

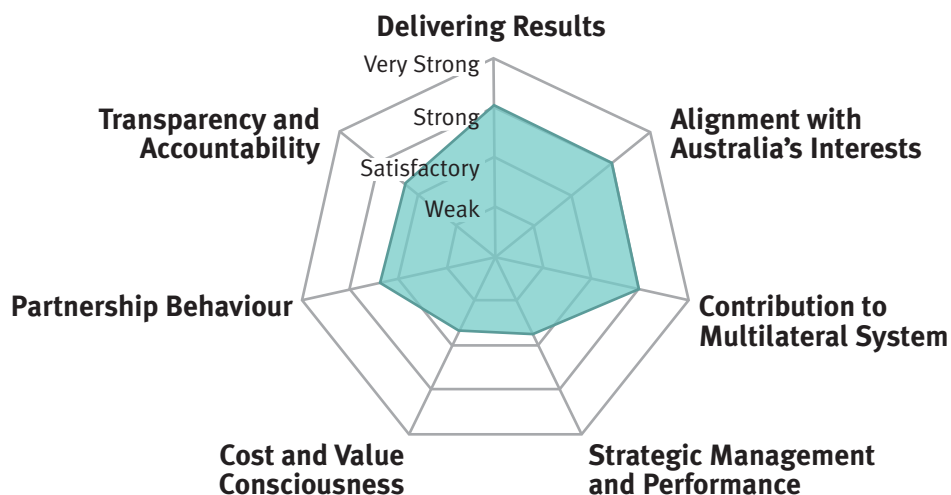


# Australian Multilateral Assessment March 2012

## Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund)



### OVERVIEW OF ORGANISATION RATINGS



### ORGANISATION OVERVIEW

The Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund) was created to dramatically increase resources to fight three of the world's most devastating diseases—tuberculosis (TB), malaria and HIV/AIDS—and to direct resources to areas of greatest need. Since its inception in 2002, the Global Fund has become the largest multilateral funder in global health. It provides approximately two-thirds of international financing to fight tuberculosis and malaria, and one-fifth of its international financing for HIV/AIDS. It also funds targeted health systems strengthening.

Established as a public-private partnership in global health, the Global Fund brings together a diverse stakeholders ranging from governments, other multilateral organisations and affected communities. Its model is based on the concepts of country

ownership and performance-based funding, progressively disbursing funds to countries as they achieve agreed targets. The Global Fund has approved US\$22.4 billion in funding for grants in 150 countries. Programs supported by the Global Fund have provided anti-retroviral treatment for an estimated 3.3 million people and distributed 230 million insecticide-treated bed nets for the prevention of malaria worldwide. The Global Fund is a financing mechanism based in Geneva with no in-country presence, so its results represent the collective effort of countries and development partners.

In 2011, a major review of the Global Fund’s fiduciary control mechanisms was conducted by a high-level independent panel. The review was a response to growing concerns with the Global Fund’s capacity to detect and address fraud. The review’s recommendations, entitled *Turning the Page from Emergency to Sustainability*, guides the Global Fund’s transition from being set up to respond to a global health emergency to a more mature and sustainable financing institution. The recommendations are also incorporated into the current reform work of the Global Fund’s Board and Secretariat.

The Global Fund is currently undergoing fundamental reform designed to address the shortcomings of funding and scenario planning that played out in late 2011. The nature of these reforms means the findings and ratings in this assessment should be regarded as subject to significant change should the reforms prove successful in increasing effectiveness over coming years. Since 2004, Australia has provided \$240 million to the Global Fund in core contributions. As part of its current three-year pledge, Australia has committed to provide an additional \$180 million by 2013. In 2010–11, Australia provided \$30.0 million in voluntary core contributions.

## RESULTS AND RELEVANCE

### 1. Delivering results on poverty and sustainable development in line with mandate

**STRONG**

Since its formation, the Global Fund has demonstrated significant development results in line with its interventions. Its programs have provided HIV treatment for an estimated 3.3 million people, tuberculosis treatment for 8.2 million people, and distributed 230 million insecticide-treated bed nets for preventing malaria worldwide.

The affordable medicines facility for malaria, hosted and managed by the Global Fund, promotes a public–private partnership to expand access to lifesaving medicines. The introduction of a subsidy, paid to manufacturers on behalf of buyers of the most effective malaria drugs, artemisinin-based combination therapies has seen retail prices for treatments fall dramatically in several participating countries.

The results of the Global Fund programs have been independently verified, including by Results International and World Vision and through the five-year evaluation of the Global Fund and the United Kingdom’s Multilateral Assessment. An overall assessment of its success in delivering results, however, would require consideration against efficiency, integration and value for money indicators, which are not readily available at an aggregate-level.

The Global Fund has established country-based systems to monitor and review health outcomes, but these do not show direct attribution for outcomes. The systems do focus on the sustainability of grant-funded programs given available resources.

The introduction of counterpart financing requirements in 2011 in order to increase contributions from national sources is a positive step to promote sustainability. The Global Fund has also signed the Paris Declaration, Accra Action Agenda and has contributed to partnership approaches to support aid effectiveness and predictability of funding.

Most Global Fund grants have been disbursed in low income countries. Its new strategy (2012–16) targets the most at-risk populations in the worst affected countries and favours low income countries.

<b>a) Demonstrates development or humanitarian results consistent with mandate</b>	<b>VERY STRONG</b>
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The Global Fund has achieved significant results globally in the fight against the three diseases. By the end of 2010, 76 per cent of 522 grants which had been through the Phase 2 review process were performing well (rated A or B1) with TB and HIV grants performing better than malaria grants. Overall, evidence of impact of programs in combatting these diseases continues to grow, although the contribution of the Global Fund needs to be considered in conjunction with other global health interventions such as PEPFAR (the US President’s Emergency Plan for AIDS Relief). The number of new HIV cases globally has fallen by more than 20 per cent since 1997. There is mounting evidence that scaling up malaria control interventions—especially with insecticide-treated nets and indoor residual spraying—is a contributor to reduced child mortality. TB mortality has fallen by more than a third since 1990, with a significant drop in the last five years. The success of Global Fund programs has been confirmed by independent reviews, including by Results International and World Vision. An overall assessment of the Global Fund’s performance, however, would require consideration against efficiency, integration, and value for money indicators, which are not readily available at an aggregate level. The ability to continue showing a direct attribution for such positive health outcomes remains a longer-term challenge.

The affordable medicines facility for malaria, hosted and managed by the Global Fund, has been successful in promoting public–private partnership to expand access to lifesaving medicines. The introduction of a subsidy, paid to manufacturers on behalf of buyers, of the most effective malaria drugs has seen retail prices for artemisinin-based combination therapies fall dramatically in several participating countries. It is expected prices will decline further as quantities of drugs in each country and competition among sellers increase. The role of the Fund in collaborating with pharmaceutical companies and drug manufacturers has been critical to this result.

<b>b) Plays critical role in improving aid effectiveness through results monitoring</b>	<b>SATISFACTORY</b>
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The Fund is a results oriented organisation and has established systems and structures to measure and record its performance across its portfolio. The Fund monitors results across its four program areas against 13 indicators and targets to measure aid effectiveness using a scorecard developed around the Paris Declaration principles. Achievements against the

13 service targets are clearly reported, using a percentage measure and a traffic light system to show areas of slow or poor progress. Baselines enable progress to be easily shown.

The Global Fund’s results framework primarily measures processes and inputs and does not yet provide a level of attribution to outcomes or impacts. The high level panel charged with reviewing the Fund’s fiduciary control mechanisms has made recommendations on improving the quality of the monitoring framework and the key performance indicators.

There are built in feedback mechanisms to allow for continuous learning and within all grants the Secretariat encourages recipients to use five to ten per cent of funds to strengthen monitoring and evaluation systems to manage results, fill gaps, and report key existing program indicators. Tracking health outcomes has been strengthened with the newly approved evaluation strategy which will implement 10 outcome/impact evaluations in 2012. It remains too early however to take stock of the effectiveness of this new approach.

<b>c) Where relevant, targets the poorest people and in areas where progress against the MDGs is lagging</b>	<b>STRONG</b>
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The primary focus of the Global Fund is on countries in which the need is greatest as determined by both income level and disease burden. More than half of the grants have been disbursed in low income countries (Sub-Saharan Africa receiving 55 per cent of grants) reflecting the high disease prevalence and burden of the region.

The Global Fund’s board has identified the need to ensure the most funding continues to be directed towards the poorest and to assist the most vulnerable, especially those marginalised or otherwise excluded from health treatment. The Fund’s new strategy (2012–16) targets the most at risk populations in the worst affected countries and favours low income countries.

<b>2. Alignment with Australia’s aid priorities and national interests</b>	<b>STRONG</b>
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Australia’s core contribution to the Global Fund complements its bilateral health programs and extends the reach of the aid program to places where Australia’s presence is limited, for example some African countries. Nevertheless there is scope for the Global Fund to pay greater attention to the Asia-Pacific region, which accounts for nearly 50 per cent of childhood deaths worldwide.

Global Fund programs are well aligned with the Australian aid program’s strategic goals: most directly the goal of saving lives, particularly of poor women and children through greater access to quality maternal and child health services; and supporting large-scale disease prevention, vaccination and treatment.

A strength of the Global Fund is its ability to address issues related to gender equality, sexual orientation and gender identity. It encourages country partners to act by encouraging them to reference the comprehensive set of guidelines of technical partners (WHO, UNAIDS and UNDP). However, more urgent work is required to ensure country implementing agencies meet the standards and practices required, particularly where

minorities do not have legal recognition or may be actively discriminated against. The nature of the Global Fund’s work means it has a limited focus on environmental issues although its Secretariat has been implementing a Green Initiative aimed at reducing waste, saving energy, cutting down on carbon emissions and increasing environmental awareness. The Australian Multilateral Assessment found no evidence of an explicit focus on disability-related issues.

The Global Fund has provided substantial funding to fragile states and has had success in some fragile states contexts. However, the performance-based nature of its funding has created challenges for some fragile states with weak health systems. The Global Fund’s fiduciary risk management in fragile states requires significant strengthening as identified by the high level independent panel.

<b>a) Allocates resources and delivers results in support of, and responsive to, Australia’s development objectives</b>	<b>STRONG</b>
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The Global Fund plays an important role in advancing Australia’s objectives of more efficient and coordinated international development assistance in the health sector. The Global Fund has sufficient leverage through its funding platform to respond to country needs for health assistance and to provide an effective mechanism for donors, including Australia, to contribute to a coordinated effort to improve health outcomes and strengthen health systems. Through contributions to the Global Fund, Australia is able to scale up its investments with lower transaction costs than otherwise would be possible, and towards different objectives than through its bilateral programs.

Global Fund funding complements Australia’s bilateral investments in health and provides Australia with a multilateral mechanism capable of delivering support in places where Australia’s presence is limited, for example in some African countries.

In 2011, the Global Fund provided grants to all eligible countries in the Asia-Pacific region, which receives approximately 24 per cent of total approved funding (US\$5.4 billion). Of this amount about US\$307 million is for Pacific Island countries. While the majority of its funding goes to Sub-Saharan Africa where several countries face severe burden of diseases, there is scope for the Global Fund to pay greater attention to the Asia-Pacific region, which accounts for nearly 50 per cent of childhood deaths worldwide.

<b>b) Effectively targets development concerns and promotes issues consistent with Australian priorities</b>	<b>VERY STRONG</b>
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Global Fund programs are well aligned with the Australian aid program’s strategic goals, most directly with saving lives. A particularly strong link is to the Australian aid program goal: ‘saving the lives of poor women and children through greater access to quality maternal and child health services; and supporting large scale disease prevention, vaccination and treatment’.

Health is a critical sector for the Australian aid program and the Global Fund, as the largest multilateral funder in global health, is by its nature an important partner for Australia. Areas of common priorities and objectives of Australia and the Global Fund

include the focus on the health Millennium Development Goals (MDGs), international HIV strategy, the complementarity in health focus in the region and programming of Australian and Global Fund resources.

**c) Focuses on crosscutting issues, particularly gender, environment and people with disabilities**

**STRONG**

The Global Fund has a strong focus on crosscutting issues and promotes equitable access to treatment and care as one of its core principles.

Gender equality is a focus within the Global Fund’s strategy in relation to sexual orientation and gender identities (SOGI). The SOGI strategy, approved by the Board in May 2009, is a strong statement of the action that the Global Fund will take to address the vulnerabilities and the needs of men who have sex with men, transgender peoples and sex workers in the fight against the three diseases. The Fund also uses intervention strategies that are particularly beneficial to women and children, care and support for orphans and other vulnerable children. The Fund will introduce a new key performance indicator on gender and equity within the new monitoring framework. The Global Fund does not yet use a similar approach to measure its impact on people with disabilities.

The Fund is somewhat constrained in its ability to adopt specific requirements on environmental matters in its portfolio. It has no stand-alone environment policy but relies on its partners such as WHO to develop policies that it promotes. The Secretariat has been implementing a green initiative aimed at reducing waste, saving energy, cutting down on carbon emissions and increasing environmental awareness.

**d) Performs effectively in fragile states**

**SATISFACTORY**

The Fund does not have a specific fragile states policy but it operates in countries where health status is seriously affected by weak state healthcare provision or exacerbated by conflict and disruptions in community services.

The Fund has provided sufficient funding to address the needs of fragile states. As of mid-2010, the Fund had disbursed nearly US\$5 billion to support 41 fragile states. This included North Korea, Burma, Nepal, Solomon Islands and East Timor.

Despite adequate funding levels, the performance-based nature of Global Fund funding can create challenges for fragile states with weak health systems. Global Fund funding sometimes has a distortion effect on the resources allocated to design, manage and monitor Global Fund grants within ministries of health. The Global fund’s fiduciary risk management in fragile states requires significant strengthening as identified by the high level panel.

**3. Contribution to the wider multilateral development system**

**STRONG**

The Global Fund has developed several new mechanisms and processes to promote coordination. With the World Bank and the GAVI Alliance, and the coordinating support from WHO, the Global Fund has developed the health systems funding platform for

harmonised support for health systems. The platform is still at pilot stage and the Global Fund needs to work with other partners to accelerate its roll-out.

At country-level, the Global Fund has developed the country coordinating mechanism (CCM). This has provided country teams with a framework for national agencies and stakeholders to work together with a single focus of addressing the disease priorities of that country. The Australian Multilateral Assessment received positive feedback on the CCM from Australian overseas missions in Burma and Papua New Guinea. In some contexts however, CCMs have not been effectively implemented, as confirmed by feedback to the Australian Multilateral Assessment from some Pacific Island countries.

The Global Fund was formed to fill a critical gap in tackling the three diseases and since its formation it has grown to become a large player in international aid architecture. It has been very effective in coordinating large-scale finance directed at the three diseases. It has also been reasonably successful in attracting funding from private sector contributors, such as the Bill and Melinda Gates Foundation.

In addition to developing innovating funding mechanisms, the Global Fund has established an innovative approach to delivery with decision making and reporting mechanisms devolved to country partners. This overall model has some weaknesses and the Global Fund must adopt a more robust approach to delivering and managing grants in line with available resources.

The Global Fund's innovative performance-based approach has been successful but has also generated burdensome reporting requirements particularly for countries with limited capacity. Feedback from Australian overseas missions in Burma, Pacific Islands posts, Solomon Islands and Vanuatu noted that the Global Fund's procedures and policies often overwhelm implementing partners.

<b>a) Plays a critical role at global or national-level in coordinating development or humanitarian efforts</b>	<b>STRONG</b>
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As it doesn't have a country presence, the Fund relies on other partners for implementation, and the achievements of the Fund are in fact the collective achievements of countries and development partners.

The Global Fund has developed several new mechanisms and processes designed to improve coordination. With the World Bank and GAVI and coordination support of WHO, it has developed the health systems funding platform for harmonised support for health systems. The platform is still at a pilot stage and the Global Fund needs to work with other partners to accelerate its roll out. Debt2Health arrangements are another illustration of an innovative mechanism developed by the Global Fund.

The Global Fund developed the CCM as a means of promoting coordination at country-level. This provides a vehicle through which national agencies and stakeholders can work together with a single focus of addressing the disease priorities of that country. By working through national systems the Fund aims to reduce transaction costs and harmonise interventions to avoid duplication and overlap. The Australian Multilateral Assessment received positive feedback on the CCM from Australian overseas missions in PNG and Burma.

In some contexts however, the CCM has not been effectively implemented. The Global Fund requirements have been criticised for distorting existing health systems, generating disruptive incentives and creating parallel systems. For a number of small countries in the Pacific, the Global Fund is seen to be inflexible and to place heavy management demands on the CCM.

<b>b) Plays a leading role in developing norms and standards or in providing large-scale finance or specialist expertise</b>	<b>VERY STRONG</b>
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The Fund was formed to fill a critical gap in tackling the three diseases and since its formation it has grown to become a large player in the international aid architecture. The Global Fund has been very effective in stimulating a rapid increase in the volume of finance available from donors directed at the three diseases.

The Global Fund has attracted the majority of its funding from governments (95 per cent) but it has also been reasonably successful in attracting funding from private sector contributors, such as the Bill and Melinda Gates Foundation, and has secured US\$948 million from private sources. The Gates Foundation has committed to providing US\$100 million annually for five years from 2010, and other private corporations, such as Chevron, the Takeda Pharmaceutical and donors to the RED partnership, have contributed significant amounts of funding.

The Fund heavily relies on the special expertise of partners on the ground.

<b>c) Fills a policy or knowledge gap or develops innovative approaches</b>	<b>SATISFACTORY</b>
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The Fund is operating in a relatively crowded, fragmented and competitive field but was established as a financing institution rather than an implementing agency. As a financing mechanism, the Fund innovates to attract new forms of funding or revenue sources, for example through Product RED, Debt2Health and its new exchange traded fund. It has grown to be the largest multilateral health program funder in the world.

At national-level, the Global Fund's performance-based approach has had successes but has also generated burdensome requirements, particularly for countries with limited capacity. Feedback from the Australian overseas missions in Burma, Vanuatu and other Pacific Island countries noted that the Global Fund's procedures and policies often overwhelm implementing partners. National strategy applications constitute a positive development that highlights the importance of aligning donor-funded programs with national systems, especially planning and budget mechanisms.

<b>ORGANISATIONAL BEHAVIOUR</b>	
<b>4. Strategic management and performance</b>	<b>SATISFACTORY</b>

The Global Fund has a clear mandate backed by a clear strategic framework. It was created to dramatically increase the resources needed to tackle HIV/AIDS, TB and malaria, and direct resources to areas of greatest need. It delivers in line with this mandate and has so far avoided mission creep.



Changing circumstances mean the Global Fund’s strategic planning processes have had to be revised. It has historically been demand-driven with substantial available funding meaning there has been no requirement to prioritise or revise allocations based on an assessment of country needs. However, this has now ceased with a move away from round-based financing and funding limits requiring greater scrutiny of country performance and operational efficiencies. The reduced forecast of resources available for 2011–13 and the Panel’s findings on the delivery model highlight the need to revise the Global Fund model and review its resource forecasting methodology, as well as the timing and nature of its reporting to its board. The latest round of grants was cancelled.

The board and management structures provide for effective, if overly detailed, scrutiny of Global Fund operations. The panel considered that the board had in some ways been too active in over-scrutinising the Global Fund’s portfolio and not taking an overarching perspective on policy and wider strategic issues. The board has approved new governance reforms to address this.

The Global Fund’s strategic framework includes a set of performance measures against which it regularly reports progress and which it uses to analyse trends and identify areas for improvement. Its monitoring and evaluation framework has been effective in providing information on key indicators of delivery and performance. The framework could be improved through a stronger focus on outcomes and impact. Enhanced scrutiny on country performance measures and better tailoring measures to country context will help improve impact monitoring.

The Global Fund is experiencing leadership issues. The relationship between the management teams of the Secretariat and the Office of the Inspector General was described as ‘unacceptable’ by the panel. The executive director and Inspector General have expressed their commitment to improve their working relationship.

The Global Fund has good policies in place on human resources, gender and ethics, supported by regulations and procedures. This includes a code of conduct and policy HIV/AIDS in the workplace.

**a) Has clear mandate, strategy and plans effectively implemented**

**SATISFACTORY**

The Global Fund has a clear mandate. It was created to increase dramatically the resources needed to tackle AIDS, TB and Malaria, and direct those resources to areas of greatest need. It delivers in line with this mandate and has so far avoided mission creep.

A constant issue of concern has been the level of funding it is able to secure. The Global Fund clearly sees the unpredictability of funding as a threat to its ability to meet its targets, continue to support ongoing programs or meet demands for new grants. Between 2011 and 2013, the Global Fund will face its first test of limited funding levels. How it addresses priorities for funding will be an indicator of how well it can allocate resources in accordance with the mandate.

The issue of sustainability of funding needs to be considered in light of the Global Fund’s current business model which focuses on vertical disease-specific programs, sometimes to the detriment of the long-term strengthening of health systems. The current business

model means gains can be fragile and not necessarily sustainable should the Fund experience a significant funding shortfall.

**b) Governing body is effective in guiding management**

**SATISFACTORY**

The high level panel considers that the board has in some ways been too active in over-scrutinising the detail of the Fund's portfolio and not taking an overarching perspective on policy and wider strategic issues. More specifically the panel has made a number of recommendations relating to the board and its committees which were endorsed by the board and integrated into a consolidated transformation plan that was adopted at the November 2011 board meeting.

The Fund has identified a priority for 2011 for the board and secretariat the resolution of tensions between anticipated demand and available resources. It has also identified the need for greater effort of engagement with major emerging economies and pursuing new opportunities in innovative financing. The board adopted options for streamlining application, renewal and approval processes because of both the significant uncertainties in the amount of money available for new and existing grants and in order to make a start on implementing reforms recommended by the panel and the goal of achieving greater impact, more strategic expenditure and better value for money.

**c) Has a sound framework for monitoring and evaluation, and acts promptly to realign or amend programs not delivering results**

**SATISFACTORY**

The Global Fund has given significant attention to developing an effective and coordinated approach to its monitoring and evaluation framework. At the program-level, decisions on continued funding are taken in the light of a grant's performance against its targets and poor performing grants can, and do, have their funds reallocated to better performers. Extensive guidelines and toolkits are freely available to applicants and implementers to help bolster their ability to monitor and report on the grant performance.

The high level panel has stressed the need to shift the monitoring approach to measure outcomes not inputs and the panel report identified a number of important changes to its monitoring and reporting framework for the Fund to implement.

Criticisms have emerged from countries that the monitoring requirements are complex and difficult to meet. Smaller Pacific economies have voiced their difficulties in managing and reporting on Fund projects. Other concerns have been raised about duplication of data collection. The Fund acknowledges these issues and supports regular assessment of national monitoring and evaluation systems by partners to review program implementation and to identify capacity issues. It has also included an element of funding to assist strengthen national monitoring and evaluation capacity (five to 10 per cent of the value of a grant can be spent on monitoring and evaluation).

At the organisational-level, the Fund monitors technical issues through a separate, independent advisory group—the technical evaluation reference group (which reports to the board). The group has overseen a number of independent evaluations which have been undertaken, including the large five year evaluation which was completed with a

synthesis report in May 2009. This body of evaluations, including the five-year evaluation and an independent review conducted in 2007 have helped shape a series of operational and management reforms guided by both the board and the secretariat, including the recent initiative: 'An agenda for a more efficient and effective Global Fund'.

<b>d) Leadership is effective and human resources are well managed</b>	<b>WEAK</b>
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The relationship between the management teams of the secretariat and the Office of the Inspector General was described as 'unacceptable' by the high level panel. Both the executive director of the Global Fund and the Inspector General have expressed their commitment to improve their working relationship, and evidence of this will be closely monitored by board members.

In order to remain efficient and flexible, a series of operational and management reforms were put in place during the course of 2010 and 2011. The key element of this reform was the adoption of the country team approach, which represented a fundamental shift in the corporate culture of the Global Fund. The approach involves creating teams that bring together staff from various areas (legal, finance, procurement and supply management, partnerships, monitoring and evaluation and country support) to work together to support each country's grants. First applied to 20 high-priority countries, this approach was expanded in 2011 and should improve the concerns emerging about uncoordinated technical support and the lack of clarity in roles among different partners and agents.

Following the adoption of the recommendations of the panel, the board agreed to a temporary increase in staff numbers, to dedicate more resources to country programs. Overall, the ratio of country program staff needs to increase within the secretariat, in line with the panel's recommendations.

The Global Fund has good policies in place on human resources, gender and ethics, supported by regulations and procedures, including a code of conduct and HIV/AIDS in the workplace. Performance against the gender and diversity targets is reported and published as part of the organisations performance framework. At the end of 2010, against a baseline of 30 per cent, the Global Fund achieved a rate of 28 per cent of female staff in positions at Go6 level or higher: the target for 2011 is 45 per cent.

<b>5. Cost and value consciousness</b>	<b>SATISFACTORY</b>
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Formal systems exist for the Global Fund's governing bodies to regularly scrutinise costs at activity level. However, recent events and the panel's findings suggest there has been insufficient focus by management on the overall cost structure and financial position of operations.

The Global Fund recognises the need to develop new tools to measure cost effectiveness as an element in its grant mechanism. The secretariat needs to urgently strengthen financial planning and management systems so the Global Fund can be more reactive to global financial trends and provide accurate and timely estimates to its governing body. If fully implemented, the changes proposed by a recent review of the Fund's fiduciary

control mechanisms will provide greater assurance there is a more robust approach to cost efficiencies and value for money criteria.

The Global Fund's grant process has been restructured to bring value for money criteria into the financing chain. This needs to be implemented further. The Global Fund can do more to integrate value for money and effectiveness principles from the very first step in its business model, when countries fill in grant application forms.

A phased approach is used for grant allocation, with performance at the initial stage determining release of funding in later stages. This approach has resulted in greater efforts by partners to demonstrate cost savings and efficiency gains in the early stages of implementation.

<b>a) Governing body and management regularly scrutinise costs and assess value for money</b>	<b>WEAK</b>
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The high level panel has provided a tough and rigorous assessment of value for money and recommended changes to the governing structure of the Fund to improve oversight. The Board's four standing committees will be reduced to three: one to focus on strategy and investment, a second one to concentrate on finance and operational performance, and a third committee (with a majority of independent members) dealing with audits and ethics. The Fund was quick to respond to the panel review and has already introduced changes which should enhance accountability and cost efficiency.

The Global Fund's governing bodies regularly scrutinise the cost structure and have initiated management reviews of the existing funding structure and financial flows to identify savings and improve efficiencies. A number of formal procedures have been developed which enhance the quality and timeliness of information on costs and provide feedback to management on its cost structure, as well as country specific adjustments to improve performance and reduce cost to country partner.

The Global Fund secretariat needs to strengthen its financial planning and management systems to be more reactive to global financial trends and to provide accurate and timely estimates to the Fund's governing body.

<b>b) Rates of return and cost effectiveness are important factors in decision making</b>	<b>SATISFACTORY</b>
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The Global Fund grant process has been restructured to bring value for money criteria into the financing chain. This needs to be implemented further. The Global Fund can do more to integrate value for money and effectiveness principles through the new 'iterative funding model' to be implemented under the *Global Fund Strategy 2012–2016*. The Global Fund has engaged the expertise of the technical review panel (TRP) to assess proposals and with no in-country officials, contracted local fund agents to assist in monitoring and reporting of performance. This approach is costed at approximately 5.4 per cent of the Global Funds total expenditure, somewhat less than most multilateral organisations.

The TRP reviews each proposal for technical merit, including value for money (effectiveness, efficiency and additionality). The TRP also takes into consideration performance of existing programs. In relation to the approved grants, the subsequent

negotiation process between the secretariat and the principal recipients, though in some cases problematic, has identified savings. In 2010, budget savings of 23 per cent or US\$283 million was achieved.

Other measures put in place to improve value for money are outlined in the 2010 annual report (Table 5.3), including decentralisation, task shifting, conducting value for money audits, selecting sub-recipients based on costs per person reached and consolidation of procurement and grant activities.

<b>c) Challenges and supports partners to think about value for money</b>	<b>SATISFACTORY</b>
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The Fund uses a structured or phased approach for grant allocation which is based on performance at the initial stage determining release of additional funding for the later stages. Although this approach raises concerns about its suitability for recurrent expenditure, it has resulted in greater efforts by partners to demonstrate efficiency gains in the early stages of implementation.

The Global Fund has indicated it will monitor the implementation of its financial and value for money reforms to the partnership mechanism, using indicators that are linked to key performance indicators. The reforms are designed to speed disbursements and grant signing, and improve effectiveness and value for money. Partner performance in its handling of Global Fund disbursements will help guide future funding decisions through the monitoring and evaluation framework.

<b>6. Partnership behaviour</b>	<b>SATISFACTORY</b>
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Without an ongoing country presence the Global Fund relies on its technical partners (for example, the World Bank, World Health Organization, United Nations Children’s Fund and donors) to provide ongoing support to principal recipients throughout the grant application and management process. While the Global Fund has developed strong relationships with these partners at institutional-level, there is some evidence this model does not always translate to effective partnerships at country-level. In 2011, the Global Fund’s own reporting showed it was lagging on indicators in the Paris Declaration on Aid Effectiveness principles relating to joint missions with other donors and joint analytic reports with other donors.

In 2011, the Global Fund’s assessment against the Paris Declaration principles related to ‘ownership and alignment’ showed it was on track against four of the five indicators (it was assessed as lagging in terms of recording aid in national budgets). Nevertheless, Australia’s experience is that the Global Fund needs to do more work to integrate its programs into national processes and strengthen country systems. For example, Australia’s overseas mission in Vanuatu reported that the Global Fund’s program is largely implemented outside of government systems. The Global Fund has instituted some measures to improve alignment with country systems, such as through national strategy applications. It should be noted that the Secretariat had launched work toward a ‘new grant architecture’ in 2010 which takes positive steps to align consolidated grants with country reporting.

The Global Fund provides a strong voice for partners in decision making through the public–private partnership model of its governing board, its committee structure and the CCM at country-level. The governance model incorporates Northern and Southern non-government organisations, and communities living with the three diseases. The Global Fund has also introduced the principle of ‘dual-track financing’, encouraging countries to use a civil society organisation and a government recipient for grants.

**a) Works effectively in partnership with others**

**SATISFACTORY**

The Fund has established a set of relevant targets to measure its performance against the Paris principles. In 2011, it was lagging on two of the three indicators relating to ‘harmonisation with partners’: joint missions with other donors; and joint analytic reports with other donors. The reform of grant architecture seeks to address some of these issues with a more streamlined focus on harmonisation.

The Fund has taken steps to improve the performance of the CCM as a forum for engaging partners. The CCM mechanism is often chaired by the ministry of health and must include membership from other relevant departments and civil society, the private sector and donors. Recent changes to the CCM mechanism are welcome and will need to be refined in the light of the recommendations made by the high level panel relating to the structure, role and operations of the CCM.

The Fund’s collaboration with pharmaceutical companies and drug manufacturers has been critical to the success of the affordable medicines facility for malaria in promoting a public–private partnership to expand access to lifesaving medicines.

**b) Places value on alignment with partner countries’ priorities and systems**

**SATISFACTORY**

The performance-based nature of Global Fund operations places a requirement on recipient countries in preparation of grant applications, monitoring disbursements, data reporting and evaluation.

There has also been external criticism that these requirements may not always align with a country’s own budget, planning and monitoring cycles and can skew health sector resources and priorities. For example, the Australian overseas mission in Vanuatu reported that the Global Fund’s programs were largely implemented outside of government systems. There has been some progress in addressing this. In 2009, 79 per cent of grants were aligned with national fiscal system and this figure was expected to increase in 2011 as grants were consolidated into single streams of funding. The Global Fund has undertaken major efforts to improve its grant architecture.

In 2011 the Global Fund’s assessment against the Paris Declaration targets related to the principle of ‘ownership and alignment’ was rated as on track or achieved against four of the indicators, though it was assessed as lagging in terms of recording aid in national budgets. The Global Fund can do more to better integrate its programs into national processes and to strengthen countries own systems. This is critical to ensure sustainability of programs to fight the three diseases.

In response to country requests for more streamlined funding mechanisms, and as part of the Global Fund’s commitment to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, in 2009 the Global Fund launched a new funding approach known as the national strategy application. This new modality aimed to further facilitate alignment of Global Fund financing with country priorities within the framework of a country’s national disease strategy.

<b>c) Provides voice for partners and other stakeholders in decision making</b>	<b>STRONG</b>
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The Fund provides a strong voice for partners in decision making through the public–private partnership model of its governing board, its committee structure and the CCM at the country-level. The governance model incorporates non-government organisations, and communities living with the three diseases. The Fund has also introduced the principle of ‘dual-track financing’—encouraging countries to use a civil society organisation as well as a government recipient for grants.

In 2010, the Fund published the *Community Systems Strengthening Framework* with the aim of engaging communities affected by HIV, TB and malaria in the development of proposals. This process is being promoted to address the political and legal barriers to community engagement, a difficult and sensitive issue.

<b>7. Transparency and accountability</b>	<b>SATISFACTORY</b>
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The Global Fund became a signatory of the International Aid Transparency Initiative in June 2011, strengthening its commitment to transparency. It is an active member of the initiative’s technical advisory group. Extensive documentation on Global Fund activities is available on its website, including detailed financial statements, annual plans, corporate reports and audits, demonstrating a fully transparent and open attitude to sharing information about its work.

The Global Fund does not have a clear process for resource allocation. It did not need one in the past, however, given that funding was available to meet demand.

Recent events suggest the Global Fund’s focus on resource mobilisation was at the detriment of risk management and scenario planning. While the forecasted decrease of funding available for 2011–13 has mainly been the result of factors beyond the control of the secretariat, senior management failed to provide the board, donors and recipient countries with timely and important information on the financial situation. The secretariat needs to revise its approach to financial management and forecasting.

The secretariat needs to revise its approach to financial management and forecasting. The Global Fund needs to put in place strong measures to protect its resources and ensure appropriate fiduciary controls and safeguards both within the secretariat and in-country. These have been assessed as insufficiently robust to identify key risks or address weak financial controls at country-level.

A number of mechanisms are in place to reduce costs and encourage accountable and transparent behaviour by Global Fund partners. For example, its price and quality report

provides procurement and quality information for key health products and is an important source of information on prices for partners. The Global Fund also supports its partners (World Health Organization and others) to develop standard service unit costs for key interventions. For these measures to work effectively the Global Fund needs to closely monitor performance and enhance engagement with stakeholders in some countries.

<b>a) Routinely publishes comprehensive operational information, subject to justifiable confidentiality</b>	<b>VERY STRONG</b>
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The Fund became a signatory of the International Aid Transparency Initiative (IATI) in June 2011, strengthening its commitment to transparency. It is an active member of the IATI Technical Advisory Group.

Extensive documentation on the Fund activities is available on its website, including detailed financial statements, annual plans, corporate reports, audits and investigations conducted by the Office of the Inspector General (OIG) and evaluation studies, demonstrating a fully transparent and open attitude to sharing information about its work. The Global Fund publicises annual performance against its key performance indicators on its website.

<b>b) Is transparent in resource allocation, budget management and operational planning</b>	<b>WEAK</b>
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Details on all grants, funds approved and disbursed and other financial information are freely available online. Unfortunately, the panel has reported that many of the key documents on country fund projects and funding transactions were not carefully assessed prior to approval and or were inaccessible because of weak systems of data and document management. Country-level weaknesses have also been found to generate gaps in oversight and insufficient coverage and depth of audit and review procedures. Recent developments in funding available for 2011–13 point to the necessity for the Global Fund to review the way it calculates its financial projections and how it communicates that information to recipient countries and donors.

The Fund has also enhanced its financial reporting system. Each recipient submits information in a template and the data is used to assess the performance of the recipient against its budget forecast. However, these data reporting templates are often lengthy and time consuming for officers to complete and are often prepared by the technical partners with little engagement with their counterparts.

<b>c) Adheres to high standards of financial management, audit, risk management and fraud prevention</b>	<b>WEAK</b>
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The Global Fund has zero tolerance to fraud. From its inception the Fund has had an accountability and transparency framework in place. Cases of fraud as reported in the media in early 2011 have triggered the creation of the high level panel charged with reviewing the Fund’s fiduciary control mechanisms. The panel has developed a comprehensive set of recommendations, endorsed by the board of the Global Fund in



September 2011. These recommendations, if fully implemented, should considerably strengthen the Fund's capacity to detect and tackle instances of fraud.

The policies, procedures and standards of conduct are set out in legally binding agreements between the Fund and the principal recipients, who are selected through a competitive tendering process.

The panel report contains a number of recommendations specifically relating to improve risk assessment measures, stronger financial and audit oversight and greater delegated authority and accountability for fund portfolio and country teams managers.

<b>d) Promotes transparency and accountability in partners and recipients</b>	<b>STRONG</b>
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There are good systems and mechanisms in place to meet this criterion. The price and quality report benchmarks procurement and quality information for key health products and is an important source of information for implementers and other partners to review price comparison at regional level. The Global Fund is also supporting its partners (WHO and others) to develop the standard service unit costing approach for key interventions. Tracking expenditure and activity reporting are seen as providing better data on the cost of delivering key interventions.