diversify funding sources. A third replenishment of the Global Fund is planned for 2010 under the chairmanship of the UN Secretary-General Ban Ki-moon. The Secretariat is also implementing efficiency gain measures internally and across the grant portfolio.
5. **The Global Fund portfolio of investments:** Address gaps in the portfolio of investments to move towards universal access of AIDS, TB and malaria interventions. The Secretariat is analyzing the existing grant portfolio to identify gaps in universal access and is working with Country Coordinating Mechanisms and Principal Recipients to re-program existing grants where needed. The Secretariat is also working with the GAVI Alliance and the World Bank to roll out a joint platform for health systems strengthening.
6. **The Global Fund business model:** Develop a corporate strategy that reconciles the inherent tensions within the principles of the Global Fund's business model. The Secretariat is supporting the Board in reviewing the overarching principles of the Global Fund and its evolving business model. A Board Retreat held in February 2010 provided guidance for the development of a corporate strategy. Additionally, a partnership strategy was developed and approved by the Board in November 2009 and is now being implemented. This strategy identifies the guiding principles for Global Fund partnerships and articulates how they can be applied to improve partner efforts to support countries in the design, implementation and evaluation of Global Fund grants. To strengthen performance-based funding, the Secretariat has introduced a new grant rating methodology and is developing a data quality strategy to underpin the operations of performance-based funding.
7. **Grant-making mechanism:** Innovate and simplify grant architecture. The Board has approved a new grant architecture that emphasizes grant consolidation; a single stream of funding per Principal Recipient per disease, and periodic reviews. This will be implemented in 2011. In addition, in November 2009, the Board approved the first learning wave of National Strategy Applications in six countries and the Affordable Medicines Facility - malaria (AMFm) in 11 countries.
8. **Building an efficient and effective organization:** Improve efficiency and effectiveness of the Global Fund. In mid-2008 the Secretariat was restructured for improved efficiency. This was followed by an administrative transition from the World Health Organization (WHO) in January 2009, which enabled the Global Fund to become an autonomous international financing institution. In 2010, the Secretariat will be implementing mission-critical systems, including deployment of information communication technology, improving procurement and implementing the staff performance management system. A Risk Management and Accountability Framework has also been approved by the Board and rolled out.
9. The Secretariat is continuing its efforts to fully address the recommendations of the Five-Year Evaluation and will report on progress through the ad hoc committee set up by the Board.

ANNEX 1

MANAGEMENT RESPONSE TO THE FIVE-YEAR EVALUATION

OUTLINE

As requested by the Board at its Nineteenth Meeting (GF/B19/DP29), this paper summarizes the Secretariat's response to the recommendations of the Five-Year Evaluation of the Global Fund, including the recommendations of the TERG on the findings of the Evaluation. The response to the numerous recommendations from the Five-Year Evaluation reports is organized around five overarching themes: Resource Mobilization, Portfolio of Investments, Business Model, Grant-making Mechanism and the Global Fund Organization. Actions in response to the individual recommendations from the four Five-Year Evaluation Reports, and the corresponding Summary Papers by the Technical Evaluation Reference Group, are listed in four attachments.

EXECUTIVE SUMMARY

The Global Fund Secretariat welcomes the findings and recommendations of the Five-Year Evaluation, including the recommendations of the TERG on the findings of the evaluation, as these provide an opportunity for reflection and learning to develop a set of strategies and actions to improve the efficiency and effectiveness of its operations.

When developing its detailed response, the Secretariat has carefully reviewed the reports from Study Areas 1, 2 and 3 and the Synthesis Report of the Five-Year Evaluation, and the over 100 recommendations included in these, as well as the recommendations of the TERG on the findings of the evaluation. This paper summarizes the Secretariat's response to these.

The response is organized around five themes: Resource Mobilization, Portfolio of Investments, Business Model, Grant Making Mechanism and the Global Fund Organization. In addition, the paper includes attachments detailing individually the proposed actions in response to the recommendations included in Study Areas 1, 2 and 3 and the Synthesis Report, including the recommendations of the TERG in relation to each of these study areas and the Synthesis Report.

Resource Mobilization: The evaluation has acknowledged the success of the Global Fund in mobilizing large-scale resources, but raised concerns about future availability of financial resources at the levels enjoyed until recently. The Synthesis Report has questioned the impact of the uncertainty about levels of donor funding on the sustainability, predictability and additionality of Global Fund investments in countries. In response to these concerns, the Secretariat has developed a resource mobilization strategy that aims to diversify funding sources to maintain sustained large-scale funding. In addition to efforts aimed at mobilizing new resources, the Secretariat is implementing a variety of efficiency gain measures across the Global Fund grant portfolio and the Secretariat to use existing funds in the most efficient and effective manner. The Secretariat is working closely with the Board Working Group charged with developing options for managing the tension between resource demand and supply in the current resource-constrained environment.

Portfolio of Investments: The evaluation recognized the contribution of the Global Fund in reducing global burden of disease for the three pandemics, but identified areas of improvement in the Global Fund portfolio. Specifically these relate to improved prioritization of investments in relation to poverty and need, gender inequities, and under-investment in areas such as prevention of mother-to-child transmission (PMTCT) of HIV. In response to this recommendation, the Secretariat will analyze the existing grant portfolio to identify gaps, and where possible, work with Country Coordinating Mechanisms and Principal Recipients to re-program existing grants to address service gaps, specifically, in line with Board decisions, to move towards universal access of HIV/AIDS prevention and treatment, address gaps in PMTCT services, improve HIV/TB co-programming, intensify activities aimed at addressing multidrug-resistant TB, further scale up cost-effective malaria investments, further strengthen health systems, and improve equity and gender equality.

The Global Fund Business Model: The evaluation commended the Global Fund business model as being innovative, but found tensions among its core principles of country ownership, working in partnership, and performance-based funding. In response, the Secretariat is preparing three strategic plans relating to Country Coordinating Mechanisms, partnerships, and performance-based funding, to address the tensions highlighted in the evaluation.

The evaluation noted that while the Country Coordinating Mechanisms, which were set up in recipient countries in response to Global Fund requirements, had been successful in mobilizing partners for submission of proposals. However, the role of Country Coordinating Mechanisms in grant oversight, monitoring, and technical assistance had remained substantially unexecuted. The evaluation recommended a review of the role of Country Coordinating Mechanisms in promoting country ownership. The Secretariat will review its operational policies to ensure greater emphasis on strengthening the Country Coordinating Mechanism function rather than strengthening the Country Coordinating Mechanism entity. In doing so, the Secretariat will continue to actively promote country ownership, inclusiveness, and integration of Country Coordinating Mechanisms into national coordinating mechanisms.

The Secretariat recognizes the challenges of developing effective partnerships at both the global and the country levels and welcomes the evaluation recommendations. To address this challenge, the Secretariat is developing a partnership strategy that will identify the guiding principles for the Global Fund partnership, and stress the Global Fund's commitment to improved, working partnerships. The strategy will also articulate how these principles will be translated into clearly defined actions to improve the efficiency and effectiveness of efforts to support countries when designing, implementing and evaluating Global Fund-supported grants.

Performance-based funding is a defining feature of the Global Fund grant-making mechanism. The evaluation found that the Global Fund has succeeded in applying performance-based funding at a greater scale than previously and that performance-based funding is creating positive incentives for implementing partners to improve the efficiency by which Global Fund supported programs are implemented. The evaluation also found that performance-based funding had led to increased transparency and accountability for results and application of resources. However, performance-based funding has become complex with increased reporting burden on countries. In response, the Secretariat is consolidating performance-based funding by refining the grant-rating methodology, implementing data quality assurance measures, and supporting work to strengthen national information systems. The Secretariat is also commissioning a review of performance-based funding to identify further areas for improvement and in 2009 will develop a program of work on novel benchmarking approaches to improve target setting.

Grant Making Mechanism: The evaluation found that the Global Fund grant architecture has become increasingly complex and needs simplifying. Rather than piecemeal refinements to individual elements of the existing architecture, in line with the Board Decision at the Eighteenth Board Meeting in November 2009, the Global Fund is undertaking a major review of its grant architecture to shift from a "project based" approach to one that emphasizes a single stream of funding per Principal Recipient per disease. The grant architecture will be further simplified by the operationalization of National Strategy Applications, enabling countries to submit a "national disease strategy" for each of the three diseases, instead of the current approach which has led to the emergence in countries of multiple grants for the same disease.

Organizational Efficiency and Effectiveness: The evaluation first reported in October 2007 on organizational efficiency and effectiveness of the Global Fund. Since then a major organizational restructuring has introduced a new Secretariat structure in mid-2008. This was followed by an administrative transition which enabled the Global Fund in January 2009 to emerge as an independent international financing institution. In addition, the Global Fund Board has introduced new working procedures to help focus its work on strategic issues while delegating operational matters to the Secretariat. Furthermore, the terms of reference for the Board Committees have been redefined with more responsibilities delegated to this level.

One of the key findings of the Five-Year Evaluation was the absence of a risk management framework, with a recommendation to the Secretariat to introduce such a framework. The Secretariat has responded to this recommendation by establishing in May 2009 a cross-Secretariat Risk Management Working Group to create a Risk Management Framework, and to introduce a risk register with focal persons owning each risk area.

Conclusion: The Secretariat strongly welcomes the recommendations arising from the Five-Year Evaluation and is committed to effectively responding to them by introducing and implementing the recommended changes in a timely manner. Accomplishing these changes will enable the Global Fund to build on past achievements while improving itself to effectively accomplish its mission to control the three pandemics and help achieve health-related Millennium Development Goals.

PART 1: INTRODUCTION

1.1 At its Sixth Meeting in October 2003, the Board approved the evaluation of the Global Fund's overall performance against its goal and principles after its first five years of operation when at least one full grant cycle would be completed. The Board assigned the responsibility for planning, implementation and oversight of the Five-Year Evaluation to the TERG, which was created as an independent body to provide advice to the Board on monitoring and evaluation matters.

1.2 In November 2006, the Board approved the overall timeframe, budget and implementation arrangements for the Five-Year Evaluation as proposed by the TERG.

Through three Study Areas, the Five-Year Evaluation sought to answer three overarching questions, respectively:

1. Does the Global Fund as an organization through both its policies and operations, reflect core principles, including:
 - a. Acting as financing instrument rather than as an implementing agency; and
 - b. Furthering country ownership.In fulfilling these principles, does the Global Fund as an organization perform in an efficient and effective manner?
2. How effective and efficient is the Global Fund partnership system in supporting HIV, malaria, and TB programs at the global and the country levels?
3. What has been the overall reduction of the burden of the three diseases? What is the Global Fund's contribution to reducing the burden of the three diseases?

1.3 At its Nineteenth Meeting in May 2009, the Board reviewed the final reports of the Five-Year Evaluation submitted by the contractor and requested the Secretariat "to report to the Board at its Twentieth Meeting, through the Policy and Strategy Committee, on the Secretariat's progress in responding to recommendations contained in the Study Area 1, Study Area 2, Study Area 3 and Synthesis Reports, as well as the TERG recommendations in relation to these reports".

1.4 There are over 100 recommendations from the Five-Year Evaluation included in four reports, corresponding to Study Area 1, Study Area 2, Study Area 3 and the Synthesis Report. This paper presents a summary of the Secretariat's response to the recommendations as they relate to the Global Fund's mission and operations, and also includes in four attachments (each corresponding to one of the study areas and the Synthesis Report) specific responses to each of the recommendations.

- Part 2 of this report responds to recommendations related to resource mobilization, efficiency savings, and meeting quality demand from countries in the current financial crisis.
- Part 3 responds to recommendations related to the Global Fund's portfolio of investments, and the progress to date in the scale-up to address the three pandemics.
- Part 4 responds to recommendations related to the Global Fund's business model and outlines the work underway to improve its performance.
- Part 5 responds to recommendations related to the Global Fund's grant making mechanisms and efforts underway to innovate, simplify and align with country systems.
- Part 6 responds to recommendations related to the operations of the Board and the Secretariat, as well as the efforts to manage risk.
- Part 7 is the conclusion section of the report, which includes a summary of proposed actions for future evaluations.

PART 2: RESOURCE MOBILIZATION

2.1 The Five-Year Evaluation concluded that the Global Fund, together with its major partners, has mobilized impressive resources to fight AIDS, TB, and malaria (Synthesis Report, Finding 1). The Synthesis Report recommended that the Global Fund, as well as others in the development community, address concerns about the sustainability, predictability and additionality of further funding.

Resource mobilization

2.2 The Global Fund operates a demand-driven model, with countries expressing demand for financing through proposals that reflect country needs. In successive rounds, and especially in Round 8, the Global Fund experienced a major increase in demand as a result of a large number of high-quality country proposals. This rapid increase in quality demand, against a backdrop of the current global economic crisis, created a tension between the country demand and available levels of Global Fund financial resources.

2.3 Following Recommendations by the Resource Mobilization Task Team, in its Fifteenth Board Meeting in April 2007, the Board approved the Resource Mobilization Strategy to guide the Global Fund in its resource mobilization efforts. In response to increased demand expressed in Round 8 and expected demand expressed in Round 9, the Resource Mobilization Task Team was reconvened in January 2009 to advise the secretariat and the Board in its resource mobilization activities. The aim is to expand current sources of financing and tap into promising new sources to build sustainable and predictable resource inflows.

2.4 The Resource Mobilization Strategy is currently being implemented. The Second Replenishment resulted in pledges and contributions from donors of more than US \$ 9.7 billion. The Secretariat has also intensified its efforts to develop a broad donor base by diversifying the number and type of sources for generating financial resources. In 2008, the Global Fund secured US\$ 180 million in support from private sector sources representing 6 percent of total commitments for the year. At the April 2009 Mid Term Replenishment Meeting held in Spain, the donors acknowledged Global Fund achievements since the Berlin Replenishment meeting in 2007 and reaffirmed their intentions to meet their 2007 funding commitments.

2.5 The Secretariat will:

- Continue to implement its Resource Mobilization Strategy and report annually on progress to the Board through the Finance and Audit Committee.
- Work closely with donor governments to ensure the success of its fundraising effort to cover 2010 needs and the three-year replenishment cycle 2011-2013;
- Develop new innovative finance vehicles, with the expectation that at least one new vehicle may be presented to the Board for endorsement in May 2010;
- Continue to expand private sector initiatives, in particular launch a philanthropic giving campaign targeting high-net worth individuals and foundations by the time of the 2010 replenishment meeting.

Measures to achieve efficiency gains

2.6 To complement the resource mobilization efforts, the Global Fund is implementing a series of measures to maximize efficiency gains in its grants portfolio and within the Secretariat. For example:

- The Secretariat is implementing the Board Decision to achieve 10 percent efficiency gains in the budgets of Round 8 grants. In addition, the Technical Review Panel has undertaken detailed budget review of the three largest proposals in Round 8, with further efficiency gains in these, totaling in one case US\$ 100 million over the five-year life of the approved proposal.
- The Secretariat has included additional measures to ensure efficiency gains during Phase 2 and Rolling Continuation Channel Funding approvals.
- New measures such as the Voluntary Pooled Procurement will allow improved price outcomes by approaching the market as an aggregated purchasing power to negotiate better prices and reduce price volatility.
- The Secretariat has introduced measures (such as staggered recruitment, freezing pay increases for senior management, and reduced travel expenses) to achieve efficiency gains in its operational budget. For 2010, the Secretariat has proposed to achieve zero growth in staff numbers and close to zero growth of its operational budget.

2.7 The Secretariat will:

- Continue to implement measures to achieve organizational efficiency gains in its grant portfolio. It will report on its progress to the Board through the Finance and Audit Committee.

Managing the tension between resource demand and supply

2.8 At its Nineteenth Meeting in May 2009, the Board established a working group comprised of Board members with access to advisors and supported by the Secretariat to review the current policies that guide both resource mobilization and resource allocation, and to develop a framework for managing the tension between resource demand and supply in a resource-constrained environment. The Board requested this Working Group to:

- Provide recommendations for amendments of existing policies regarding prioritization for funding technically sound proposals in a resource-constrained environment, subject to periodic review; and
- Provide recommendations on future resource mobilization policies to be followed-up by the appropriate Board Committee(s).

2.9 Consideration of adjustments to the Global Fund's "demand-driven model" is within the scope of the Working Group's deliberations. The Working Group will present its report to the Board at the Twentieth Board Meeting in November 2009.

2.10 The Secretariat will:

- Support the Working Group by providing necessary analytical and administrative support. Specifically, the Secretariat will assist the Working Group in answering the following questions:
 - Whether prioritization criteria should take into consideration the extent of prior Global Fund support for a particular disease in a particular country, in the context of the country's epidemiology.
 - Whether particular types of interventions should be given a higher funding priority than others (such as prioritizing interventions to fund continuation of lifesaving treatments ahead of demand for the funding of new or scaled-up activities).
 - What incentives and sanctions should be applied to promote value-for-money, cost-effectiveness and implementation efficiencies (including limitations on Global Fund funding with regard to unit costs for specified commodities or services).
 - How to develop and implement new initiatives for mobilizing resources particularly in the areas of innovative finance and the private sector.

PART 3: THE GLOBAL FUND PORTFOLIO OF INVESTMENTS

3.1 The Five-Year Evaluation confirmed that collective efforts have resulted in increases in service availability, better coverage, and reduction in disease burden (Synthesis Report, Finding 2). The evaluation also confirmed the important role that the Global Fund has played in the scale-up and intensification of the fight against the three diseases. Since its creation in 2002, the Global Fund has become a major financier of interventions designed to address communicable diseases, namely HIV/AIDS, TB and malaria, to achieve targets set in Millennium Development Goal 6, along with interventions aimed at achieving Millennium Development Goals 4 and 5, providing about 60 percent of international funding for malaria, 57 percent for TB, and 23 percent for HIV. This represents an extensive ability and reach in terms of country partners and diversity of recipients matched by few international development agencies.

3.2 However, the Five-Year Evaluation found gaps in the Global Fund's portfolio of investments. In response, the Secretariat will be working with countries and partners and through the Technical Review Panel to shape the current Global Fund portfolio of investments through appropriate re-programming of existing grants to move towards universal access of HIV/AIDS prevention and treatment, address gaps in PMTCT services, improve HIV/TB co-programming, intensify activities aimed at addressing multidrug-resistant tuberculosis, further scale up cost-effective malaria investments, further strengthen health systems, and improve equity and gender equality.

Moving towards universal access of HIV/AIDS prevention and treatment and address gaps in PMTCT investments

3.3 The Global Fund is now a leading multilateral financier of HIV/AIDS programs globally. Study Area 3 confirmed that the successful scaling-up by low- and middle-income countries of prevention and treatment interventions for HIV/AIDS has been made possible by Global Fund and PEPFAR investments. As of mid-2009, Global Fund-supported programs are estimated to have provided ARV therapy to 2.2 million people as well as treatment for 537,000 HIV-positive women to halt mother-to-child transmission of HIV. Since 2004, 79 million people have been reached with HIV counseling and testing, and 110 million people (including 13.7 million most-at-risk persons such as people who inject drugs, sex workers, men who have sex with men, and prisoners) have benefited from community service programs providing behavior change and communication interventions for HIV.

3.4 Yet there remain gaps in coverage of effective HIV prevention, treatment, care and support services and a need to improve the quality of the services provided in programs supported by the Global Fund.

3.5 To building on current achievements, the Secretariat will:

- Work with partners to project the long-term financial costs of existing commitments and future demand on the Global Fund as a major funder of prevention, treatment, and care, including the potential impact of strategies to improve outcomes and reduce treatment costs including but not limited to possible protocol changes. The findings of this study will be presented through the Portfolio and Implementation Committee.
- Work with partners to adopt measures to fill gaps and further improve for adults and children the quality of Global Fund-supported prevention, treatment, care and support services, including operational research to identify effective scaling-up strategies to improve outcomes. These measures will be considered by the Portfolio and Implementation Committee during its review of the Round 10 proposal form and guidelines.
- Conduct a portfolio review to identify countries with low PMTCT coverage and those using inappropriate interventions and prepare options for re-programming to be considered by the Portfolio and Implementation Committee. Thereafter, work with Country Coordinating Mechanisms to consider new proposals and/or re-program existing grants (i) to re-intensify efforts to prevent HIV including in vulnerable populations, (ii) to accelerate transitions to more efficacious ARV regimens and (iii) to improve the health of HIV-positive pregnant women and children through effective PMTCT and pediatric HIV care and treatment programs, thus improving the high pediatric loss-to-follow-up rates.
- Mobilize new additional financial resources and provide sustained and predictable funding through grants in support of country programs for scaling-up cost-effective HIV/AIDS prevention, treatment and care strategies that are targeted, evidence-based, and consistent with the local epidemiology. Priority will be given to scaling up access to, and use of, effective interventions for PMTCT and pediatric HIV care, support, and treatment services.

Ensure sustainable financing for TB control and specially address gaps in TB/HIV and multidrug-resistant TB investments

3.6 Total funding for TB more than doubled between 2003 and 2006, reaching a cumulative total of US\$ 3.3 billion in 2008. The Global Fund is the predominant source of international funding for TB in high-burden countries. Study Area 3 concluded that Global Fund-supported programs in countries had successfully scaled up early diagnosis of tuberculosis and treatment based on the DOTS (the basic package that underpins the Stop TB strategy) and Stop TB strategies. While the investment has helped to address the specific challenges of co-infections of TB and HIV, multidrug-resistant TB, and extensively drug-resistant tuberculosis, the investments have to be augmented to address current and emerging epidemics.

3.7 The Secretariat will:

- Analyze the existing grant portfolio to identify gaps in quality TB diagnostic and treatments services and the response to TB/HIV co-epidemics, multidrug-resistant TB, and extensively drug-resistant TB.
- Work with Country Coordinating Mechanisms and Principal Recipients to re-program existing grants to scale up quality TB services and to develop new proposals to fill service gaps.
- Project resource requirements to expand and sustain quality diagnostic and treatment services and respond to the TB/HIV epidemics, multidrug-resistant TB and extensively drug-resistant TB.
- Mobilize resources to ensure predictable multiyear funding for national TB control programs.

Scale up malaria investments for impact

3.8 After decades of limited progress in malaria control, countries supported by the Global Fund have succeeded in rapidly scaling up coverage of key malaria interventions and are demonstrating impact on health outcomes. Study Area 3 reported that international funding for malaria increased rapidly from less than US\$ 50 million in 2003 to over US\$ 700 million in 2006, with the Global Fund playing a major role in the earlier years of scaling-up. Progress has been reported in all four malaria control interventions: treatment with effective anti-malarial drugs such as artemisinin-based combination therapies (ACTs), supported by parasitological diagnosis including Rapid Diagnostic Tests; prevention using insecticide-treated nets, prevention of malaria during pregnancy with intermittent preventative treatments, and vector control with indoor residual spraying.

3.9 The Secretariat will:

- Assess the financial cost of scaling up malaria control interventions for reducing the morbidity and mortality of malaria to the point where it ceases to be a public health problem in endemic countries. In 2008, the Secretariat began collaborating with the WHO Global Malaria Programme to promote standardized measurement and reporting by national malaria programs on the cost per insecticide-treated bed net. In May 2009, the annual reporting was extended to include a finance module enabling calculation of expenditure per insecticide-treated net distributed to persons at risk. In future years, a similar unit costing is anticipated for ACTs (cost per malaria episode treated with ACT).
- Collaborate with partners to systematically document progress in countries in efforts to control and reduce the burden of malaria, and identify strategies to move towards the elimination of malaria.
- Work with partners to strengthen surveillance, monitoring and evaluation of malaria control programs.

Strategic investments in health systems

3.10 The Global Fund is now one of the major funders of health systems. The Global Fund estimates that up to one-third of the funds within disease-specific components potentially contributes to health system strengthening. More detailed analysis of budgets of approved proposals in Rounds 5, 7, 8 and Rolling Continuation Channel applications for Waves 1 to 4 show Global Fund investment for cross-cutting health system strengthening activities to be over US\$ 1.5 billion. The Five-Year Evaluation did not demonstrate any negative effects on health systems of scaling up of HIV, TB or malaria interventions. Neither was scaling-up funding for the three diseases achieved at the expense of other interventions.

3.11 However, the Five-Year Evaluation found that health systems in most developing countries will need to be strengthened if current levels of service scale-up are to be sustained (Synthesis Report, Finding 3). It recommended that the Global Fund work with partners to develop strategies to address the major gaps in health service availability.

3.12 The Secretariat will:

- Continue to support strategic investments in health systems as part of proposals to scale up the fight against the three diseases, with priority given to strengthening service delivery platforms and in-country monitoring and evaluation systems.
- Work with the GAVI Alliance and the World Bank, with facilitation of WHO, to align funding for health system strengthening and to roll out in 2010, a shared investment strategy for health systems strengthening.
- Work with partners to systematically document the interactions, integration and systemwide effects of Global Fund-supported programs on country health systems, identify benefits to health systems and unravel weaknesses that can be addressed.

Equity and gender equality

3.13 The Five-Year Evaluation found that the Global Fund has modeled equity in its guiding principles and organizational structure but that much more needs to be done to reflect those efforts in grant performance (Synthesis Report, Finding 4). The evaluation also found that the Global Fund as an organization has incorporated equity into its operations with good representation of women and marginalized populations in the Board, Secretariat, and Country Coordinating Mechanisms. However, it found few systems in place at the country level for monitoring equity and was, therefore, unable to reach any conclusions as to whether or not coverage was improving for disadvantaged groups. It recommended that the Global Fund and its partners should ensure applications for funding and country health information systems include indicators for gender equality and equity.

3.14 At its Eighteenth Meeting, the Board approved the Gender Equality Strategy. A Plan of Action to implement the Gender Equality Strategy between 2009 and 2012 was developed in close collaboration with partners, including UNAIDS, WHO, UNFPA and civil society, and was finalized in June 2009. At its Nineteenth Meeting, the Board approved a Global Fund strategy in relation to Sexual Orientation and Gender Identities (SOGI). The Secretariat is developing an implementation plan for SOGI for presentation at the Policy and Strategy Committee meeting in September 2009.

3.15 The Secretariat will:

- Implement and report on the actions presented in the Gender Equality Strategy Plan of Action 2009-2012 including strengthening gender expertise on the Technical Review Panel, mapping partners providing gender-related technical assistance, including gender in Secretariat partnership agreements, and supporting training on gender issues.
- By end of 2010, work with partners to provide guidance to countries on gender and equity-related indicators with relevant targets by updating the monitoring and evaluation toolkit that will include appropriate gender and equity-related indicators, targets, and strengthening systems for monitoring and reporting.
- Report on the implementation of Global Fund's Strategy on SOGI at the Policy and Strategy Committee meeting in September 2009. Two Senior Advisers for gender and sexual minorities will take forward the implementation program.

PART 4: THE GLOBAL FUND BUSINESS MODEL

4.1 The Five-Year Evaluation recognized the positive and innovative aspects of the Global Fund business model. It concluded that the Global Fund was "an impressive organizational startup" which has contributed to a more country-led approach to development assistance, acknowledging in particular the achievements in relation to resource mobilization and scaling up of investments. However, the Five-Year Evaluation identified inherent tensions in the principles that form the basis of the business model, namely: country ownership, partnerships and performance-based funding. This section outlines the efforts underway to:

- Develop a corporate strategy that reconciles the inherent tensions within the principles that underpin the Global Fund's business model.
- Further strengthen country ownership.
- Further improve inclusiveness and partnerships.
- Refine the performance-based funding system.

Corporate Strategy

4.2 In 2007, the Board endorsed a strategy for the Global Fund as outlined in the document "Accelerating the Efforts to Save Lives" acknowledging that while the basic business model of the Global Fund was working well, it could be further enhanced. To this end, the strategy identified a number of initiatives such as National Strategy Applications, dual track financing, Voluntary Pooled Procurement, and the Rolling Continuation Channel aimed at improving the Global Fund business model. These initiatives are currently being implemented.

4.3 However, the Five-Year Evaluation found that the governance process of the Global Fund has developed slowly and less strategically than required to guide its intended partnership model (Synthesis Report, Finding 9). The rapid growth of the Global Fund has contributed to unsystematic and reactive evolution of the Global Fund's architecture, procedures and policies, with consequent increase in the complexity in its operations. The evaluation recommended that the Global Fund reconcile the competing principles in the Framework Document and establish a corporate strategy focusing on issues such as partnerships, the grant architecture, grant oversight, monitoring and evaluation.

4.4 The Secretariat will review the Global Fund Strategy to:

- Address the tensions inherent in the guiding principles underpinning the Global Fund's business model.
- Communicate better the role of Global Fund as a financing entity whose investments have implications for global health policies and development and how this role is enacted operationally at global and country level.
- Re-examine, re-define and provide clear guidance on the role of the Secretariat within the Global Fund Partnership after taking into account roles that may be delegated to partners.
- Ensure that the strategy proposes approaches to develop a portfolio of investments that increasingly differentiates prevention and treatment in specific countries based on epidemiologic profiles of HIV/AIDS, TB, malaria and the country capacity to execute disease control program.

Strengthening country ownership

4.5 The Global Fund has no field presence. It funds country programs and promotes country ownership through its demand-driven model. Country Coordinating Mechanisms are responsible for determining the disease priorities and programs they would like the Global Fund to finance. Country Coordinating Mechanisms are also responsible for oversight of the implementation of the Global Fund-supported grants, for ensuring broad participation of stakeholders in policy dialogue and for the delivery of results.

4.6 Country Coordinating Mechanisms were set up in many recipient countries in response to Global Fund requirements, but are evolving in response to varying country contexts and needs. The Five-Year Evaluation found that Country Coordinating Mechanisms have succeeded in mobilizing partners for submission of proposals but their roles in grant oversight, monitoring, and technical assistance have remained substantially unexecuted. It further found that the role of Country Coordinating Mechanisms in promoting country ownership was in need of review (Synthesis Report, Finding 7).

4.7 The evaluation recommended that the Global Fund place greater emphasis on the Country Coordinating Mechanism function rather than the Country Coordinating Mechanism entity. It also recommended placing Global Fund staff representatives in the country as a last resort to ensure that Country Coordinating Mechanism functions are effectively discharged.

4.8 The Secretariat considers that having a Global Fund presence in countries would constitute a significant shift from the Global Fund's founding principles and its current model; thus making the Global Fund a very different organization and potentially risk undermining country ownership.

4.9 The Secretariat will:

- Reinforce the Country Coordinating Mechanism functions in its communications with countries and partners.
- Support countries to increasingly integrate Country Coordinating Mechanisms into national coordinating mechanisms, ensuring that Country Coordinating Mechanisms are inclusive of all stakeholders including civil society, the private sector and people/communities affected by the diseases. The Secretariat will work with Country Coordinating Mechanisms and partners to ensure transparent governance processes.
- Review the roles and functions of Country Coordinating Mechanisms, including oversight of grant implementation, through direct surveys, comprehensive case study reports, monitoring of Country Coordinating Mechanism funding, Country Coordinating Mechanism membership composition, and Country Coordinating Mechanism adherence to minimum eligibility requirements. The Secretariat will use the findings of these studies to improve effective functioning of Country Coordinating Mechanisms.
- Revise the Country Coordinating Mechanism funding policy for consideration of the Board in November 2009. The revised funding will offer incentives for Country Coordinating Mechanisms to harmonize and align with other national bodies.

Ensuring inclusiveness and partnerships

4.10 Partnership is at the core of the Global Fund business model. It is also critical for progress in fighting the three diseases at country level. The Five-Year Evaluation found that at both the global and the country levels, the Global Fund has set a new standard of inclusiveness, participation and genuine power sharing among key stakeholders – including donors, developed and developing countries, the private sector, civil society organizations, affected communities and people living with the diseases.

4.11 While the Global Fund partnership model has enabled participation of a broad range of stakeholders in governance, proposal development and grant implementation, the Evaluation found that existing partnerships are largely based on “goodwill” and shared impact-level objectives rather than negotiated commitments that clearly articulate roles and responsibilities (Synthesis Report, Finding 6).

4.12 Further, the Five-Year Evaluation found that the partnership objectives envisioned under the Global Fund’s business model were yet to be realized. The evaluation concluded that the Global Fund’s partnership model reflected a “friendship model” rather than a genuine “partnership model” grounded in negotiated and binding agreements of a programmatic or strategic nature. The partnership approach, the evaluation noted, did not articulate a clear division of labor, clarity of roles and responsibilities, effective coordination, and mechanisms for funding technical assistance.

4.13 The evaluation recommended that the Global Fund translate its commitment to working in partnership into clearly defined, durable, and formalized operational partnerships.

Towards a new partnership strategy

4.14 The Secretariat is drafting a partnership strategy to outline the main roles and responsibilities of the Global Fund and partners at the global and the country levels. Extensive consultations were held with partners at the global and the country levels when preparing the partnership strategy, in response to the recommendations from Study Area 2. These included, among others, consultation at the Kampala Implementers Meeting (3 June 2008), Partners’ Consultation Meeting in Geneva (8-9 Sept 2008), Regional Partners Consultation Meeting in Maputo (30 Sept-1 Oct 2008) and the Partnership Forum in Dakar (8-10 December 2008).

4.15 The Secretariat will:

- Present the Partnership Strategy to the Board for its consideration at its Twentieth Meeting in November 2009. The Partnership Strategy will among others things:
 - Outline the key partners for the Global Fund at the global, regional and country levels.
 - Identify areas requiring partnership as organized around the grant life cycle (for example monitoring and evaluation, health systems strengthening, gender, technical assistance).
 - Request that partnerships be tied specifically to the identification of the mutual benefits and common objectives of the Global Fund and partners.
 - Provide a framework for strategic division of labor and communication between the Global Fund and other multilateral organizations.
 - Include operational plans to accompany partnership agreements that strengthen partnership arrangements at country level.
 - Specify the roles of Fund Portfolio Managers and the Partnership Cluster in facilitating partnerships at country and global levels.

Consolidating existing partnerships and forging new ones

4.16 The Secretariat is consolidating existing partnerships while forging new ones at global and country levels. Specifically, the Secretariat maintains a close working relationship with the GAVI Alliance, Roll Back Malaria, Stop TB, UNAIDS, UNICEF, WHO and the World Bank. The Global Fund hosted an H8 meeting of the heads of global health agencies in Geneva in December 2008 and plays an active role in International Health Partnerships (IHP+), promoting dialogue around harmonization, alignment and health systems strengthening.

4.17 New partnerships are also being forged. For example, in November 2008, the Board approved a Memorandum of Understanding (MOU) with the Islamic Development Bank. In May 2009, the Board also endorsed the principles of the MOU with the Organization of the Islamic Conference. The MOUs specify roles, responsibilities and accountabilities and are instruments for promoting mutual accountability between the Global Fund and partners.

Global division of labor

4.18 The Global Fund is a financing institution. However, the size and scale of its investment makes it a major player in the global policy arena. The Secretariat recognizes this responsibility and has been active participant in the IHP+ discussions on the division of labor at the country and the global levels.

4.19 In relation to health systems strengthening, over the last three years the Global Fund and the GAVI Alliance have closely collaborated to exchange information, experiences and expertise to inform development of their policies and practices, and development of common tools. Both institutions have also undertaken joint country visits to explore ways of coordinating investments for health system strengthening and improving aid effectiveness.

4.20 The Secretariat will:

- Continue to closely rely on the expertise of normative agencies such as WHO to define the global policy and guidelines on the three diseases and to provide relevant technical assistance to countries in program implementation.
- Expand collaboration with the GAVI Alliance and the World Bank to develop a shared strategy for a joint funding window, common programming, and unified monitoring and evaluation for health systems strengthening.

Promoting inclusiveness

4.21 At the country level, Country Coordinating Mechanisms are platforms used to promote inclusive partnerships. The Secretariat is committed to ensuring that the civil society plays an important role in Global Fund processes. Dual-track financing assists civil society organizations to be nominated by Country Coordinating Mechanisms as Principal Recipients of grants. The new funding model for Country Coordinating Mechanisms will also allow for the funding of transport cost of civil society organizations and enable them to more easily participate in Country Coordinating Mechanism meetings.

4.22 Globally, the Board approved at its Sixteenth Meeting in November 2007 the "Guidelines on Constituency Processes", which allows for the organization and funding of pre-Board and pre-Committee meetings, telephone conference calls and the organization and funding of one-day, pre-Board meetings for delegation consultations. Further proposals to improve the active participation of all constituencies in Board processes will be considered by the Policy and Strategy Committee at its meeting in September 2009.

4.23 The Secretariat is also expanding the engagement of the private sector in Global Fund activities in four distinct roles as: contributors of resources; implementers of grants; providers of commercial goods and services; and advocates and contributors to good governance. The Secretariat has developed a Private Sector Strategy to guide its activities relating to public-private partnerships. This strategy will inform the larger Partnership Strategy.

Addressing technical assistance

4.24 Financing of technical assistance is one of the most frequently debated issues among Global Fund partners. The Global Fund supports country-driven technical assistance in the grants that it finances, providing that the technical assistance request is informed by an analysis of existing capacity. The Technical Review Panel considers whether or not the requests for technical assistance are reasonable, appropriate, and cost-effective.

4.25 The donors financing the Global Fund have not explicitly articulated the need to provide complementary technical assistance funding through the technical agencies. During the consultation relating to Study Area 2 recommendations, partners highlighted the need for the Global Fund to find innovative solutions for technical assistance coordination, funding, and use; including joint resource mobilization efforts between the Global Fund and partners. The Gates Foundation commissioned McKinsey & Company to carry out an assessment of the technical assistance landscape. This assessment was presented at a pre-Board meeting in May 2009 together with a Global Fund response to technical assistance needs. The Global Fund is building on these reports and pre-Board discussions as well as other research carried out by key partners such as GTZ and UNAIDS on the issue of technical assistance provision.

The Secretariat will:

- Conduct a number of targeted studies at country level to address key questions with regard to technical assistance planning, access and financing;
- In collaboration with partners, convene a workshop to review the outcome of the studies and define a clear strategy to ensure systemic and strategic arrangements in order to secure reliable, timely, high quality and funded technical assistance;
- Draft an options paper on technical assistance provision to be presented to the Global Fund Portfolio and Implementation Committee and the Global Fund Board for endorsement in May 2010;
- Develop operational plans which include technical assistance needs as part of specific service delivery areas with activities identified across the different stages of grant implementation;
- Ensure priority is given to existing local capacities and encourage technical support by twinning local and international technical assistance providers and maintaining longer term linkages and follow-up with development agencies.

Refining performance-based funding

4.27 Performance-based funding is a defining feature of the Global Fund grant-making mechanism. The Five-Year Evaluation found that the Global Fund has succeeded in applying performance-based funding at a greater scale than previously. The evaluation also found that performance-based funding had led to increased transparency and accountability of results and application of resources.

4.28 However, the evaluation also concluded that performance-based funding continues to face considerable limitations at the country and the Secretariat levels (Synthesis Report, Finding 5), in that it has become complex with an increased reporting burden on countries. Specifically, issues were identified in relation to: (i) the grant-rating methodology, which is focused on outputs rather than outcomes and fails to adequately discriminate contextual factors, (ii) absence of baseline data and weak and fragmented country information, and (iii) weak monitoring and evaluation systems in-country which cast doubt on the quality of data used in making performance-based decisions and, therefore, on the validity and credibility of grant performance assessment.

Improving the grant-rating methodology

4.29 The Secretariat has introduced a new performance grant-rating and disbursement decision-making methodology to ensure consistent rating of results against targets, documenting of contextual factors, and justification of funding amounts in relation to performance ranges. The upgraded disbursement tools capture and document relevant performance, management, financial and contextual information transparently. The new grant-rating methodology was rolled out in the Secretariat in the second half of 2008. Further work to review and update how Principal Recipients and Local Fund Agents rate grants is underway with new templates being developed for use by Principal Recipients and Local Fund Agents.

4.30 The Secretariat will:

- Complete the development of revised Principal Recipient and Local Fund Agent grant-rating templates in late 2009.
- Undertake a detailed review of the performance-based funding methodology and operations to guide further improvements of the methodology and its application.

Strengthening data quality

4.31 The Secretariat is implementing an ambitious program of work to introduce data quality assurance measures aimed at increasing confidence in the data used for performance-based funding decisions. The Secretariat has established a Data Quality Task Force to coordinate the implementation of these data quality initiatives. These measures include country-level assessment of monitoring and evaluation systems by partners during proposal preparations, annual on-site data verification of grant data by the Local Fund Agents to assess the quality of country data used for performance-based funding decisions, and Data Quality Audits to assess both the quality of country data and the strength of the monitoring and evaluation systems in-country.

4.32 The Secretariat will:

- Develop a data quality strategy to underpin the implementation of performance-based funding and evaluations.
- Increase on-site data verification implementation from 26 percent to 80 percent, and implement third wave Data Quality Audits.
- Strengthen mechanisms for following up recommendations from monitoring and evaluation system strengthening programs, on-site data verification and Data Quality Audits as part of routine monitoring of grant implementation.

Strengthen national information systems

4.33 The Global Fund recommends that countries allocate between 5 and 10 percent of the total grant budget on monitoring and evaluation, including operations research. In addition, funding for cross-cutting health systems strengthening activities creates opportunities for strategic investments in surveillance and in monitoring and evaluation systems strengthening. In response to the Five-Year Evaluation recommendations, the Secretariat is implementing with partners a suite of tools to assess and strengthen country health information systems and improve overall data quality.

4.34 The Secretariat will:

- Develop a strategy and an action plan for monitoring and evaluation systems strengthening.
- Advocate for technical partners such as the Health Metrics Network, UNAIDS and WHO to provide technical assistance to countries to (i) take advantage of funding opportunities provided by Global Fund grants by developing proposals with strong monitoring and evaluation systems strengthening components and (ii) implement monitoring and evaluation systems strengthening plans.
- Advocate for the Technical Review Panel to support proposals that have credible and costed monitoring and evaluation systems strengthening plans.

PART 5: INNOVATING AND SIMPLIFYING THE GRANT-MAKING MECHANISM

5.1 The Global Fund's grant-making architecture has become increasingly complex. At the country level, there are multiple grants per disease with consequent increase in transaction costs for implementers and emergence of a project rather than a program-focused implementation approach. Several grants per Principal Recipient in a given disease area create inefficiencies for both countries and the Secretariat to manage these grants.

5.2 Rather than piecemeal changes to its grant-making mechanisms, the Global Fund is undertaking a major review of its grant architecture to shift from a "project-based" approach to one that emphasizes single stream of funding per Principal Recipient per disease. At its Eighteenth Board Meeting in November 2008, the Board Decision on the architecture review endorsed high-level principles for the new grant architecture (including the "single stream of funding", per Principal Recipient, per disease and requested the Secretariat to develop the detailed design and required Board policy changes. The grant architecture will be further simplified by the operationalization of National Strategy Applications, enabling countries to submit a "national disease strategy" for each of the three diseases, instead of the current approach which has led in many countries to emergence of multiple grants for the same disease.

The architecture review

5.3 The architecture review includes a review of existing grant-making mechanisms, with options to accelerate the timescale and provide additional funding to existing well-performing grants. It also involves a review of the Rolling Continuation Channel to develop new mechanisms that will allow provision of continuing funding to well-performing grants.

5.4 The architecture review will develop mechanisms to establish a single stream of funding per Principal Recipient per disease. This will greatly simplify the funding architecture for both the implementers and the Global Fund. Structurally, the new architecture will allow a shift away from fragmented multiple grants with distinct start and end dates towards a more streamlined continuous line of funding. In turn this will improve the predictability of Global Fund support to countries.

5.5 The Secretariat will:

- Present to the Policy and Strategy Committee in September 2009 detailed proposals for the architectural changes covering single stream grant agreements, access to funding, and operationalization of modified performance-based funding system.

National Strategy Applications

5.6 In 2007, the Global Fund Board recommended the introduction of a request for funding proposal through a national strategy. In this new approach, rather than a Global Fund-specific proposal, the national strategy will form the primary basis of an application to the Global Fund. The Board subsequently decided in November 2008 at its Eighteenth Board Meeting to operationalize National Strategy Application through a phased rollout, beginning with a “First Learning Wave” of National Strategy Applications in a limited number of countries.

5.7 The Secretariat is successfully implementing the First Learning Wave of National Strategy Applications. The aim of the First Learning Wave is to draw policy and operational lessons to guide, beyond 2009, the broader rollout of the new application process. National Strategy Applications will enhance alignment with country priorities and improve harmonization with the procedures of international partners by developing a “shared assessment approach” for national strategies. The National Strategy Applications will also improve the focus on results and mutual accountability by developing a single and shared approach to monitoring and evaluation.

5.8 The Secretariat will:

- Present for Board approval in November 2009 the First Learning Wave National Strategy Applications which have been recommended by the Technical Review Panel.
- Undertake an independent evaluation of the First Learning Wave of National Strategy Applications to inform the introduction of the second wave.

Simplification of grant-making processes

5.9 In line with the Five-Year Evaluation recommendations, the Secretariat is working to streamline and simplify the grant-making processes. The objective of this exercise is to reduce the burden of current reporting and information requirements needed for performance-based funding, while maintaining an appropriate degree of risk management.

5.10 The majority of the Operational Policy Notes have been simplified and re-written in plain language for ease of use. A full electronic version of the Operational Policy Manual has been released (April 2009) to be followed by a published version later in the year.

5.11 A User’s Guide is also under development. In the second half of 2009, this guide will be made available to Country Coordinating Mechanisms, partners, and Global Fund recipients. To better understand the workload and impact of current requirements, a broad consultation of Principal Recipients from different regions is taking place. Any future changes in requirements will be introduced according to a pre-set schedule to provide countries and partners with adequate predictability.

Harmonization, alignment and aid effectiveness

5.12 The Global Fund is a signatory to the Paris Declaration and Accra Action Agenda and remains committed to improving harmonization and alignment of its grant-making processes and delivering results. The guiding principles of the Global Fund have many similarities with the principles of the Paris Declaration.

5.13 In line with the Five-Year Evaluation recommendations, the Secretariat is implementing new strategies, operational policies and processes to improve aid effectiveness. These include:

- Operational policy adjustments involving a harmonized approach to salary support and compensation; alignment of grants to country planning and budgeting cycles, procedures, and systems; and improving in-country transparency and accountability by encouraging the reporting of Global Fund finances in government budget documentation.
- National Strategy Application to ensure alignment of Global Fund grants with national plans.
- Active participation in IHP+ to provide a coordinated response to scale up coverage and deliver improved outcomes against health-related Millennium Development Goals.
- Monitoring and reporting on the progress made in aligning with country mechanisms.

5.14 The Secretariat will:

- Work with Country Coordinating Mechanisms to align grants disbursements and reporting to country planning and monitoring cycles and to use national indicators, targets and reporting systems.
- Roll out a second learning wave of National Strategy Applications to ensure complete alignment of grants with national plans.
- Annually, monitor and report on progress being made against the 2010 targets of the Paris Declaration.

Innovations through the Affordable Medicines Facility for malaria

5.16 The Affordable Medicine Facility for malaria (AMFm) is an innovative financing mechanism designed to expand the access of populations, and specifically the poor in hyper-endemic countries, to affordable ACTs for malaria. AMFm aims to enable countries to increase the provision of affordable ACTs through the public, private and nongovernmental organization sectors. By increasing access to ACTs, and displacing artemisinin monotherapies from the market, the AMFm seeks to delay resistance to the relatively new drug artemisinin.

5.17 In order to achieve this, the AMFm is negotiating a lower manufacturer sales price for ACTs which is available to all wholesale buyers (i.e. public, non-government, and private-for-profit) at the country level. It will then pay a significant proportion of this price on behalf of buyers (a buyer "co-payment"). For patients who pay for treatment, this is expected to result in a reduction in the price of ACTs from about US\$ 6 to US\$ 10 to about US\$ 0.20 to US\$ 0.50 per treatment.

5.18 At its Eighteenth Meeting, the Global Fund Board approved the Policy Framework and Implementation Plan set out in the AMFm Ad Hoc Committee Report to the Board (GF/B18/07, the "AMFm Report"), and reaffirmed its decision to host and manage the AMFm for an initial phase ("Phase 1") in a limited number of countries. As per the Global Fund Board decision, AMFm Phase 1 will be independently evaluated. The results of this evaluation will assist the Board's future decision to expand, modify or terminate AMFm as a Global Fund business line.

5.19 The Secretariat will:

- Implement Phase 1 of AMFm and commission its evaluation under the oversight of the Ad Hoc Committee on AMFm. The report of the independent evaluation will be presented through the Ad Hoc Committee to the Board in November 2011.

PART 6: BUILDING AN EFFICIENT AND EFFECTIVE ORGANIZATION

6.1 The Global Fund's organizational architecture includes the Board and its committees responsible for the governance and the Secretariat responsible for supporting the Board in its governance processes and for implementing Board decisions. This architecture functions within the Global Fund partnerships framework. At the global level, key partners are responsible for articulating policies and guidelines and provisions of technical assistance to countries. Countries are responsible for the design, implementation and oversight of Global Fund grants.

Board-level governance

6.2 The Five-Year Evaluation found that the Global Fund's governance structure and processes have achieved both broad participation and genuine power-sharing among the different constituencies. However, unsystematic growth and the reactive evolution of the Global Fund architecture have brought numerous changes in procedures and policies, leading to complexity.

6.3 The evaluation found that the Board discussions and decision points were heavily focused on operational rather than on strategic issues, with intensive committee involvement in all aspects of Global Fund work. The Five-Year Evaluation recommended that the Board establish a corporate strategy and communicate a clear organizational vision in operational terms. This included re-examining the roles and responsibility of the Secretariat, considering what roles could and should be played by partners.

6.4 The Board is already implementing measures to streamline its activities. For example, the Board approved at its Nineteenth Meeting in May 2009 a new structure for its committees, delegating more decision-making authority to them and consequently focusing Board discussions on areas where Board decisions or inputs are required. The Board agenda has been re-modeled, optimizing time given to standing items such as committee reports. These changes are intended to give the Board more time to discuss in depth the Global Fund's strategic approach to the three diseases and health system strengthening.

6.5 There has been an active effort to ensure that decision points taken by the Board are shorter in length and more succinct. Decision points now try to focus on agreed principles and empower the Secretariat to implement these principles. A new structure for Board papers has been implemented. Papers are now significantly shorter, focusing on core areas where a Board decision is required or the Board's input is sought.

6.6 The Secretariat will:

- Continue to support the Board and its committees in its deliberations, enabling broad participation of Board constituencies in strategic decisions and providing support in preparation of background documents for committee and Board meetings.

The Secretariat

6.7 In mid-2008, the Global Fund Secretariat was re-organized for improved efficiency. A new corporate structure was implemented, with recruitment of cluster and unit directors. In addition, as of January 2009, the Global Fund became an autonomous international financing institution following successful transition from the Administrative Services Agreement with WHO. The Secretariat is now focusing on investments to improve its mission critical systems to sustain efficient operations and implementing a strategy to improve internal and external communications.

6.8 The Five-Year Evaluation reported on the continuous growth in the size of the Secretariat in order to meet the oversight requirements of the Global Fund's expanding portfolio. It suggested that the growth in Secretariat is "a striking feature of the failure of governance of the Board and broader international system." Specifically, the evaluation suggested that the Board had failed to reaffirm the partnership model, with the Secretariat taking on functions that partners are arguably better positioned to perform on the Global Fund's behalf.

6.9 While the growth of the Secretariat has been linked to the expanding portfolio, this has taken place within the Board's overall commitment to a lean Secretariat. The Board approved a budget framework that sets (i) the overall size of the Secretariat budget at not more than 10 percent of total expenditure nor greater than 3 percent of grants under management and (ii) the size of the work force to be over US\$ 8.8 million per full-time employee. These values were established after benchmarking with other organizations. The framework was applied for the first time during the negotiations for the 2008 budget and was used again for the 2009 budget. As directed by Board, the Secretariat is also implementing measures for efficiency gains in human resource budget, including staggered recruitment in 2009.

6.10 In response to the Five-Year Evaluation recommendations, the Secretariat will:

- Implement further efficiency savings measures linked to the both the human resources and operational budget.

- Review its operations, the workload, terms of reference and the competencies of its staff to ensure these are commensurate with the Secretariat functions, and they complement rather than duplicate functions undertaken by key partners.
- Consolidate the institutional reforms by focusing efforts on organizational development including development of human resource regulations and introducing a performance-based pay mechanism.
- Continue to implement mission critical systems, prioritizing the deployment of information technology, strengthening procurement, and enhancing internal and external communications.

Managing risk

6.11 The Five-Year Evaluation found that the Global Fund is exposed to a wide range of risks including financial, organizational, operational and political risks. These risks arise from the Global Fund's business model: remaining a financing entity, country ownership, and working through partnerships. The absence of a risk management strategy during its first five years of operation has lessened the Global Fund's organizational efficiencies and weakened certain conditions for the effectiveness of its investment model (Synthesis Report, Finding 8). The Five-Year Evaluation recommended the development of a risk management framework.

6.12 Prior to the Five-Year Evaluation, the need for a more formal risk management strategy was recognized and the Board at its Sixteenth Meeting in November 2007 requested the Secretariat to develop a Risk Management Framework. Work on developing this framework is well underway. A cross-Secretariat Risk Management Working Group has been established to create a Risk Management Framework and to introduce a risk register with focal persons owning each risk area. An initial Risk Management Framework ("the Framework") has been developed, with a focus on Portfolio Management (the grant life cycle) and a preliminary overview of some of the key strategic risks.

6.13 The Global Fund also maintains a functional system for managing risks linked to the design of the performance-based funding model and the implementation of internal control measures and systems at every stage of the grant cycle. Such systems include independent review by the Technical Review Panel, legal agreements, accountable, competitive and transparent processes, additional verification and investigations. Additionally, the Secretariat is implementing a number of related risk management initiatives:

- Ethics and Reputational Risk Assessment — performed by a leading consultant on business ethics and is the first step in the *Values and Integrity Initiative* being stimulated by the Inspector General
- Country Risk Model — a tool developed by the Country Programs cluster to implement additional risk management measures in high-risk countries (and forms a key element of the framework)
- Systems to improve the Accountability Framework for the grant-rating and disbursement process (clarifying the policy and guidelines for this important area)
- Defining the Accountability Framework for the new system processes introduced as part of the Global Fund's new Enterprise Resource Planning system
- A code of conduct for manufacturers that provide pharmaceuticals, health technologies and other commodities to Global Fund-supported grants
- Strategic planning process that will include a more formal assessment of high-level and strategic risks
- Office of the Inspector General — now providing independent and objective assurance over key risks and controls.

6.14 The Secretariat will:

- Complete and present to the Finance and Audit Committee in September 2009 the Risk Management Framework that ensures a more systematic approach to, and documentation of, risk management issues and makes the risk management actions more visible and explicit. The Risk Management Framework will also include an Accountability Framework detailing roles and responsibilities across the organization as well as codes of conduct. A risk policy will be defined and incorporated into the framework.
- Maintain a corporate risk register that is reviewed and updated every six months to ensure that it continues to reflect current risks and progress being made in managing existing risks.
- Implement the country risk model — a new systematic approach to managing operational risk based on identification of risky environments in countries.

PART 7: CONCLUSION

7.1 The Secretariat welcomes the recommendations arising from the Five-Year Evaluation. These is very useful guidance and timely in the development of the Global Fund.

7.2 The Secretariat notes a major conclusion from the evaluation is that the Global Fund has rapidly established itself as a major financier in the fight against the three diseases and now plays an important role in the global development architecture. The evaluation also concluded that the Global Fund's extraordinary efforts have contributed to increases in service availability, better coverage and reduction of disease burden in the countries it supports.

7.3 The Five-Year Evaluation also identified a number of weaknesses in the Global Fund business model, processes and the partnership framework that require serious attention of the Global Fund and its partners. The findings and recommendations presented by the Five-Year Evaluation reports have helped to focus, prioritize, and strengthen the commitment of the Secretariat to tackle these issues in a timely manner.

7.4 Building on the lessons learned from the Five-Year Evaluation process and in line with the recommendations, the Secretariat will strengthen its monitoring and evaluation capacity to continually address weaknesses, while learning from successes. To achieve these objectives, the Secretariat will work with key technical partners and countries to build a continuous evaluation program in three interlinked domains: (i) program evaluations linked to grants, (ii) organizational evaluations linked to the Global Fund business model and (iii) impact evaluations in partnership with other agencies to assess the impact of investments on HIV/AIDS, TB, and malaria outcomes; and on health systems.

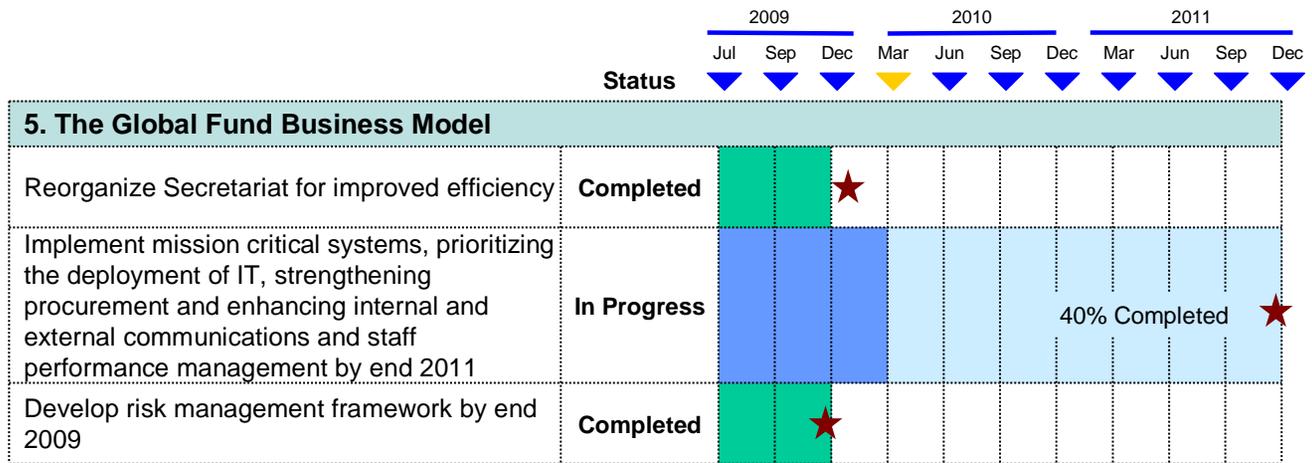
7.5 The Secretariat believes such an approach will enable the Global Fund to establish itself as a learning organization committed to continually improve the efficiency, equity and effectiveness of its investments in a resource-constrained environment to benefit the affected and at-risk populations and to reach the health-related Millennium Development Goals. The Secretariat will report on progress on the implementation of the recommendations through the ad hoc committee set up by the Board to follow up on the Five Year Evaluation recommendations.

ANNEX 2

PROGRESS UPDATE ON IMPLEMENTATION OF KEY FIVE-YEAR EVALUATION RECOMMENDATIONS

Status	2009			2010			2011				
	Jul	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
1. Resource Mobilization											
Develop resource mobilization strategy by Sept 2009	Completed	★									
Plan and implement third replenishment cycle in 2010	In Progress						★	30% Completed			
Implement measures to achieve organizational efficiency gains in grant portfolio (ongoing)	In Progress						★	50% Completed			
Establish Board Working Group to develop framework for managing supply-demand tension by end 2010	In Progress						★	50% Completed			
2. Global Fund Investment Portfolio											
Project long-term financial costs of existing commitments and future demand by Mar 2010	Completed			★							
Conduct portfolio review to identify gaps in HIV, TB and malaria grant portfolio by end 2010	In Progress						★	30% Completed			
Reprogram existing grants and scale up PMTCT programs to achieve 60 percent coverage by end 2011	In Progress							30% Completed	★		
Work with the GAVI Alliance and the World Bank to launch interagency collaboration and align/provide strategic investments in health systems strengthening for rollout in 2010	Initiated						★	30% Completed			
Implementation of action plans for the Gender Equality Strategy by end 2010	In Progress						★	40% Completed			
							★	Scheduled completion date			

Status	2009			2010				2011			
	Jul	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
3. The Global Fund Business Model											
Develop corporate strategy which reconciles inherent tensions within principles underpinning business model by end 2010	Initiated						★				10% Completed
Revise CCM funding policy to provide incentives for CCMs to harmonize and align with other national bodies by end 2009	Completed	★									
Develop partnership strategy to consolidate existing partnerships and forge new ones by end 2009	Completed	★									
Refine performance-based funding system by end 2009	Completed	★									
Develop data quality strategy to underpin implementation of performance-based funding and evaluations by end 2010	In Progress						★				70% Completed
4. Grant Making Mechanism											
Implement new grant architecture involving grant consolidation, single stream of funding and periodic reviews in 2011	Initiated										20% Completed ★
Implement First Learning Wave NSAs by end 2010	In Progress						★				40% Completed
Work with Country Coordinating Mechanisms to align 90 percent of grant disbursements and reporting cycles to country planning and monitoring cycles by end 2010	In Progress						★				75% Completed
Implement Phase1 of AMFm in 2010 and complete its evaluation Nov 2011	In Progress										30% Completed ★
							★				Scheduled completion date



★ Scheduled completion date

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