

The President's Emergency Plan for AIDS Relief
Fiscal Year 2008 Report
on the Global Fund
to Fight AIDS, Tuberculosis and Malaria



February 2010

The Administration provides this Report pursuant to Section 202(c) of the Public Law 108-25, as amended, the “United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003” (“The Act”), which requires the President to “submit to the appropriate Congressional Committees a report on the Global Fund to Fight AIDS, Tuberculosis and Malaria (The Global Fund), including contributions pledged to, contributions (including donations from the private sector) received by, and projects funded by the Global Fund, and the mechanisms established for transparency and accountability in the grant-making process.”

Introduction

The Global Fund to Fight AIDS, Tuberculosis, and Malaria (Global Fund) provides a unique opportunity for the dramatic scale-up of resources to support aggressive interventions for the three diseases in places of most need. The Global Fund is based on a unique model that relies on partnerships among governments; civil society, including community and faith-based organizations; international organizations; bilateral and multilateral donors; the private sector; and affected communities in the fight against HIV/AIDS, tuberculosis (TB), and malaria. Founded in January 2002 as an independent, non-profit foundation under Swiss law, the Global Fund operates as a financing instrument – not as an implementing entity – to attract and disburse additional resources to prevent and treat these three deadly diseases. The Global Fund allows donors to pool their resources and finance essential programs in resource-constrained settings.

Through its programs, the Global Fund promotes country ownership, empowers civil society, and encourages multi-sectoral responses. The U.S. Government, as a founding member of the Global Fund and its first and largest donor, continues to play a leadership role in ensuring the success of this important international effort. The U.S. Government contribution to the Global Fund is an important part of a long-term strategy to provide financing that will enable developing countries to respond to the challenges of HIV/AIDS, TB, and malaria. Furthermore, the U.S. Government amplifies the investment of the American people through its investment in the Global Fund and by encouraging financial commitments and shared responsibilities among other donors. The existence of the Global Fund is both an invitation and a challenge to the rest of the international community to join together to fight these three diseases.

Consistent with the requirements of Section 202(c) of the Public Law 108-25, as amended, this Report is organized into the following three sections:

- I. Funds Pledged and Contributed;
- II. Projects Funded and Disbursements; and
- III. Transparency and Accountability.

I. Funds Pledged and Contributed

The Global Fund maintains a webpage with a spreadsheet of all pledges and contributions at <http://www.theglobalfund.org/en/pledges/?lang=en>, updated on a regular basis.

Pledges

The Global Fund received pledges through calendar year 2009 (as of November 30, 2009) (See Appendix 1) of \$16.03 billion, including the following:

- \$15.37 billion from all governments (including the U.S. Government);
- \$556.27 million from private foundations; and
- \$100.97 million from the private sector and “innovative financing mechanisms” such as UNITAID and the Debt2Health program.

Since the inception of the Global Fund through U.S. Fiscal Year (FY) 2009, the U.S. Government has contributed or appropriated a total of \$4.53 billion¹, or 28.25 percent of total pledges to the Global Fund through 2009.

During calendar year 2008, pledges from all donors amounted to \$3.1 billion, including \$840.3 million from the U.S. Government’s FY 2008 appropriations and \$2.1 billion pledged by government donors other than the U.S. Government. If contributed in full, the 2008 pledges would have represented an increase of \$404.6 million over 2007.

The U.S. FY 2008 appropriations for contribution to the Global Fund totaled \$840.3 million, or an increase of \$160.9 million over the amount the U.S. Government pledged in U.S. FY 2007. The FY 2009 U.S. appropriations for contribution to the Global Fund totaled \$1 billion.

Contributions

Contributions received since the inception of the Global Fund through the end of 2008, as of November 30, 2009 (see Appendix 2), total \$12.8 billion, including the following:

- \$12.16 billion from all governments, of which \$3.5 billion, or 28.77 percent of total contributions, were from the U.S. Government;
- \$458.8 million from private foundations; and
- \$184.4 million from the private sector and “innovative financing mechanisms” such as UNITAID and the Debt2Health program.

From the U.S. FY 2008 appropriations, the U.S. Government has contributed \$809.5 million², and may provide an additional small tranche of funding once the

¹ This total includes actual contributions from FY 2002 -2007 and pledges for FY 2008-2009. For FY 2008-2009, these pledges are based on U.S. appropriations and do not fully account for the various statutory withholding provisions and are subject to change.

amount of statutory withholdings has been finalized. In making this contribution, the Coordinator has withheld a total of \$32.1 million from the FY 2008 appropriation, in accordance with the various statutory withholding provisions³.

Since the percentage of the full Global Fund budget represented by U.S. pledges and contributions has remained relatively stable, the U.S. Government continues to see the statutory cap on the size of the U.S. Government's contribution to the Global Fund as a catalyst for greater investment by other donor countries, the private sector, and individuals in the fight against HIV/AIDS, TB, and malaria.

Of the \$101 million total received in 2008 from private foundations, the Bill and Melinda Gates Foundation contributed \$100 million.

The first private sector contribution was made in 2006 by Product (RED), followed by contributions from Idol Gives Back in 2007. During 2008, the Global Fund received \$81.0 million in corporate contributions, including from Chevron, with 83.9 percent of this amount raised through the Product (RED) campaign and its partners, including Gap, Motorola, Armani, Apple, Hallmark, Dell, and Microsoft (www.joinred.com). In 2007, the Board allocated an additional \$5 million to the Secretariat for activities associated with a strategy and performance plan meant to increase contributions from the private sector.

II. Projects Funded and Disbursements

The Global Fund has historically committed its resources to projects via periodic funding Rounds (see Appendix 3 for a timeline of Rounds) and the Rolling Continuation Channel (RCC). The Global Fund Board initiates new Rounds, approves grant proposals based on technical merit, and sets a 5-year funding ceiling for each approved grant. Subsequently, the Global Fund Secretariat negotiates the specific terms of grant agreements with the Principal Recipients (PRs). The Transparency and Accountability section of this report contains further explanation of the grant making process and oversight mechanisms.

² As of October 1, 2009, the U.S. Government had not made its full contribution with respect to its FY 2008 pledge, pending certification by the U.S. Global AIDS Coordinator of the amount that should be withheld from the contribution based on statutory requirements.

³ Sections 202(d)(4)(A)(ii), (iii) and (v), as amended, generally provide that the United States must withhold from its contribution to the Global Fund certain amounts if the President makes certain determinations regarding the Global Fund's activities. In particular, such determinations include whether the Fund has provided assistance to a country, the Government of which the Secretary of State has determined, for the purposes of Section 6(j)(1) of the Export Administration Act of 1979 (50 U.S.C. App. 2405(j)(1)), has repeatedly provided support for acts of international terrorism; and, whether the salary paid to any individual employed by the Fund exceeds the salary of the Vice President of the United States. Responsibility for making these determinations has been delegated to the U.S. Global AIDS Coordinator.

In Round 8, which was approved at the 18th Global Fund Board meeting in November 2008, the Board approved 110 grants in 68 countries worth a maximum Phase 1 (grant years 1 and 2) upper ceiling funding of \$2.75 billion. Round 8 was the largest grant round in the Global Fund's history and more than twice the size of any previous Round. In 2008, the Global Fund Board also approved eighteen RCC extensions of existing grants with a cumulative ceiling of \$1.1 billion (see Appendix 4 for a full list of RCC approvals). In order to fund as many technically sound grants as possible, the Board mandated efficiency savings of 10 percent across all Round 8 Phase 1 grant agreements and 25 percent across all Round 8 Phase 2 (grant years 3, 4, and 5) grant agreements. This efficiency saving was deemed manageable since, on average, previous Global Fund grants had only utilized 90 percent of approved funding during Phase 1.

In Rounds 1 through 8, the Board approved more than 750 grants worth \$16.5 billion in 136 countries, including eight regional programs. At the close of 2008, the Global Fund Secretariat had signed 496 grant agreements, worth \$8.3 billion, in 136 countries. Since the Global Fund began operations in January 2002 through the end of calendar year 2008, it disbursed a total of \$7.2 billion to grantees⁴. As of December 2009, the Global Fund had disbursed over 68 percent of the funding that had been committed in signed grant agreements.

Of proposals that the Board approved in Rounds 1 through 8, 56 percent (by dollar amount) are dedicated to HIV/AIDS, 28 percent to malaria, 15 percent to TB, 1 percent to HIV/TB activities, and less than one percent to integrated projects to strengthen health systems. Geographically, the majority (56 percent) of grants are for countries in Sub-Saharan Africa, followed by 23 percent of grants for countries in South and East Asia and the Pacific.

The Global Fund made these financial commitments against \$15.91 billion in donor pledges through 2009, consistent with the Global Fund's Comprehensive Funding Policy. This policy allows the Board to approve the ceiling levels of grant proposals based on firm donor pledges, but requires the Global Fund Secretariat to have assets in-hand with the Fund's Trustee sufficient to cover the full amount of a grant commitment at the time it signs any grant agreement.

Through these grants, the Global Fund Secretariat estimates that, by the end of calendar year 2008, Global Fund programs were supporting HIV treatment for 1.4 million people, TB treatment for 3.3 million people, and had supported delivery of about 46 million insecticide-treated nets (ITNs).

⁴ "Disbursement" refers to money released by the Secretariat and sent from the Fund's Trustee to the Principal Recipients (PRs). This figure does not take into account whether the PRs have expended these funds.

III. Transparency and Accountability

The Global Fund is a relatively young and continually evolving institution. The establishment and maintenance of rigorous standards of administration and oversight are critical to guaranteeing the long-term success of the Global Fund, and the Global Fund has made notable progress in this respect, as detailed below. The U.S. Government and other Board Members continue to play an active role in supporting the Global Fund Secretariat in supporting its internal governance mechanisms to ensure adherence to transparent, accountable and efficient operating procedures.

A. Global Fund Grant-Making Process

Global Fund grant applications are solicited through an open call initiated by the Board. Applications must be submitted by a Country Coordinating Mechanism (CCM), which is an in-country committee comprised of a broad range of stakeholders, including government entities, non-governmental and faith-based organizations, academic institutions, people living with the diseases, the private sector, and representatives of bilateral and multilateral donors.

The grant applications are reviewed on the basis of technical merit by the Technical Review Panel (TRP), an independent group of international experts in the three diseases and cross-cutting issues such as health systems. Based on the recommendations of the TRP, the Board votes on whether to approve grant applications. In the case of an approval, the Board sets a funding ceiling for each grant.

Following approval by the Board, the Global Fund Secretariat negotiates a grant agreement with one or more PRs, which are designated by the CCM to receive funding and implement programs, or manage distribution of funding to sub-recipients (SRs). Grants are approved for an initial 2-year period (Phase 1), and the CCM can request a three-year extension (Phase 2) based on good grant performance. The TRP must review and the Board must approve each request for continuation into Phase 2.

High-performing Global Fund grants that are reaching the end of their original 5-year period may be invited by the Secretariat to apply for continued funding through a streamlined process called the RCC. Wave One RCC applications were

reviewed by the TRP and approved by the Board in mid-2007. In 2008, the Board approved RCC renewals worth \$1.1 billion in Waves Two through Four.

B. Grant Management and Oversight

The Global Fund has several key mechanisms in place to ensure programmatic and financial oversight of the grants, which are described below.

Principal Recipient (PR) Reports

PRs are required to submit a progress update with each new disbursement request as well as fiscal year progress reports which contain aggregate information on programmatic progress and grant execution in relations to key program areas and implementing parties.

In the Progress Updates and Disbursement Requests, the PRs provide an update on actual results achieved as compared to targets and budget during the disbursement period, and supply information supporting its estimation of the next disbursement required from the Global Fund. The PRs must also submit financial records and are encouraged to provide an overview of other program results achieved, potential issues, and lessons learned, as well as any planned changes in the program and forecasted budget. These reports are provided to the Local Fund Agents (LFAs) (see below for further explanation on LFAs) and CCMs for review and comment. Once finalized, all reports are made public and accessible on the Global Fund's website.

Local Fund Agents (LFAs)

Because the Global Fund does not have country-level staff, it relies on LFAs to exercise a critical oversight function in recipient countries. Prior to the signing of grant agreements, they assess the capacity of potential PRs and SRs; and throughout the life of the grant, they evaluate disbursement requests, conduct annual audits, and make related recommendations to the Global Fund Secretariat. The LFAs do not manage or implement the funded proposals, but their local presence maintains accountability.

Additionally, in response to the recommendations of a U.S. Government Accountability Office (GAO) report in 2007, the Global Fund has established an external review mechanism for LFA performance.

Enhanced Financial Reporting (EFR) system

In 2008, the EFR data collection system was expanded to all grants. The EFR collects data on grant budgets at the program activity level, including data on SRs by type of organization and amount of funding received. The EFR system establishes a considerably more rigorous reporting framework for grants, and it should enable the Global Fund to provide much of the information the U.S. Government is seeking.

The U.S. Government finds the establishment of the EFR to be a positive development. We believe it marks a significant step forward in terms of the Global Fund Secretariat's ability to account for expenditures by grantees, at least at the level of the PRs and SRs. The U.S. Government intends to monitor the further development and use of this system closely.

C. Secretariat Oversight

Office of the Inspector General (OIG)

Since its establishment in 2002, Global Fund has been working to fully staff a strong, independent OIG. The position of Inspector General has been filled, additional core staff members have been hired, and consultants have been retained to temporarily fill positions for which recruitment is ongoing (Appendix 5 – OIG Progress Report for October 2008-March 2009). Key OIG priorities for 2008 were: providing assurance on grant processes; providing assurance on other main business processes; supporting key managerial and governance initiatives; and strengthening the OIG itself (Appendix 6 – Priorities for the Office of Inspector General).

In support of these priorities, the OIG established an “integrity hotline” offering toll-free reporting services in multiple languages; protocols for reporting matters involving fraud, mismanagement, and unethical conduct; and a database for tracking OIG recommendations and follow-up. The OIG is also working to establish new capabilities in forensic information technology that will significantly enhance its capabilities.

The OIG completed four reports in 2008. Twenty-one more were underway at the end of 2008 or scheduled to begin during the following months. Completed reports include audits of specific country programs as well as analyses of organizational issues such as the risks associated with phasing out the

Administrative Services Agreement with the World Health Organization (WHO), the suspension and termination processes for Global Fund grants, and an ethics and reputational risk assessment. The completed reports are available on the Global Fund website (<http://www.theglobalfund.org/en/oig/reports/?lang=en>).

Technical Evaluation Reference Group (TERG)

The Technical Evaluation Reference Group (TERG) is an advisory body providing independent assessments and advice to the Board on issues which it determines require Board attention. The Board also directs the TERG to examine specific programmatic aspects of the Fund, as appropriate. Additionally, the TERG advises the Secretariat on evaluation approaches and practices, independence, reporting procedures, and other technical and managerial aspects of monitoring and evaluation at all levels. The U.S. Government strongly values the service provided by the TERG, and the Secretariat should continue to ensure both the independence and adequate staffing of the TERG.

In 2003, the Global Fund Board commissioned, under the oversight of the TERG, a 5-year evaluation of the Global Fund's structures, partnerships, and health impact. Study Area 2 (Global Fund Partner Environment) was completed and presented to the Board at the 18th Board meeting in November 2008, and work began on Study Area 3 (Health Impact of Scaling Up Against HIV, Tuberculosis and Malaria) for presentation to the Board in May 2009.

Global Fund Operating Expenses

In 2008, Global Fund operating expenses totaled \$165.6 million. Section 202(d)(4)(A)(iii) of Public Law 108-25, as amended, requires that if “the expenses of the Governing, Administrative, and Advisory Bodies (including the Partnership Forum, the Foundation Board, the Secretariat, and the Technical Review Board) of the Global Fund exceed 10 percent of the total expenditures of the Fund for any 2-year period, the U.S. Government shall withhold from its contribution for the next Fiscal Year an amount equal to the average annual amount expended by the Fund for such 2-year period for the expenses of the total Governing, Administrative, and Advisory Bodies in excess of 10 percent of the total expenditures of the Fund.” The Global Fund’s operating expenses for the 2007-2008 period total \$282.9 million, or 5.4 percent of total expenditures during the same time period, which is well under the operating expenses allotment.

D. Challenges and Opportunities of 2008

Architecture Review

At the 18th Board meeting in November 2008, the Board adopted a decision to conduct a grant architecture review, with the goal of moving towards a "single stream of funding per PR per disease" model. The Secretariat presented a progress report on the review at the 11th Policy and Strategy Committee meeting in March 2009, and committed to having the final draft ready for discussion at the 20th Board meeting in November 2009. The U.S. Government is closely engaged in monitoring the process and will work to ensure that the final review upholds the principals of country ownership, performance-based financing, a strong independent review by the TRP, and dual-track financing.

National Strategy Applications (NSAs)

The NSA is a new mechanism that offers countries an alternative to Rounds-based applications for Global Fund grants and allows countries to request funding to support implementation of an existing national strategy. The NSA is a financing channel based not upon distinct applications, but upon a request to finance some or all of a jointly-validated national health strategy, a system designed to reduce in-country reporting burdens and increase alignment with and support for national strategies. The assessment tool that will be used to jointly validate national health strategies is not yet available.

In November 2008 at the 18th Board meeting, the Board endorsed the initiation of the First Learning Wave (FLW) of NSAs in order to gather more information on how this mechanism would operate in practice. As part of the FLW, the following countries submitted NSAs in August 2009: for HIV, Rwanda, Malawi, and Kenya; for TB, Rwanda and Nepal; and for malaria, Madagascar and China. FLW NSA applicants are subject to an in-country visit from TRP members, as well as a subsequent review. As in the Rounds-based channel, the TRP will provide recommendations to the Board on the technical merit of the applications. These FLW applications were reviewed as part of the Round 9 discussions at the 20th Board meeting in November 2009.

The U.S. Government applauds this effort to align Global Fund grants more closely with national health strategies, and is working to build linkages between this effort by the Global Fund and similar U.S. Government programs related to the three diseases and those under President Barack Obama's Global Health Initiative (GHI), which also aim to align programs with the national disease strategies.

Affordable Medicines Facility – Malaria (AMFm)

AMFm, a global financing mechanism for artemisinin-based combination therapies (ACTs), was authorized on a pilot basis at the 18th Board meeting in order to gather more data to inform the Board's decision on whether to approve a global rollout of the program. The goal of AMFm is to reduce the per-treatment price of highly effective ACTs from \$6-10 to \$.20-.50, thus crowding out less effective monotherapies that encourage the development of artemisinin resistant malaria strains. Eleven countries were invited to apply for the pilot phase: Benin, Cambodia, Ghana, Kenya, Madagascar, Niger, Nigeria, Rwanda, Senegal, Tanzania and Uganda.

The U.S. Government will continue to engage in Board discussions, and will not support AMFm unless sound evidence of its effectiveness is put forward (as urged in section 202(a)(2)(I) of the Tom Lantos and Henry J. Hyde United States Leadership against HIV/AIDS, Tuberculosis and Malaria Act of 2008).

Transition Plan Away from the Administrative Services Agreement (ASA)

In November 2007, the Board voted to end the ASA, through which the WHO Secretariat provided administrative services to the Global Fund Secretariat, by December 31, 2008. On January 1, 2009, the transition was completed, and the Global Fund became an administratively autonomous organization. The year-long timeline to establish administrative independence allowed the Global Fund Secretariat to negotiate withdrawal from the United Nations (U.N.) Joint Staff Pension Fund, and to develop the comprehensive human-resource policies and information-technology systems necessary to function as an independent employer. With the end of the ASA, all staff members are now employees of the Global Fund itself, directly under the responsibility of the Executive Director. In addition, the Global Fund is no longer subject to the U.N. “single-auditor” principle, which allows external auditors access to all Global Fund staff and payroll records that had been administered by the WHO Secretariat.

Procurement Issues

Quality Assurance (QA)

At the 18th Board meeting in November 2008, the Board approved a new QA policy with stricter guidelines for pharmaceuticals procured with Global Fund financing. The policy lays out three categories of pharmaceuticals: Option A, products which are prequalified by the WHO; Option B, products which are

approved by a stringent regulating authority such as the U.S. Food and Drug Administration (FDA); and Option C, Expert Review Panel (ERP), products which have been approved by the Global Fund ERP based on a risk/benefit analysis, and whose approval is valid for only 12 months. The ERP approved option is only available if there are no Option A or Option B products that can be procured within 90 days in sufficient quantities. In all other cases the Global Fund now requires either WHO approval or FDA-equivalent approval.

Voluntary Pooled Procurement (VPP)

The Global Fund estimates that between 45 and 49 percent of grant funding is used to procure pharmaceuticals and other health products. As such, the Global Fund is committed to capitalizing on this opportunity to build efficiencies in service provision and improve grant performance through the establishment of a procurement mechanism that will help countries obtain reduced commodity prices and improved delivery conditions by aggregating orders for products and leveraging the Global Fund's purchasing power. The VPP is an opt-in service available to Global Fund grant PRs with a focus on four key product areas: 1st line anti-retrovirals (ARVs), 2nd line ARVs, ACTs, and long lasting insecticide treated mosquito nets (LLINs).

Following the decision at the 15th Board meeting of the Global Fund to support the establishment of a VPP mechanism, the details of the program were planned throughout 2008, setting the foundation for negotiations with suppliers and registration of PRs to begin in early 2009.

E. Financial Challenges in 2009

The Round 8 recommendations for funding received by the Global Fund Board provided evidence of both increased demand and improved quality of proposals. While this is demonstrative of a higher prioritization of health issues and greater capacity to initiate programming, it also provides the Global Fund and its donors with new financial challenges and necessitates a critical review of funding priorities and an evaluation of available resources relative to the need to meet existing commitments balanced with the desire to accommodate new initiatives and funding rounds.

The U.S. Government is participating on a working group established by the Board to address the tension between supply and demand. The recommendations of this working group were considered by the Board at its 20th meeting in November 2009

and the working group will continue to be active in addressing related long-term issues.

F. U.S. Efforts to Improve Global Fund Effectiveness

U.S. Government Leadership on the Global Fund Board

The U.S. Government holds one of the 20 voting seats on the Global Fund Board, and is currently active on two Board Committees: the Finance and Audit Committee (FAC) and the PSC.

Consistent with the requirement of Section 202(d)(6) of Public Law 110-293, summaries of the Board's decisions and U.S. Government positions at the November 2008 and May 2009 Global Fund Board meetings are available at <http://www.pepfar.gov/coop/boardmeetings/index.htm>. Prior to the reauthorization of PEPFAR, these documents were not required to be online, but similar information regarding the April 2008 Board meeting is available upon request to OGAC.

Country-Level U.S. Government Support for the Global Fund

It is in the interest of the United States, as well as in the interest of all people who are struggling against HIV/AIDS, TB and malaria, to ensure the Global Fund is an effective and efficient partner. The U.S. Government places a priority on coordinating its bilateral programs with programs funded through the Global Fund and contributing significantly to enhancing grant performance. In addition to coordinating with Global Fund grantees, U.S. Government officials help oversee and improve grant performance through membership in CCMs.

Technical Assistance to Global Fund Grants

The Global Fund Board, Secretariat, and other stakeholders have recognized the critical need for TA to address gaps in national capacity related to grant implementation and scale-up of programs. Because the Global Fund is a financing mechanism, it has no mandate or capacity to provide TA unless grantees include TA requests within their grant proposals. This is a practice the United States strongly encourages. Instead, providing TA has become one of the roles of international organizations and bilateral donors, including the U.S. Government, to support the TA function and improve the performance of grants.

The U.S. Congress has provided the U.S. Global AIDS Coordinator the option to withhold up to 5 percent of the Foreign Operations appropriation for the U.S. contribution to the Global Fund to provide TA to alleviate grant implementation bottlenecks. Since 2005, the Coordinator has withheld most or all of this 5 percent ceiling for TA annually, making between about \$10 and \$28 million available for technical assistance activities for Global Fund grants each year.

Due to the nature of the programming cycle, TA in 2008 was provided with FY 2007 Global Fund withholdings; the Coordinator approved withholding \$28.4 million dollars or 4.6 percent from the FY 2007 Foreign Operations appropriation. The Coordinator has also approved withholding \$27.3 million dollars, or 5 percent, from the FY 2008 Foreign Operations appropriation, which will be used for TA during the FY 2009 programming cycle.

The goal of this TA is to provide short-term assistance to grants that are faltering in their implementation. This TA is demand-driven at the request of the CCM or PR, and it focuses on alleviating specific bottlenecks that can cause grants to underperform, such as weakness in program management, grant oversight, procurement and supply-chain management, financial administration, and monitoring and evaluation (M&E). The funds are programmed through various mechanisms (see Appendix 7).

In addition to short-term TA, the U.S. Government is exploring ways to build medium- to long-term capacity of in-country partners who implement Global Fund grants. To this end, the Coordinator has approved a 2-year placement of Global Fund Liaisons in six countries, with the twin goals of improving the functioning of the Global Fund grants and increasing coordination and collaboration between Global Fund and U.S. Government bilateral programs.

The provision of headquarters-funded TA augments significant assistance that U.S. Government country teams, including the PEPFAR, President's Malaria Initiative (PMI) and U.S. Government TB teams, provide to the Global Fund grants through bilateral programming; this can include TA for proposal development and support for longer-term capacity-building. In many countries, models of effective interventions developed through U.S. Government funds are scaled-up with Global Fund resources. The original Global Fund model envisioned substantial collaboration between the Fund and other donor entities to strengthen the implementation of grants. The U.S. Government is working to deepen the already-significant collaboration with U.S. Government bilateral programs in recipient countries, and is also working with U.N. agencies, other bilateral donor

governments, and civil society and private sector organizations to coordinate the provision of Global Fund-related TA.

A brief report on U.S. Global Fund TA is attached (Appendix 7).

Conclusion

The U.S. Government is committed to the Global Fund model and its role in helping in the international effort to combat HIV/AIDS, TB, and malaria. The U.S. Government is fully engaged with the Global Fund through its participation on the Board and in two Board committees; formal representation in meetings and informal discussions with Global Fund Secretariat staff in Geneva; provision of TA to troubled grants; and active engagement with both private- and public- sector stakeholders in affected countries.

Support for the Global Fund is an integral part of PEPFAR and PMI and overall U.S. Government support for global health, and the U.S. Government applauds the Global Fund's demonstrated accomplishments in delivering funding to where it is needed the most. Nevertheless, the U.S. Government continues to have a number of pressing concerns. These include the lack of imperfect capacity of developing countries to make best use of dramatically increased resources; weak country management; and the need for greater fiduciary oversight and accountability. In addition, the Global Fund must improve its ability to demonstrate sustained project outcomes.

By continuing to focus on these issues, the U.S. Government is carrying out its responsibility to taxpayers and to the U.S. Congress to monitor the effectiveness of the U.S. contribution, while helping to ensure the long-term success of the Global Fund itself.

List of Appendices:

Appendix 1: Pledges to the Global Fund (as of June 30, 2009)

Appendix 2: Contributions received since the inception of the Global Fund through 2008

Appendix 3: Timeline of Rounds and Applications

Appendix 4: Rolling Continuation Channel (RCC), Approvals to Date

Appendix 5: OIG Progress Report for October 2008-March 2009

Appendix 6: Priorities for the OIG

Appendix 7: Report on U.S. Technical Assistance for Global Fund grants

Appendix 1

The Global Fund to Fight AIDS, Tuberculosis and Malaria Pledges¹

DONORS	TOTAL PLEDGES TO DATE			TOTAL PAID TO DATE (USD)	PLEDGES by YEAR DUE (in USD)							Later or Pledge Period to be Confirmed	
	AMOUNT PLEDGED	EQUIVALENT IN USD	PERIOD OF PLEDGE (if known)		2001 - 2004	2005	2006	2007	2008	2009	2010		
Countries													
Australia ²	AUD	210,000,000	170,646,697	2004-2010	128,488,945								
Belgium	EUR	93,333,222	121,559,706	2001-2010	96,419,069								
Brazil	USD	200,000	200,000	2003-4, 2006-7	200,000								
Brunei Darussalam	USD	50,000	50,000	2007	50,000								
Cameron	USD	125,000	125,000	2003, 2007									
Canada	USD	100,000,000	100,000,000	2002-2004	100,005,530								
Canada	CAD	840,000,000	741,721,074	2005-2010	468,839,718								
China	USD	16,000,000	16,000,000	2003-2010	14,000,000								
Denmark	DKK	1,236,600,000	213,840,211	2002-2010	178,719,704								
European Commission	EUR	1,072,500,000	1,444,440,019	2001-2010	1,069,795,931								
Finland	EUR	11,500,000	15,789,100	2006-2009	15,789,100								
France	EUR	1,825,000,000	2,543,052,003	2002-2010	1,831,228,236								
Germany	EUR	923,500,000	1,286,476,288	2002-2010	986,761,018								
Greece	EUR	1,600,000	2,150,085	2005, 2007, 2008	2,150,085								
Hungary	USD	55,000	55,000	2004-6, 2008	55,000								
Iceland	ISK	30,000,000	420,707	2004-2005	420,707								
Iceland	USD	700,000	700,000	2006-08	700,000								
India	USD	11,000,000	11,000,000	2006-2010	5,000,000								
Ireland	EUR	170,000,000	231,475,317	2002-2010	149,053,618								
Italy	USD	200,000,000	200,000,000	2002-2003	215,160,273								
Italy	EUR	850,000,000	1,182,730,452	2004-2010	793,100,680								
Japan	USD	1,406,119,676	1,406,119,676	2002-08, 2009	1,040,946,086								
Korea (Republic of)	USD	11,000,000	11,000,000	2004-2009	7,000,000								
Kuwait	USD	2,000,000	2,000,000	2003, 2008	2,000,000								
Latvia	USD	10,000	10,000	2008	10,000								
Liechtenstein	USD	425,000	425,000	2002, 2005-8	425,000								
Liechtenstein	CHF	300,000	243,907	2004, 2006, 2009	243,907								
Luxembourg ³	EUR	18,550,000	24,614,461	2002-2010	20,868,020								
Mexico	USD	200,000	200,000	2003, 2005	200,000								
Netherlands ⁴	EUR	485,000,000	654,091,889	2002-2010	519,220,017								
New Zealand	NZD	3,450,000	2,169,440	2003-2005	2,169,440								
Nigeria	USD	20,000,000	20,000,000	2002-3, 2006	9,080,914								
Norway ⁵	NOK	2,190,882,000	355,215,331	2002-2010	223,128,568								
Poland	USD	150,000	150,000	2003-06, 2008	150,000								
Portugal ⁶	USD	15,500,000	15,500,000	2003-2010	10,500,000								
Romania	EUR	350,000	502,185	2007-2008	502,185								
Russia ⁷	USD	257,000,000	257,000,000	2002-2010	225,852,403								
Saudi Arabia	USD	28,000,000	28,000,000	2003-06, 2008-10	22,000,000								
Singapore	USD	1,000,000	1,000,000	2004-2008	1,000,000								
Slovenia	SIT	5,400,000	28,080	2004-2006	28,080								
Slovenia	EUR	110,000	156,831	2007-2008	156,831								
South Africa	USD	10,000,000	10,000,000	2003-2008	10,000,000								
South Africa	ZAR	2,000,000	276,704	2006, 2008	276,704								
Spain	USD	764,547,085	764,547,085	2003-05, 2007-10	517,307,296								
Gen. Catalunya/ Spain	EUR	50,000,000	63,900,000	2006	63,900,000								
Sweden ⁷	SEK	3,856,000,000	549,850,533	2002-2010	418,053,588								
Switzerland	USD	10,000,000	10,000,000	2002-2003	10,000,106								
Switzerland	CHF	42,000,000	36,861,787	2004-2010	29,902,153								
Thailand	USD	10,000,000	10,000,000	2003-2012	7,000,000								
Uganda	USD	2,000,000	2,000,000	2004-2007	1,500,000								
United Kingdom ⁸	GBP	1,359,000,000	2,308,948,286	2001-2015	931,009,763								
Other States ⁹	USD	5,428,356,226	5,428,356,226	2001-2008	4,338,937,895								
United Countries ¹⁰	various	2,749,635	2,749,635	2001-2004	1,674,635								
Total		20,256,035,130			14,476,617,674								
Other													
Bill & Melinda Gates Foundation	USD	650,000,000	650,000,000	2002-2004, 2006-2010	550,000,000								
Communitas Foundation	USD	2,000,000	2,000,000	2007-2009	2,000,000								
Deb2Health													
Australia of which realized as restricted contribution from	AUD	37,500,000											
Indonesia	AUD	37,500,000	33,998,187	tbd									33,998,187
Germany of which realized as restricted contribution from	EUR	200,000,000											
Indonesia	EUR	25,000,000	37,728,894	2008-2012	15,250,249								14,985,764
Pakistan	EUR	20,000,000	29,425,329	2009-2012	6,946,683								14,985,764
UNITAID	USD	38,691,956	38,691,956	2007	38,691,956								
Chevron Corporation	USD	30,000,000	30,000,000	2008-2010	20,000,000								
Comic Relief	GBP	2,000,000	3,314,307	2009-2010	2,984,220								330,087
Idol Gives Back	USD	16,600,000	16,600,000	2007-2009	16,600,000								
M A C AIDS Fund	USD	500,000	500,000	2009									500,000
(PRODUCT) RED TM and Partners: American Express, Apple, Conversa, Dell + Windows, GAP, Giorgio Armani, Hallmark, Motorola Foundation, Motorola Inc. & Partners, Starbucks Coffee, Media Partners and (RED) Supporters ¹¹					139,933,888								
The United Nations Foundation and its donors:													
Hottokenal Campaign (G-CAP Coalition Japan)	USD	250,000	250,000	2006	250,000								
Other UNF Donors	USD	4,022,487	4,022,487	various	6,510,303								
Other Donors ¹²				various	13,525								
Total			846,531,160		799,180,824								
Grand Total			21,102,566,290		15,275,798,498								

Notes:

- (a) Many pledges are subject to budgetary and/or parliamentary approval.
- (b) For pledges made in currencies other than US dollars, the pledge amount in USD comprises the actual USD value realised from any contributions made plus the USD equivalent of the remainder of the pledge calculated using exchange rates posted on OANDA.com, as of: 30-Nov-09
- (c) Where pledges have been made that are not specific to individual years, the amount shown as pledged for a period is the sum of contributions received in that period. The remainder is shown under "Pledge Period to be Confirmed".
- The pledge for the period 2009 - 2010 has not yet been attributed to specific years by the donor. The Secretariat has assumed an equal allocation of this pledge between 2009 and 2010, until otherwise notified by the donor.
- Luxembourg commits itself to make an annual contribution for 2008-2010 which should aim to be at least at the same level as that of the previous year, subject to the evolution of Luxembourg's ODA
- Of the Netherlands pledge (for 2008 - 2010), EUR 50 million will depend on the contributions of G8 countries, to be decided at a later stage on assessment by the Netherlands
- The Norway pledges for 2009 and 2010 will be the greater of NOK 375 million and 1.5% of total annual contributions, up to the upper limit of the current target range for contributions in 2008-2010
- The yearly allocation of the Russian Federation pledge for 2008-2010 will be according to the schedule to be agreed with the Global Fund Secretariat
- For the replenishment period 2008-2010 the intention of Sweden is to maintain its 2.9 percent share of total contributions. The amounts listed above for 2008 - 2010 are based on 2.9 percent of total pledges and projected contributions for each year. At the Replenishment mid-term review in 2009, Sweden will analyze the Global Fund performance, including distribution of financing among donors, and on that basis will decide if there is a need for Sweden to raise the 2.9 percentage, or put a cap on the contribution.
- The UK also pledges up to GBP 670 million over the 5 years from 2011 to 2015 providing the Global Fund is receiving good quality demand, is performing well, and is demonstrating sustainable impact.
- The United States contribution to the Global Fund is subject to certain U.S. legislative restrictions, including that, during 2004-2008, no U.S. government contribution may cause the total amount of U.S. government funds contributed to exceed 33% of total contributions. Furthermore, at the donor's discretion, up to 5 percent of this funding may be applied in the form of direct bilateral technical assistance to activities related to Global Fund grant implementation, and the contribution to the Global Fund reduced correspondingly.
- Countries that have not made a contribution for years after 2004
- All (PRODUCT)RED corporate partners have made long-term commitments to supporting the Global Fund; the listed figure includes actual contributions made by several partners to date
- Other Donors: includes contributions received from the American Express Membership Rewards program

Last Updated: 30-Nov-09

Appendix 2

The Global Fund to Fight AIDS, Tuberculosis and Malaria
Contributions To Date¹

DONORS	2001-2007 (in USD)			2008 (in USD)			2009 (in USD)			
	AMOUNT PLEDGED	AMOUNT CONTRIBUTED	NOT YET PAID ²	AMOUNT PLEDGED	AMOUNT CONTRIBUTED	NOT YET PAID ²	AMOUNT CONTRIBUTED			NOT YET PAID
							Paid In	In Process ³	Total	
Countries										
Australia	56,785,645	56,785,645		38,883,600	38,883,600		32,819,700	32,819,700		32,819,700
Belgium	62,437,732	62,623,035		15,919,114	15,919,114		23,496,581	17,876,920		17,876,920
Brazil	200,000	200,000								
Brunei Darussalam	50,000	50,000								
Cameroon	125,000		125,000							
Canada	431,462,054	431,467,584		129,109,851	129,109,851		139,906,230	8,267,812		8,267,812
China	10,000,000	10,000,000		2,000,000	2,000,000		2,000,000	2,000,000		2,000,000
Denmark	117,448,538	117,448,538		29,397,930	29,397,930		31,873,236	31,873,236		31,873,236
European Commission	789,910,931	789,910,931		136,625,000	136,625,000		143,260,000	143,260,000		143,260,000
Finland	6,957,300	6,957,300		3,934,250	3,934,250		4,897,550	4,897,550		4,897,550
France	1,206,425,741	1,206,425,741		443,177,360	443,177,360		443,875,997	181,625,135		181,625,135
Germany	403,117,043	403,117,043		312,202,200	312,202,200		271,441,775	271,441,775		271,441,775
Greece	787,885	787,885		1,362,200	1,362,200					
Hungary	35,000	35,000		20,000	20,000					
Iceland	820,707	820,707		300,000	300,000					
India	4,000,000	4,000,000		2,000,000	1,000,000	1,000,000	2,000,000			2,000,000
Ireland	97,840,930	97,840,930		37,246,688	37,246,688		13,966,000	13,966,000		13,966,000
Italy	806,210,000	821,370,273		186,890,600	186,890,600		194,814,926			194,814,926
Japan	662,274,702	662,675,039		183,844,974	183,844,974		194,426,073	194,426,073		194,426,073
Korea (Republic of)	4,000,000	4,000,000		3,500,000	3,000,000	500,000	3,500,000			3,500,000
Kuwait	1,000,000	1,000,000		1,000,000	1,000,000					
Latvia				10,000	10,000					
Liechtenstein	442,067	442,067		100,000	100,000		126,839	126,839		126,839
Luxembourg	13,647,020	13,647,020		3,899,250	3,899,250		3,321,750	3,321,750		3,321,750
Mexico	200,000	200,000								
Netherlands	321,556,017	321,556,017		114,192,000	114,192,000		83,472,000	83,472,000		83,472,000
New Zealand	2,169,440	2,169,440								
Nigeria	20,000,000	9,080,914	11,000,000							
Norway	170,480,211	170,480,211		52,646,357	52,646,357		66,044,382			66,044,382
Poland	50,000	50,000		100,000	100,000					
Portugal	7,500,000	7,500,000		3,000,000	3,000,000		2,500,000			2,500,000
Romania	435,515	435,515		66,670	66,670					
Russia	115,739,936	115,739,936		78,405,042	78,405,042		31,707,425	31,707,425		31,707,425
Saudi Arabia	10,000,000	10,000,000		6,000,000	6,000,000		6,000,000	6,000,000		6,000,000
Singapore	800,000	800,000		200,000	200,000					
Slovenia	71,631	71,631		53,336	53,336		59,943	59,943		59,943
South Africa	10,130,719	10,130,719		145,985	145,985					
Spain	228,900,000	231,660,211		136,547,085	136,547,085		213,000,000	213,000,000		213,000,000
Gen.Catalunya/ Spain	5,638,550	5,638,550		2,247,865		2,247,865				
Sweden	273,499,299	273,499,299		104,797,958	104,797,958		80,858,884	39,756,332		39,756,332
Switzerland	26,919,923	26,920,029		6,688,963	6,688,963		6,293,266	6,293,266		6,293,266
Thailand	5,000,000	5,000,000		1,000,000	1,000,000		1,000,000	1,000,000		1,000,000
Uganda	2,000,000	1,500,000	500,000							
United Kingdom	659,965,001	660,141,678		80,256,747	80,256,747		190,611,338	190,611,338		190,611,338
United States ⁴	2,688,052,226	2,688,052,226		840,304,000	809,523,206	30,780,795	1,000,000,000	841,362,464		841,362,464
Other Countries ⁵	1,674,635	1,674,635								
Total	9,226,761,399	9,233,905,750	11,625,000	2,958,075,025	2,923,546,366	34,528,659	3,187,273,895	2,106,105,615	213,059,943	2,319,165,558
Other										
Bill & Melinda Gates Foundation	350,000,000	350,000,000		100,000,000	100,000,000		100,000,000	100,000,000		100,000,000
Communitas Foundation	1,000,000	1,000,000		1,000,000	1,000,000					
Debl2Health realized as restricted contribution from: Indonesia Pakistan				8,005,921	8,005,921		7,244,328	7,244,328		7,244,328
UNITAID	38,691,956	38,691,956					6,946,683	6,946,683		6,946,683
Chevron Corporation				10,000,000	10,000,000		10,000,000	10,000,000		10,000,000
Comic Relief							2,984,220	2,984,220		2,984,220
Idol Gives Back	3,000,000	3,000,000		3,000,000	3,000,000		10,600,000	10,600,000		10,600,000
M-A-C AIDS Fund							500,000			500,000
(PRODUCT) RED TM and Partners: American Express, Apple, Converse, Dell + Windows, GAP, Giorgio Armani, Hallmark, Motorola Foundation, Motorola Inc. & Partners, Starbucks Coffee, Media Partners and (RED) Supporters ⁶		53,694,220			67,971,621		18,268,046			18,268,046
The United Nations Foundation and its donors:										
Hottokenai Campaign (G-CAP Coalition Japan)	250,000	250,000								
Other UNF Donors	4,022,487	6,510,303								
Other Donors ⁷					11,970			1,555		1,555
Total	396,964,443	453,146,479		122,005,921	189,989,512		138,275,231	156,044,833		156,044,833
Grand Total	9,623,725,842	9,687,052,229	11,625,000	3,080,080,946	3,113,535,877	34,528,659	3,325,549,126	2,262,150,448	213,059,943	2,475,210,391

Notes:

- (a) For pledges made in currencies other than US dollars, the pledge amount in USD comprises the actual USD value realized from any contributions made plus the USD equivalent of the remainder of the pledge calculated using exchange rates posted on OANDA.com, as of: 30-Nov-09
(b) Where pledges have been made that are not specific to individual years, the amount shown as pledged for a period is the sum of contributions received in that period. The remainder is shown under "Pledge Period to be Confirmed".
(c) Contributions held in the currency in which received are stated at their US dollar equivalent on the date of receipt
- Amounts 'Not Yet Paid' will not equal 'Amount Pledged' less 'Amount Contributed', in instances where a donor has made contributions in excess of pledges for some years while not contributing the full pledge for other years
- Contributions in process are amounts expected to be received within one month, and for which a contribution agreement has been signed or which have been deposited in a holding account with the Trustee pending signature of a contribution agreement
- The United States contribution to the Global Fund is subject to certain U.S. legislative restrictions, including that, during 2004-2008, no U.S. government contribution may cause the total amount of U.S. government funds contributed to exceed 33% of total contributions. Furthermore, at the donor's discretion, up to 5 percent of this funding may be applied in the form of direct bilateral technical assistance to activities related to Global Fund grant implementation, and the contribution to the Global Fund reduced correspondingly.
- Countries that have not made a contribution for years after 2004
- All (PRODUCT)RED corporate partners have made long-term commitments to supporting the Global Fund; the listed figure includes actual contributions made by several partners to date
- Other Donors: includes contributions received from the American Express Membership Rewards[®] program

APPENDIX 3

TIMELINE OF GLOBAL FUND ROUNDS AND APPLICATIONS

Round or Application Channel	Call for Applications / Invitations to Participate	Approval
Rounds-Based Applications		
Round One	February 2002	April 2002, 2 nd Board Meeting
Round Two	July 2002	January 2003, 4 th Board Meeting
Round Three	March 2003	October 2003, 6 th Board Meeting
Round Four	January 2004	June 2004, 8 th Board Meeting
Round Five	November 2004	First half approved in September 2005, 11 th Board Meeting; Second Half approved in January 2006
Round Six	April 2006	November 2006, 14 th Board Meeting
Round Seven	March 2007	November 2007, 16 th Board Meeting
Round Eight	March 2008	November 2008, 18 th Board Meeting
Round Nine	November 2008	November 2009, 20 th Board Meeting
Rolling Continuation Channel Grant Extensions		
RCC Wave One	-	November 2007
RCC Wave Two	-	April 2008
RCC Wave Three	-	July 2008
RCC Wave Four	-	October 2008
RCC Wave Five	-	February 2009
RCC Wave Six	-	May 2009
RCC Wave Seven	-	December 2009
RCC Wave Seven	December 2009	<i>Not yet approved</i>
National Strategy Applications		
NSA First Learning Wave	March 2009	November 2009, 20 th Board Meeting
Affordable Medicine Facilities - Malaria		
AMFm First Learning Wave	March 2009	November 2009, 20 th Board Meeting

APPENDIX 4

**Rolling Continuation Channel (RCC)
Approvals to Date**

RCC Wave	Date	Countries	Approved 6-year Upper Funding Ceiling
Wave One	November 2007	Burundi, Honduras, Mongolia, Rwanda, Tanzania	<u>Total: \$129,713,262</u> HIV: \$47,187,023 Malaria: \$151,443,365 TB: \$ 8,454,963
Wave Two	April 2008	Malawi, Mongolia, RMCC (Multi-Country Africa), Thailand, Philippines	<u>Total: \$364,489,068</u> HIV: \$232,968,175 Malaria: \$53,482,903 TB: \$78,037,991
Wave Three	July 2008	Bulgaria, Cambodia, China, Cuba, Ethiopia, Haiti, Honduras, MCWP (Multi-Country Western Pacific)	<u>Total: \$513,349,804</u> HIV: \$426,505,339 Malaria: \$44,003,651 TB: \$42,840,814
Wave Four	October 2008	Dominican Republic, El Salvador, Ghana, India, Nicaragua	<u>Total: \$229,193,583</u> HIV: \$60,168,419 Malaria: \$89,764,243 TB: \$79,260,921
Wave Five	February 2009	Armenia, Benin, China, Dominican Republic, Madagascar, Tajikistan	<u>Total: \$229,193,583</u> HIV: \$ 216,937,848 Malaria: \$ 94,220,813 TB: \$ 10,787,813
Wave Six	May 2009	Bangladesh, Belarus, Guyana, India, Nepal, Rwanda, Paraguay, Russia, Georgia	<u>Total: \$552,040,988</u> HIV: \$488,669,764 Malaria: \$31,950,775 TB: \$31,420,449
Wave Seven	December 2009	China, Georgia, India, Mongolia, Namibia, Tanzania, and the Gambia	<u>Total: \$1,125,636,284</u> HIV: \$658,734,300 Malaria: \$43,814,713 TB: \$423,087,271

**THE OFFICE OF THE INSPECTOR GENERAL
PROGRESS REPORT FOR OCTOBER 2008-MARCH 2009**

PURPOSE OF THIS PAPER

1. The purpose of this paper is to report on the progress made in taking forward the priorities set out in the paper approved at the 17th Session of the Board "The Priorities of the Office of the Inspector General" (GF/FAC12/13).

ACTIVITIES UNDERTAKEN OCTOBER-MARCH 2008

2. During this period two reports have been released to the Board and posted on the OIG website. A considerable body of other work is in progress.

PROVIDING ASSURANCE ON GRANT PROCESSES

3. This first priority is being achieved through audits of a sample of grants at country level (Zimbabwe and Tanzania). OIG also completed an in country diagnostic risk assessment in Cameroon and now needs to undertake a full audit of the grant programs in that country.

4. The audit in Zimbabwe was undertaken against the background of challenges relating to hyperinflation, frequent monetary policy changes, human resource losses etc. Program implementation had been seriously impacted by a requirement to surrender foreign currency holdings to the Reserve Bank of Zimbabwe. These funds were released at the conclusion of the audit but foreign exchange held in country remains at risk. The audit also identified the need to strengthen program management and governance arrangements. The Executive Director has placed Zimbabwe on the Additional Safeguards List (ASG). The measures applied seek to control the risk that existing systems cannot ensure accountable use of Global Fund financing and that the funds provided could be placed in jeopardy without the use of additional measures. The Secretariat is also

reviewing institutional arrangements in respect of current and future grants in Zimbabwe. This will include a review of whether the Principal Recipient for each grant needs to be changed.

5. OIG also has a commitment to report to the 19th Board on the progress made in following up on its work in Uganda. Whilst progress is being made in taking forward criminal prosecutions (paragraph 9.i), concerns emerging relate to delays in recovering funds misappropriated; in securing accountabilities for funds advanced to civil society organizations; and to problems in the National Medical Stores. These problems were identified in reports released by the Office of the Auditor General and have resulted in stock outs and expired drugs.

6. In addition there is a substantial and well advanced body of more systemic work in progress which relates directly to giving assurance on grant processes. All three reports are due to be released by the end of April 2009:

i. A review of the effectiveness of the Secretariat's oversight of procurement and supply management, given the materiality and risks associated with this function.

ii. A review of the utility and reliance that can be placed on the audit arrangements that recipients are required to follow. A significant case study relates to UNDP which acts as a Principal Recipient in many high risk countries. OIG is raising concern that to date there has been limited audit coverage by UNDP and OIG has been denied full access to their reports and to audit/investigate UNDP managed programs ourselves because of the application of the 'single audit principle'. The issue has been escalated to the FAC. On a positive note OIG has secured agreement with its UNDP counterparts to moving forward with joint audits and investigations, with DRC as a pilot exercise in May 2009.

iii. A review of the findings of the 8 country audits undertaken since the inception of the OIG, to identify the systemic lessons the Secretariat can learn to better manage its grant programs.

PROVIDING ASSURANCE ON OTHER MAIN BUSINESS PROCESSES

7. An OIG review of the recent Local Fund Agent retendering process is well advanced and will be concluded in April 2009. The objective of the review is to obtain assurance that the process has been undertaken fairly, transparently and objectively and will result in value for money for the Global Fund. The provision of LFA services has a budget of US\$ 56 million in 2009.

SUPPORTING KEY MANAGERIAL AND GOVERNANCE INITIATIVES

8. OIG has continued to play a catalytic role in helping the Secretariat take forward three initiatives:

i. *Values and Integrity Initiative*. This has been underpinned by an Ethics and Reputational Risk Assessment commissioned by OIG. In October 2008 the Ethics Committee considered the report to be of considerable relevance and high quality and encouraged the IG and the Secretariat to work together to prepare an action plan for the implementation of the Values and Integrity Initiative, and to integrate it with other work on risk management being conducted by the Secretariat. The action plan has been prepared and as a priority OIG is providing support to the Secretariat to develop a code of conduct for the supplier base that serves Global Fund grant programs, together with associated debarment processes.

ii. *Accountability Framework*. The Secretariat is taking forward its commitment to develop such a Framework as an essential element of its Risk Management Framework. OIG is providing support drawing on the experience of other organizations.

iii. *Risk Management*. The OIG has been providing continuing support to the Secretariat as it develops a Risk Management framework. An immediate priority has been to further develop a country risk model originally drafted by OIG so that it can be used by Country Programs as a risk identification/mitigation tool.

INVESTIGATIONS AND RELATED INITIATIVES

9. The number of cases referred to OIG for investigation has increased significantly during the last six months, due most likely to an increased awareness of reporting mechanisms. Between October 2008 and 20 March 2009 17 referrals were received. All new referrals are assessed to determine whether an investigation is appropriate. This assessment also establishes the priority of each case to identify those matters which present major risks to the funds involved, and therefore need immediate action. The OIG investigators engage confidentially with the complainant to obtain as much specific detail as possible in order to make a proper assessment of the nature of the risk, the action required and the urgency of that action. At the time of preparing this report, 27 cases were under assessment or pending allocation to an investigator. Where a matter is assessed as requiring investigation, that investigation is undertaken in accordance with internationally accepted investigation procedures. At the time of preparing this report 21 cases were under investigation, or awaiting investigation on forthcoming country missions. Nine cases were finalised during the current reporting period. Four cases are of particular significance:

i. *Uganda*. In December 2008, the OIG conducted a joint mission to Uganda with investigation, prosecution and computer forensic staff from

the European Anti-Fraud Office and the UK Serious Fraud Office. The purpose of this mission was to review the current Global Fund related criminal prosecutions and to provide specialist IT and investigation case management support. This was a successful mission, with detailed recommendations made to help strengthen each of the current prosecution cases. This team also conducted a systematic prioritization of the (more than 400) allegations identified by the Ogoola Judicial Commission of Inquiry in 2006 and identified the need to further investigate 82 individuals and entities, categorizing those cases in order of priority. As a result of this review, a number of high priority cases that were not being progressed have been identified and agreement has been reached with the prosecutors that these should be the next cases to be investigated. A follow up mission was undertaken in March 2009. This showed that as a result of this partnership we are now seeing the first cases proceed to criminal prosecution before the courts in Uganda. According to the Director of Public Prosecutions (DPP) the detailed recommendations have helped to strengthen cases had been followed and the first conviction occurred on 13 March 2009. The defendant received a 5 year custodial sentence and was required to repay some US\$ 20,000 misappropriated. This conviction sends a strong message that serious sanctions are imposed when Global Fund resources are misappropriated.

ii. *DRC*. OIG is providing support to the City of London and Danish police on a case involving multiple jurisdictions. OIG is calling for close collaboration with its counterparts in UNDP (the Principal Recipient for DRC). The process for recovery of funds potentially lost through fraudulent practices is governed by criminal and civil laws in the applicable national jurisdiction. The OIG is awaiting counsel's advice on this issue and will actively pursue recoveries to the fullest extent possible at the conclusion of the investigation. The OIG will also pass on the lessons learned from this case to assist in the further development of the Global Fund's risk framework.

iii. *Bed net procurement*. OIG have received a considerable number of allegations related to bed net procurement. These are currently being investigated. The IG has spoken to three groupings of suppliers to Global Fund grant programs to explain that the Global Fund will not tolerate irregularities and will sanction suppliers and grant recipients who are caught engaging in irregular practices.

iv. *Mauritania*. In February 2009 the OIG was alerted to ineligible and potentially fraudulent expenditure of up to US\$ 545,000 identified by the LFA. Documents uncovered by the LFA point to fraudulent claims by Sub Recipients and may involve fraud at the Principal Recipient level. This prompted OIG to deploy two investigators to Nouakchott, Mauritania on 24 March 2009. The OIG team will seek to investigate the allegations as rapidly as possible and will deploy additional staff to the country as

necessary to do this. The preliminary results of the investigation will assist the Secretariat in determining the most appropriate action in managing the risk to grant programs in Mauritania.

10. OIG has undertaken a range of tasks during this reporting period to increase its efficiency, to improve awareness of ethical issues among stakeholders and to strengthen reporting systems. These initiatives are summarized below:

i. OIG has contracted a company to manage the Global Fund's 'Integrity Hotline' offering toll free telephone reporting services in multiple languages and to take forward awareness raising initiatives. The flyer in the Annex attached is used to raise awareness of the role of OIG and explains how to make complaints when evidence of mismanagement and unethical conduct come to light.

ii. OIG and the secretariat have developed a protocol for reporting matters involving fraud, mismanagement and unethical conduct. The protocol sets out clearly the process for coordination between the OIG and the Secretariat.

iii. There is an interim database for tracking and managing the growing caseload. Possible investigation case management systems to acquire are currently being assessed.

iv. Every opportunity is taken to raise awareness of ethical issues in different fora with a wide range of stakeholders (presentations at induction training with new secretariat staff, meetings with suppliers, LFA training, Regional Meetings etc).

v. Work is well advanced in writing a comprehensive investigations manual for OIG investigations.

vi. A computer forensic capability. Increasingly, effective investigations are reliant on the ability to extract IT data from computers and servers - and the ability to analyze large sets of email, documentary and other data containing potentially important evidence. This has been central to the prosecution of fraud in the Uganda case mentioned in paragraph 9.i and to the investigation of the DRC case in paragraph 9.ii. This capability will assist the OIG in the larger-scale and more complex cases referred for investigation and will allow the OIG to provide support to in-country law enforcement and prosecutorial agencies as appropriate. Therefore, a computer forensic capability is being established in OIG. A consultant computer forensic expert has been retained and software and hardware purchased for the effective analysis of IT data.

STRENGTHENING THE OFFICE OF THE INSPECTOR GENERAL

11. Recruitment of core staff continues to be a top priority but has been challenging given that experienced auditors and investigators are in high demand globally. Two strong candidates declined offers and we are having to readvertise for two audit team leader posts. By mid April 2009 five new core staff will have joined OIG but capacity at team leader level will still be limited. Further recruitment is in progress. As a “stop gap” measure, a number of suitably qualified investigators and auditors have been identified for short term consultancies on an 'as needed' basis through a Request for Proposal process. This roster also provides OIG with flexibility in staffing audits and investigations and significantly reduces the lead time in deploying teams when cases require an immediate response or are outside the core level of staffing.

2008/2009 PRIORITIES AND PLAN

12. A plan for quarter 4 of 2008 through to the end of 2009 was presented to the FAC in September 2008 (GF/FAC11/13). OIG is on track to deliver this plan (ie there has been no slippage) within its approved 2009 budget. Plans are well advanced to audit the following country grant programs: Nepal, DRC, Cameroon and Sri Lanka. Given the financial pressures faced by the Global Fund a significant focus in future OIG audit work is on giving assurance that “best value” is being obtained in both grant programs and Secretariat expenditure.

DRAWING ON NETWORKS FOR SUPPORT

13. OIG is an active player in the international audit and investigation communities and has formed strategic partnerships with the European Anti Fraud Office, the Internal Audit Service of the European Commission and with counterparts in the African Development Bank where we are working together on an initiative to strengthen the capacity of state audit offices on whom we both seek to rely. OIG now forms part of the Secretariat responsible for organizing the annual International Investigators Conference. Within Geneva OIG have actively encouraged common training among agencies and has convened the first bi-monthly meeting of Geneva-based investigation section heads in order to exchange ideas and to further develop best practice. The contacts made help to further strengthen networks on which we need to rely.

This document is part of an internal deliberative process of the Fund and as such cannot be made public. Please refer to the Global Fund's documents policy for further guidance.

Office of the Inspector General

Providing assurance that resources are used wisely, to save lives.

Mission

Led by the Inspector General (IG), the mission of the Office of the Inspector General (OIG) is to provide the Global Fund with independent and objective assurance over the design and effectiveness of controls in place to manage the key risks impacting the Global Fund's programs and operations.

Our team

We are a strong team of professionals striving to maintain the highest standards in our work.

We are committed to the core values of trust, respect, impartiality, accessibility, and follow sound audit and investigation principles and practices.

We respond to all complaints, notify complainants of the outcome of investigations, and provide reports on the outcome of audits and reviews on the OIG's webpage.

We review, report and make recommendations to improve TGF's processes.

We help to strengthen the confidence of the Board and Donors in the outcomes of the Global Fund's activities.

Scope of work

The scope of work of the IG encompasses all aspects of the Global Fund's activities including those carried out on its behalf by its program recipients, partners and suppliers. All systems, processes, operations, functions and activities within the Global Fund are subject to the IG's review. The activities of the OIG are:

- Audit;
- Inspection;
- Counter-fraud and promotion of ethical conduct;
- Investigations;
- Assurance validation; and
- Functional reviews.

Independence

The OIG operates as an independent unit of the Global Fund. The IG reports to the Board for strategic direction, reinforcement and accountability. The Board ensures that the resources for the OIG are sufficient to meet the OIG's agreed activities. The IG reports administratively to the Executive Director (ED) for assistance in establishing appropriate support and administrative interfaces. The IG may conduct and report on any audit, investigation or other oversight work he or she deems appropriate consistent with the Board's direction.

Authority

The Inspector General has the authority to:

- Access all books and records maintained by the Global Fund;
- Access all books and records relating to grants funded by the Global Fund, whether maintained by PRs, Sub-Recipients, LFAs or LFA subcontractors, where permitted under applicable arrangements;
- Seek any information required from any personnel involved in the Global Fund's projects and require such personnel to cooperate with any reasonable request made by the Office of Inspector General; and
- Obtain independent professional advice and secure the involvement in its activities of outside persons with relevant experience and expertise, if and when determined necessary.

Our commitment

Ensuring that the Office of the Inspector General is:

- **Independent** – operates cooperatively but at arm's length from the Secretariat;
- **Neutral** – objective in all it does.
- **Helpful** – shares best practice and lessons learned with the secretariat and in-country partners.
- **Knowledgeable** – about the policies and procedures of the Global Fund, and follows best practice in its audits and investigations.
- **Responsive** – to the needs of the Board and persons who bring matters to the attention of the OIG.
- **Part of the solution** – identifies systemic issues, and makes balanced, useful and achievable recommendations to strengthen the effectiveness and accountability of TGF's programs and operations.
- **Confidential** – protects the identity of complainants and keeps sensitive material collected confidential.

Making a complaint

If you have evidence of mismanagement and unethical conduct, you should make a formal complaint by:

E-mail:

Inspector.general@theglobalfund.org

Telephone: +41-22-341-5258

Fax: +41 22 791 1701

By post: P.O. Box 561, 1214 Vernier,

THE PRIORITIES FOR THE OFFICE OF THE INSPECTOR GENERAL

SUMMARY

1. The Sixteenth Board meeting requested the incoming Inspector General (IG) to develop a list of priorities for inclusion in the 2008 work plan of the Office of the Inspector General (OIG). These priorities should be based on key risks that the Global Fund faces. In the absence of a corporate risk profile, the Inspector General undertook a scoping study to identify such risk areas, reflected on the actions being taken by the Secretariat to manage those risks and proposed issues that need to be addressed by the IG in specific pieces of work or by management with support from the OIG.
2. Based on this, a strategy is proposed which gives a strong focus to country based work as well as work in the Secretariat. The strategy also calls for the IG to provide reasonable assurance over time on all key business processes, to add value by supporting key managerial and governance initiatives in an advisory capacity and to investigate when allegations of irregularities arise.
3. The OIG will balance the need to move ahead with a substantive work program against the imperative of building its staff and capacity. The paper also reflects on the resources required for the OIG.
4. Whilst the paper first relates priorities for inclusion in the short-term 2008 work plan it also identifies medium-term priorities in the period up to the autumn session of the Board in 2009, and considers the long-term coverage planned in the period up to 2011.

APPROACH

5. The IG took up post in mid-January 2008. He carried out a scoping study to analyse Global Fund processes and identify risks that could threaten achievement of Global Fund objectives and risks that could threaten its reputation and credibility. This involved:
 - A review of internal and external studies, including work to date on the Five Year Evaluation; results of five preliminary country audits carried out by OIG; and the report on the organizational management review etc.
 - Meeting Secretariat staff representing a range of operations and business support functions, to discuss (informally and on an unattributable basis) their views of risks and challenges.
 - Short visits to three recipient countries namely Morocco, Nigeria and Ukraine, to meet representatives of CCMs, PRs and LFAs.
 - Seeking informal input from several Board members, including some represented on the FAC.
 - Obtaining input from two independent advisers with experience on oversight in international development organizations.

GLOBAL FUND ACHIEVEMENTS, CHALLENGES AND RISKS

6. The Global Fund's achievements include:
 - Its growth over the past five years to its present cumulative total of 496 grant agreements signed with 136 countries worth \$10.1 billion which is impressive¹

¹ Information as at 22 February, 2008

- The international confidence placed in the Global Fund, first as an innovative concept and subsequently as it has performed with notable success as a financial instrument. The donor base is slowly starting to broaden, and the Global Fund is beginning to use its leverage to secure funds outside traditional official development assistance sources.
- The way it continuously comes up with innovative approaches e.g. RED Campaign and Debt2Health and embraces other new programs such as Affordable Medicines Facility for Malaria and Voluntary Pooled Procurement.
- The high standards of openness and transparency it has displayed since its inception.
- When problems have arisen it has acted swiftly to suspend grants.

7. However, the Global Fund's achievements have resulted in challenges and/or risks which include:

- The speed of growth and scale of operations make the Global Fund vulnerable to risks. Further growth involving disbursements rising to \$6 billion annually, perhaps more, is forecast. During this period of rapid growth the Global Fund has continued to rely on often cumbersome procedures which have tended to adopt a "one size fits all" approach. Although the restructuring of the Secretariat is intended to simplify reporting lines, the management response needs to "scale up" to address this other than by increasing the number of staff.
- The organizational restructuring and/or new processes set in train by management in response to this growth present their own challenges and risks. For example, the impact of restructuring on the Global Fund's increasing human resources could be challenging, particularly since this year also sees the transition away from the Administrative Services Agreement (ASA) between the Global Fund and the WHO, with important implications for the organization: its staff, controls and processes. Its well qualified staff is a key asset of the Global Fund: effective management of the restructuring and the transition from the ASA is therefore a key challenge that carries significant risks. An important aspect of the restructuring is the current review of senior management posts, many of which are being opened to competition.
- There is an inherent risk in the countries that the Global Fund operates in i.e. countries often need to strengthen the structures, systems and processes to receive, manage, effectively utilize/absorb, procure, account for and show results for the funds they receive.
- The innovative business model followed by the Global Fund is only tested when applied e.g. reliance on LFAs. As would be expected innovative models have challenges and risks associated with them. Management's response has been to test some innovations with pilots and to commission various studies and reviews of the innovative processes involved e.g. the ongoing Five Year Evaluation and the LFA retendering exercise.
- Confusion about roles and responsibilities regarding the provision and financing of technical assistance and what depending on partners at country level means in practice emerges as a key risk in the initial findings of the Five Year Evaluation.
- The Global Fund is being pressed to consider doing even more as it becomes a more significant player in global health. There is a risk of "mission creep". Absolute clarity about the Global Fund's own role and its interaction with other global partners is crucial. The Five Year Evaluation reporting on partnerships will stimulate further thinking on the way the Global Fund interacts – or should interact – not only with partners in country, but also with other major partners such as the World Bank and other members of the UN family; and on where the Global Fund fits in to the global health debate at the intergovernmental level. Questions are also being asked about the role of the likes of the Global Fund in health system strengthening and whether the balance of resource allocation is right.

GOALS AND STRATEGY

8. The OIG's goal is to give independent and objective assurance that effective controls are in place to manage the key risks referred to above, thereby assisting the Global Fund in achieving its mission and in maintaining donor and public confidence in the operations, competence, values and integrity of the Fund. This will be secured by means of the following strategy:

- (i). Reviewing all the Global Fund's main process areas (see Annex 1) in both recipient countries and the Secretariat between 2008 and 2011 to identify strengths, good practices as well as gaps and shortcomings that need to be addressed. (Current work on the Global Fund's "funding architecture" will be critical, and the OIG would expect to contribute to this, building on OIG's work in country)
- (ii) Providing catalytic support to key managerial and governance initiatives in the Secretariat, recognizing that the responsibility for such initiatives rests with management.
- (iii) Investigating cases of alleged irregularities in both grant programs and the Secretariat to strengthen the culture of accountability and to preserve donor and international confidence in the Global Fund.
- (iv) Strengthening OIG resources and capacity, given the extreme under-resourcing at present and developing protocols to govern the work of OIG in all its interactions with the Secretariat and the Board.

9. This strategy will be implemented by applying the following priorities:

Priority 1: providing assurance on grant processes

10. In relation to point (i) of the strategy, the scoping study identified grant processes, starting with the initial capacity assessments of potential partners, to be high risk. Therefore, the OIG will review these processes by undertaking a body of work involving various "actors" in these processes i.e. the Secretariat and its main implementation partners in the countries, the CCMs, PRs, SRs, LFAs and technical partners. This assessment is based on a number of factors, for example:

- Procurement by grant recipients represents about 60% of total grant expenditure. Improper procurement procedures can lead to excessive costs, poor quality products, and potential irregularities (concern that the Global Fund's procurement oversight standards lack rigor is raised in the initial Five year Evaluation findings);
- A high volume of procurement by grant recipients leads to a high volume of inventory. Poor inventory systems and inefficiencies in the supply chain after procurement can lead to loss, damage, waste of inventory, and delays that put at risk the continuity of treatment;
- Lack of transparency in the sub-recipient selection process can lead to partners without adequate capacity being chosen, and difficulties in securing accountability;
- Proper planning, implementation and evaluation processes require adequate, reliable and accessible data and information. Shortcomings can lead to poor decision making and inaccurate public reporting.

11. The risks in grant implementation emerging would be validated and refined based on an analysis in the Secretariat of problems that have arisen in particular grants in the past and an assessment of the extent to which the risks have been addressed by the Secretariat. This would enable the OIG to plan a program of country audits. Assurance would be provided on the economy, efficiency and effectiveness of the grant processes covering the following:

- Selection of principal and sub-recipients
- Procurement and supply management
- Monitoring and evaluation of program delivery

- LFA performance
- Reliance that can be placed on grant annual audits and other audits
- Accuracy of publicly disclosed grant information
- Grant oversight by Global Fund staff

12. The OIG audit activities on grant processes and accountability mechanisms will be undertaken based on a sample of grants selected by refining a country risk analysis already drafted by OIG. In auditing a country grant program OIG will audit both well performing grants and problem cases, learning lessons from both. But at least initially OIG will select primarily risky environments to audit as these offer the greatest scope to reduce risks.

13. By the end of 2009, and with adequate resources being made available, the OIG would expect to carry out eight country audits with teams of four to five specialists in programmatic, procurement, monitoring and evaluation, and financial matters. This will start at a modest level with two audits in 2008 as the OIG function is staffed up, and accelerate to 6 audits in 2009. Procurement will be a particular area of focus. By then the IG aims to have completed recruitment of a full staff with the appropriate skills mix. The aim would be to draw on this country based work, and combine it with the outcome of work in the Secretariat, to provide reasonable assurance on all key grant implementation processes.

14. The proposed scope of this OIG work on providing assurance on grant processes and accountability mechanisms, and an outline for an approach to these, are explained in more detail in Annex 3. OIG reports consolidating the findings from a number of country audits will also contribute to the ability of both the Board and the Secretariat to benefit from lessons learned. Initiatives will also be taken to capitalize on the partnerships that are being forged between development actors to help secure better accountability by sharing audit findings and undertaking joint audits (for example, in the case of SWAPS).

Priority 2: Providing assurance on other main business processes

15. Management and governance processes (see Annex 1) in particular should be subject to systematic review so that the OIG can provide reasonable assurance that they are sound.

16. Ongoing administrative changes call for the IG to provide assurance on a timely basis, for example on the transition from the ASA with WHO, and the LFA retendering.

17. The arrangements with WHO cover only a small percentage of Global Fund business in financial terms, but the areas of business covered – particularly compensation and pensions – have a high profile among staff. Staff will need to be encouraged to fully accept the need for change, and to be convinced that they will benefit from it. Within the tight timetable for phasing out the ASA arrangements by 31 December 2008, there is still time to assess and address any associated risks.

18. The OIG will deliver to the autumn 2008 Board a “process audit” on the transition from the ASA. The objective would be to assess whether there is a reasonable level of assurance that appropriate steps are being taken to plan and manage the process.

19. The decision taken in 2007 to re-tender for LFA services provided an opportunity to reflect on the detail of the services required of LFAs. Under a timetable which has already suffered slippage, the Global Fund is committed to LFA arrangements being in place by August 2008, after completion of re-tendering and contracting. In view of the cost to the Global Fund of LFA services, and the importance of a smooth transition to arrangements under new contracts – with minimal disruption to Global Fund business as a further round of grant proposals comes on stream alongside current grants – the OIG has put in hand a review of the re-tendering exercise. This will prepare the way for a more comprehensive audit of contracting for professional and other services in the Secretariat.

Priority 3: Supporting key managerial and governance initiatives

20. The OIG expects to play a role in providing catalytic support to a number of management initiatives, all of which have linkages with the risks identified above. These are the necessary pre-conditions to establishing a strong control environment for the Global Fund and provide a foundation for future OIG work. They will enable the Global Fund to detect and manage reputational risk. It needs to be clear that the responsibility for such initiatives rests with management with OIG providing catalytic support as necessary in line with its mandate.

- Accountability

21. Lack of clarity on authority and accountability emerged as one of the major risks. Although some limited work has been done in defining authorities, an overall accountability framework is yet to be developed.

22. There is a particular need to clarify the role of the Fund Portfolio Manager (FPM). Working arrangements for FPMs have been addressed to some extent by the restructuring exercise, which proposes a team approach to grant management from the earliest stages of the grant process. The FPM, however, will remain central to Global Fund business, and the function needs sharper definition, and clear guidance on accountability. The function was not given enough attention in the management review.

23. The model for business in country raises further questions about accountability, in relation, for example, to the roles of the CCM and the LFA.

24. The development of a table of authorities and accountabilities should be a high priority for the Global Fund's management. The OIG would assist in developing this table. In the view of the IG, development of such a table needs to take place before an assurance framework can be finalized. A draft framework was developed in some preliminary work by the interim inspection function, on which the FAC asked for more work to be done (at the Sixteenth Board meeting).

- Risk management

25. Senior managers at the Global Fund agree that strategic thinking on risk is a priority, indeed it is overdue.

26. Staff assess and manage risk every day as part of their work, and risk assessment procedures are incorporated into grant management: for example, into the disbursements and Phase 2 approval procedures. A preliminary attempt has been made to establish an early warning system for particularly difficult problems associated with grant disbursement.

27. But a comprehensive approach to risk management has not been formalized and systematized. A corporate risk profile identifying the key corporate risks that the Global Fund faces has not been developed, nor has the approach to managing risk in relation to individual work processes. Development of such processes will be a major exercise, involving staff at headquarters and Global Fund partners in country.

28. The OIG will offer catalytic support to the Secretariat's efforts to develop a corporate approach to risk management and an action plan to take this forward. The OIG's country audit missions would provide material for continuous revision and updating of the corporate risk profile.

- Values and integrity

29. Unethical conduct can result in considerable reputational damage. Global organizations must deliver against extremely high standards. Everyone must conduct themselves as moral actors-responsible agents who do their work within an ethical framework. The IG has proposed that management take forward a Values and Integrity Initiative for the Global Fund to identify and define the core values that should drive behaviour and articulate an organizational culture as one committed to ethical conduct. The initiative will demonstrate that both results and principles-what we achieve and how we achieve it-truly matter.

30. The Values and Integrity Framework provides the underpinning for (i) a Code of Conduct that is unique to the Global Fund; (ii) education and training for all stakeholders to help them recognize, appreciate and resolve ethical dilemmas; (iii) a commitment entered into by suppliers used by grant recipients that they will follow ethical principles; (iv) whistleblower arrangements (including whistleblower protection) for reporting possible irregular or unethical conduct; (v) an investigation and sanction process that has due regard to human rights and due process; and (vi) a confidential advisory resource for management and staff. Under the oversight of the Ethics Committee, with input from the Finance and Audit Committee, OIG suggest that management should launch the Values and Integrity Initiative in 2008. Such an initiative would bring the Global Fund into line with similar ones in other international organizations.

Priority 4: Strengthening the Office of the Inspector General

31. Reinforcing the OIG function is a priority. The long term work plan for the OIG entails building a stable function for the future, with an increased number of permanent professional staff. This will take time: the IG aims for a fully staffed function by the end of 2009. In order to make progress with priority work, and to put in hand a planned extensive programme of country and Secretariat based audit work, the OIG will need to contract temporary staff and interim professional services.

32. The strategy for the OIG entails:

- recruiting permanent staff to provide a core capacity and continuity, while identifying temporary staff and specialised professional services to be contracted to support the OIG, both ad interim while the OIG is building to strength, and in the medium term to supplement OIG skills in areas where specialist knowledge is needed;
- developing protocols to govern the work of OIG in all its interactions with the Secretariat and the Board;
- developing and seeking agreement by both Board and management on a reporting strategy that will encourage early implementation of IG recommendations, and also meet the disclosure policy approved by the Board.

33. The charter and terms of reference for the OIG, approved by the Sixteenth Board meeting, emphasize its independence, and its reporting relationship with the Board (through the FAC). The OIG notes the potential interest of other key Board committees, and would welcome discussion with the Board on how to take account of this, without adding to the Board's workload or obscuring reporting lines. The IG might copy his reports to the chairs of other committees, and invite them to communicate any views to the FAC.

34. The planned structure of the OIG would involve two main units each led at a senior level. The first unit will be responsible for developing and implementing the program of country audits in the field, headquarters audits and studies, and developing tools and protocols governing audit work (including, for example, a protocol to track the implementation of OIG recommendations) and carrying out special studies and assistance to the Secretariat in developing, for example, accountability and assurance frameworks. The second unit will be responsible for investigations, promoting corporate values and integrity, and maintaining the hotline. Both units would have permanent posts and be multi-disciplinary, supported by specialized consultants when needed. The staff level is expected to be 13 by the end of 2008 (11 professionals and two support), but it is too soon to determine whether this is adequate to provide the required core staffing for the OIG.

Budget and Staff

35. Using this approach and the assumptions about the staff and organization of the Office, the IG proposes to carry out 18 separate audits, studies and supporting assignments before the end of 2009. They are listed in Annex 2. Ten of these projects are based at headquarters and 8 in the field, with the country audits representing about 60% of the total staff effort and a higher share of the budget because of travel and support costs in the field. An important feature of headquarters based work will be providing assurance on the management of country level risk.

36. The resources required for 2008 is expected to be contained within the budget allocated of \$3.1 million. However, the IG has only been able to do so because it will realistically take until July to significantly increase the size of the core OIG team through recruitment. For 2009, the IG has identified the need for a budget of close to \$5 million based on a core staffing of 13 but as noted above it is too soon to tell whether this is adequate. The aim is to have full core staffing in OIG by the end of 2009 and the budget and staffing will need to be reviewed again in autumn 2008. Moreover, the budget contains only a limited provision for investigations which are by nature unplanned. If further investigations arise in 2008, there will be a need for supplementary resources.

Annex 1 - Main Processes & Activities of the Global Fund

Main Processes	Component Activities
Management and Governance Processes	Supporting the Board & Board Committees
	Evaluating the Fund's Impact and Performance
	Managing the Secretariat
	Maintaining an appropriate organizational structure with defined authorities and accountabilities
	Governance Reporting & Strategic Information
	Developing Organizational Strategy, Policy, Plans
	Managing External Relations
	Establishing & Monitoring a Risk Management Framework
	Promoting Ethical Standards & Conduct, Encouraging & Protecting Whistleblowers, Reducing Risk of Fraud.
	Planning for Business Continuity/Disaster Recovery
Resource Mobilization Processes	Mobilizing resources
	Fostering Appropriate Global Partnerships, Private Sector Partnerships & Co-investments
	Tracking pledges & contributions
	Resource needs forecasting
	Replenishment
Grant Approval Processes	Proposal process
	Negotiating & processing grants
	Negotiating & processing grant renewals
Grant Delivery Processes	Managing Grant Disbursements
	Managing Relationships with CCMs, LFAs, PRs, SRs,
	Monitoring Procurement
	Leveraging Technical Assistance
	Developing Monitoring Tools
Legal, Financial, HR & Administrative Processes	Regulatory Reporting/compliance
	Litigation
	Managing the Contracting Process

	Knowledge Management
	Performance Evaluation Recruitment Learning & Development Leadership Development Compensation
	IS strategy, operations, security
	Public & Internal Communications
	Operational planning/budgeting, Managing Expenditures, Accounting and financial reporting
	Providing office facilities
	Managing Structural projects – ASA & GSM transition
	Responding to OIG matters
	Regional & other in-country meetings
	Global health initiatives e.g. health system strengthening

**Annex 2: Priorities for the Office of the Inspector General
and the Subject and Timing of Work on each before the end of 2009**

1. Developing a body of country work to provide reasonable assurance on grant processes
 - Overview risk analysis study at HQ-learning lessons from past problem cases (Quarters 1 & 2, 2008)
 - 8 country audits of main risk areas: procurement, data systems and quality, responsibilities of FPM, CCM, PR, SRs, LFAs. (ongoing from Quarter 2, 2008)
 - Any necessary investigations. (ongoing from Quarter 1, 2008)
2. Beginning and expanding audit coverage of the main managerial processes in the Secretariat, to provide reasonable assurance on each of them to the Board by 2011.
 - LFA retendering (leads into contracting processes) (Quarter 2, 2008)
 - ASA transition from WHO (leads into HR and Financial processes) (Quarters 2 & 3, 2008)
3. Supporting key managerial and governance initiatives in the Secretariat, to provide useful tools for management.
 - Accountability framework (ongoing from Quarter 2, 2008)
 - Risk management framework (ongoing from Quarter 1, 2008)
 - Values and Integrity Initiative (ongoing from Quarter 1, 2008)
4. Developing appropriate capacity and operating protocols for the OIG to enable it to provide reasonable assurance to the Board.
 - Organization structure (Quarter 1, 2008)
 - Staffing & training (ongoing from Quarter 1, 2008)
 - Work and reporting protocols (Quarter 2, 2008)

Appendix 7:

A report on U.S. Technical Assistance for the Global Fund 2008 Global Fund Technical Assistance

In 2005 Congress gave the U.S. Global AIDS Coordinator the option to withhold up to 5 percent of the Foreign Operations appropriations for the Global Fund in order to provide technical assistance (TA) to alleviate grant implementation bottlenecks. The inter-agency Global Fund Core Group, which coordinates U.S. Government engagement with the Global Fund, has further distilled core principles for this Global Fund TA, to ensure that it is demand-driven, outcome-driven, and short-term. These funds supplement other substantial resources the U.S. Government has mobilized to provide TA for Global Fund grants, including support from the US President's Emergency Plan for AIDS Relief (PEPFAR), the President's Malaria Initiative (PMI), and U.S. Government bilateral tuberculosis (TB) programs.

In FY 2007, the Coordinator withheld \$28.5 million for TA for Global Fund grants for the following activities (because of the timing of withholdings, FY07 funds were implemented primarily in 2008):

- \$12.5 million for the second year of the Grant Management Solutions (GMS) project, a partnership led by Management Sciences for Health (MSH). The mission of GMS is to provide urgent, short-term TA to Country Coordinating Mechanisms (CCMs) and Principal Recipients (PRs) for the purpose of unblocking bottlenecks and resolving systemic problems that hinder the response to AIDS, tuberculosis, and malaria. GMS provides this support in four technical areas: CCM governance and oversight; program and financial management; procurement and supply management (PSM); and monitoring and evaluation (M&E).
- \$7.5 million for provision of disease-specific TA provided through the following multilateral partners:
 - HIV/AIDS:
 - Three UNAIDS Technical Support Facilities (TSFs) in sub-Saharan Africa
 - UNAIDS National AIDS Spending Assessments (NASA)
 - World Bank AIDS Strategy and Action Plan (ASAP) Service
 - TB: STOP TB and Green Light Committee (GLC)

- Malaria: Roll Back Malaria Partnership (RBM) Sub-Regional Networks (SRNs)
- \$1.5 million for Global Fund Impact Evaluation. The Technical Evaluation Reference Group (TERG) is implementing the five-year Global Fund Health Impact Evaluation. Our TA funds were used for activities which focused on building in-country capacity to conduct impact evaluations, ensure data quality, conduct secondary analyses, and disseminate data. These activities support local capacity of data analysts to be able to tell a better story about the health impact of increased funding for health services.
- \$2.5 million for Global Fund Liaisons pilot initiative. In FY 2008, the Office of the U.S. Global AIDS Coordinator (OGAC) agreed to use \$2.5 million to support Global Fund Liaison positions in a select number of bilateral and regional missions to provide long-term support to Global Fund CCMs and PRs in country, as well as coordinate between U.S. Government and Global Fund HIV/AIDS, TB and malaria programs. Six Global Fund Liaison positions were approved in the Democratic Republic of the Congo (DRC), Haiti, Indonesia, Malawi, Mozambique, and the West Africa region; two of the Liaisons have been brought on to date. The success of this long-term type of technical assistance will be determined at the end of the two years of the pilot initiative.

Results

The GMS Project received 40 requests for TA from 25 countries. During 2008, the U.S. Government provided TA for 66 Global Fund grants with a combined value of \$790.3 million and assisted with Round 8 pre-signature requirements of grants with the potential value of \$464.9 million. The following section provides more detailed information on TA results to date, including representative examples of particularly successful outcomes.

TA to CCMs and PRs

a) CCM Governance and Oversight

Provision of TA for improving the governance, leadership, and oversight capacity of CCMs remained one of the most in demand by countries. Through the GMS project, the U.S. Government has provided TA to CCMs for governance, pre-signature support, and training in a new CCM oversight tool to the following countries: Jordan, Mauritius, Nicaragua, Ghana,

Burundi, Cameroon, Togo, Central African Republic (CAR), and the DRC. CCMs requested support for a range of activities to meet the six Global Fund minimum eligibility criteria requirements and strengthen their ability to fulfill the five key CCM functions. This work included developing CCM core governance framework documents and structures, membership renewal, strengthening the oversight function, strategic and operational planning, resource mobilization, and support to CCM secretariats. To date, GMS has worked with 15 CCMs to implement reforms leading to compliance with Global Fund eligibility criteria and improve the oversight capacity of seven CCMs.

Over the course of its work, the GMS Project has discovered how the political, socioeconomic, and cultural environments of a country can impact the ability of a CCM to address the challenges it faces; conflict and post-conflict states are a case in point. The Afghanistan CCM faced a number of significant challenges typical of CCMs in conflict countries: it was not operating at a national level, the CCM members lacked a full understanding of the CCM's function, there was disagreement on the representation of the various sectors on the CCM and its committees, and various CCM governance documents were incomplete and not formally adopted by the CCM. GMS, over the course of three visits, addressed several of these issues. Through a consensus-building workshop GMS assisted the CCM to establish a governance and executive committee (with composition and terms of reference for CCM members) and adopt terms of office and rules of procedure, and members of the CCM were given an orientation of their functions, including oversight. Subsequently, a revised constitution and other framework documents were approved by the full CCM, and a full-time CCM secretary and technical officers were hired.

In the second year of the project, GMS successfully assisted four countries with their Round 8 pre-signature requirements: Togo, Mauritius, Central African Republic and the Democratic Republic of the Congo. The pre-signature period is an intense time and can often be more challenging than the original proposal design; during this period the future PRs and SRs, under the oversight of the CCM, transform the proposal into an implementation plan with individual work plans and budgets for each implementing partner.

In FY 2008, GMS piloted a grant dashboard as a generic CCM oversight tool for eighteen grants in the following six countries: Ghana, Mali,

Mongolia, Morocco, Namibia, and Peru. The dashboard presents financial and programmatic indicators in an attractive and easily understood way to help multiple levels of stakeholders evaluate project finances, outputs, and impact. Beyond the successful pilot, we have leveraged significant support from the Global Fund for this tool; the CCM Unit at the Global Fund Secretariat now promotes the dashboard as an important tool for CCMs to conduct oversight of grants in country. The Global Fund will host the dashboard tool, users' guide, and technical support manual on its website and will translate the dashboard and associated documents into French and Spanish. GMS and the Global Fund have organized a training on the use of dashboards for UNAIDS TSF consultants, UNAIDS M&E Advisors and Global Fund consultants.

b) Grants and Financial Management for PRs and SRs

Through the GMS Project, the U.S. Government has provided TA for grants and financial management in the following countries: Afghanistan, Armenia, Bangladesh, Bhutan, Cambodia, Central African Republic, Democratic Republic of the Congo, India, Mauritius, and Nicaragua. Key activities in year two focused on strengthening weak management systems of grant implementers. Requests called for assistance to help PRs to improve their human resource and finance systems and provide supporting documents such as operational manuals and guidelines to better implement their grants. Requests in Bangladesh and Nicaragua focused on strengthening the financial and programmatic management aspects of the SRs, such as writing M&E guidelines, reporting templates, and memorandum of understanding between the PR and SRs. To date 32 Conditions Precedent (CPs) to the disbursement of grant funds have been lifted from 19 grants.

c) Procurement and Supply Management

There were six new requests for PSM support in year two from Angola, Armenia, Cameroon, the Democratic Republic of Congo, Indonesia, and Lao People's Democratic Republic (PDR). The aim of all GMS work in PSM is to help grant recipients comply with Global Fund PSM guidelines, in particular with the Global Fund quality assurance policy. The key activities included: preparation of PSM plans before a new grant could be signed or Phase 2 agreements could be met; forecasting what pharmaceutical products, drugs, and health equipment and commodities would be procured with grant monies; solving problems related to drug stock-outs, procurement, inventory

management, tracking products and drug use, and reporting on PSM results. To date 14 PSM plans have been developed and approved with GMS assistance, which have in turn released procurement funds from the Global Fund.

In Cameroon and Lao PDR, GMS set up a Microsoft-Excel based tool to track the dispensing and consumption of medicines and health commodities. The data collected through this system is a key factor in reporting indicators on use, tracking side effects, and establishing consumption data to improve future quantifications of commodities.

GMS has created two PSM indicators which are now part of the generic CCM dashboard tool. These indicators keep track of the budgets and expenditures for PSM activities and the stock status of key commodities. The Performance, Impact and Effectiveness Unit of the Global Fund has added the stock management indicator to the new version of the quarterly progress report, which all PRs have to submit in order to receive their disbursements.

d) Monitoring and Evaluation (M&E)

There were seven requests for M&E TA in the second year, both from CCMs and PRs. Five requests involved conducting or updating assessments of M&E systems, and two involved meeting M&E requirements of unsigned grants during the pre-signature period.

In Togo, the Round 8 HIV/AIDS grant was signed following GMS work with the new PR, the Ministry of Health. In Armenia, the Ministry of Health asked for support to prepare an M&E plan to meet CPs on Phase 2 of the Round 5 TB grant. GMS conducted an assessment and provided assistance to develop the M&E systems strengthening plan which helped Armenia meet the CP. In Bhutan, work is underway to develop reporting systems for the HIV/AIDS and TB grants, harmonize the Global Fund grant reporting with the national reporting requirements, and an updated M&E plans for both the grants (a CP).

In Cameroon, the PR for the malaria grant, the Ministry of Health, is unable to define the M&E activities that comprise 15 percent of the grant budget; the Global Fund has request that the PR develop an action plan and a list of M&E strengthening activities; GMS is providing TA.

Disease-targeted TA for HIV/AIDS

UNAIDS Technical Support Facilities (TSFs) in Africa

The TSFs aim to improve country partner access to timely and quality assured TA. U.S. Government funding is intended to enable the TSFs to scale-up their support to Global Fund grantees through the provision of 2,000 days of TA. Our funding has contributed to a significant increase in technical support days provided in the Southern Africa region over the last year. The TSFs report accelerating demand, especially for strengthening M&E plans and systems, review and analysis of grant performance and funds utilization, and strengthening of PSM systems and governance/leadership.

UNAIDS National AIDS Spending Assessments (NASA)

UNAIDS National AIDS Spending Assessments (NASA) are designed to describe in-country financial flows and expenditures using the same categories as the globally estimated resource needs. U.S. Government funding enabled UNAIDS NASA to carry out ten of these assessments, including implementation of a regional capacity building workshop for more than 125 professionals in the NASA methods, tools, and analysis; provision of technical support to 80 countries to develop HIV spending indicators as agreed by all countries in the Declaration of Commitment signed in 2001 and ratified in 2006; provision of support to the National Health Account (NHA) practitioners in applying the “cross-walk” between NHA and NASA; and the completion of a cross-sectional measurement of the HIV financing flows and expenditures in each country using NASA methodology.

UNAIDS AIDS Strategy and Action Plan (ASAP)

Established in 2006, ASAP is implemented by the World Bank and World Health Organization (WHO) Knowledge Hubs. Its aim is to conduct confidential external reviews of draft national strategies, provide technical and financial support to help countries to strengthen their strategic response, develop tools to assist countries in their strategy and action planning work, and build capacity of policy makers and practitioners in strategic and action planning. In 2008, U.S. Government funding contributed to providing technical support and peer review of strategies for 31 countries

Disease-targeted TA for tuberculosis

STOP TB Partnership

With U.S. Government funds, the STOP TB Partnership's 14 partners conducted 115 short-term missions to provide TA to Global Fund grants. The Missions consisted of providing TA for implementation of TB grants, developing nationwide prevalence survey protocols, developing terms of reference for Global Fund grant evaluations, assessing drug supply chain, and finalizing national strategy plans. U.S. Government funds also supported two TA missions to countries procuring anti-TB drugs from the Global Drug Facility (GDF); TA to Pakistan and Liberia consisted of provision of on-site TA in drug management and issuing of technical recommendations to the National TB program and the PR to strengthen drug management capacities. STOP TB also conducted two regional drug management workshops in Africa and the Eastern and Mediterranean Region.

Green Light Committee (GLC)

The Green Light Committee (GLC) is a partnership established by the WHO to promote access to and rational use of second-line anti-TB drugs. The goal is to help stem the tide of multi-drug resistant (MDR) TB. With U.S. Government financial support, the GLC was able to increase the number of GLC-approved patients from 6,533 in 2006 to 52,643 at the end of 2008. With U.S. Government funds, GLC conducted a two-day workshop to assist high MDR-TB burden countries with GF grants to update their five-year plans to scale up MDR-TB treatment programs; as a result 14 countries have updated their national plans. GLC also provided TA for preparation of GLC country applications, strengthening of national laboratory capacity, strengthening of country teams to manage MDR-TB programs, and monitoring of GLC-approved projects.

Disease-targeted TA for malaria

Roll Back Malaria (RBM)

The Roll Back Malaria (RBM) partnership was launched in 1998 to better coordinate the global fight against malaria. RBM functions through four sub-regional networks (SRN) in Central, East, Southern, and West Africa, which coordinate local and international partners to provide TA for Global Fund malaria grants and national malaria programs. With U.S. Government financial support, RBM provided approximately 2,000 days of short-term TA to Global

Fund malaria grants in 2008. The purpose of this TA was to ease implementation bottlenecks and to strengthen the technical capacity of PRs to implement malaria programs. RBM has been able to provide TA to 36 countries in sub-Saharan Africa. This support has included multi-partner diagnostic missions which have resulted in funds being reprogrammed for more effective and efficient use, development of operation plans for dealing with long-term grant implementation bottlenecks, and development of partner coordinated procurement and supply management plans.