

GLOBAL FUND OBSERVER (GFO), an independent newsletter about the Global Fund provided by Aidspace to nearly 10,000 subscribers in 170 countries.

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According to General Manager Gabriel Jaramillo, weaknesses in the performance management system for Secretariat staff hindered the quality of the re-organisation recently undertaken in the Secretariat. Mr Jaramillo made his comments in his report to the Board. Mr Jaramillo added that some of the decisions taken by management could lead to legal action against the Global Fund.

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## 1. NEWS: The Global Fund Turns the Tap Back On

*\$1 billion available to fund new grants*

### **New funding opportunities to be launched by September 2012**

The Global Fund is ready to start funding new grants again. The Fund said that it will “open new funding opportunities” in late September 2012, and that the Board will start making funding decisions no later than the end of April 2013.

The decision was taken by the Board at its meeting in Geneva on 10–11 May 2012. The Board said that its decision was made possible by a “new and encouraging financial forecast,” which estimated that approximately \$1.0 billion will be available to fund new grants in the period 2012–2014. In addition, there will be enough money to fund grants emanating from proposals to the Transitional Funding Mechanism (TFM), which could cost as much as \$615 million.

Exactly what form the new funding opportunities will take is not yet known, but it will be different from the rounds of funding used in the past. The Global Fund Secretariat will design proposed elements of the new funding models in consultation with countries, partners and other stakeholders. It will do so under the guidance of the Board’s Strategy, Investment and Impact Committee (SIIC). The Committee will present a proposed design to the Board at a special meeting to be held in September 2012.

The Board said that new funding models will describe precisely how the new iterative process will work, and how available funds will be distributed. (The Board announced that it will be adopting a new iterative process for funding applications at its meeting in September 2011; see [GFO article](#).) The allusion to how available funds will be distributed refers to the possibility that there will be some form of allocation or envelope system to determine how much funding is available to individual countries or groups of countries. The Global Fund Secretariat told *GFO* that implementing a more predictable funding mechanism, as called for in the Global Fund Strategy 2012–2016, depends on a system to allocate funds across the portfolio.

The Board also said that the new funding models will be consistent with the Global Fund Strategy and that they will, as in the past, reflect country ownership with respect to both the formulation of proposals and the implementation of grants.

In addition, to help with the Fund’s efforts to raise more money from donors, the Board asked the Global Fund Secretariat to work with countries and partners “as soon as possible” to develop estimates of demand for programmes for the three diseases, and for related health systems and civil society strengthening investments. It said that the estimates should be consistent with the Global Fund Strategy and should take into account existing resources available in each country. The Global Fund believes that if it has estimates of what the total need is that cannot be met from domestic resources, it will become easier to convince donors to renew or increase their contributions to the Fund. The Board said that this work should be done by September 2012.

The Global Fund Secretariat told *GFO* that the use of the plural word “opportunities” in the Board’s decision denotes two things: (1) the possibility of providing different types of funding modalities for different applicants (similar to the use of both a general and a targeted pool in recent rounds of funding); and (2) the intention that the new system of accessing funding from the Global Fund will provide multiple opportunities – meaning deadlines – throughout the year. The Secretariat explained that while the first approvals will probably not begin until

an April 2013 Board meeting, the Secretariat expects that they will then continue on an iterative (or rolling) multiple-deadline schedule.

Implementation of the new funding models will mean that the Global Fund will be reviewing proposals on a continuous basis throughout each year. The new system will also make it easier for proposals to be financed as funding becomes available.

“We’re excited that we can get to work on this right away,” said Todd Summers, chair of the SIIC. “But I remind everyone that we need a lot more money than is currently pledged just to sustain current efforts. While we’re heading in the right direction, there still is a long way to go to meet the real need.”

“This was an extremely useful Board meeting for the revitalization of the Global Fund,” said Masaki Noke, a Board member who represents Japan, one of the Global Fund’s largest donors. “The reorganization of the Fund is on track. Its financial situation is improving, though modestly. We are eager to move forward.”

Peter van Rooijen, the Executive Director of International Civil Society Support, said that members of the civil society delegations on the Board were very pleased about the decision to launch new funding opportunities, but he cautioned that “a lot of work lies ahead, particularly concerning the development of the new funding models.”

### **Forecast of available funding**

At its meeting in Geneva, the Board was presented with a forecast of available funding (in Global Fund parlance, “forecast of uncommitted assets”) and was given a detailed briefing of the methodology used to develop the forecast. The forecast covered a three-year period. The forecast showed that after all commitments are accounted for, including funding for the TFM, and allowing for a contingency reserve of \$500 million, the Fund will have available funding of \$1,184 as of the end of 2012, dipping to \$827 at the end of 2013, and bouncing back to \$1,055 million at the end of 2014.

The forecast is based on a new forecasting methodology that was recently adopted because of problems associated with previous forecasts. Unreliable forecasts contributed to the decision to cancel Round 11 after it had already been launched.

The paper said that the forecast of uncommitted assets is subject to change over time as new information becomes available and circumstances change. The forecast will be updated on a monthly basis.

In a separate report prepared for the Board, the Finance and Operating Performance Committee (FOPC) noted that this is the first forecast using the revised methodology and that it will be refined over time as the methodology is improved. The FOPC also said that the forecast was just one of many financial analyses that the Board needs to review in order to have a full picture of the financial health of the Fund. At its meeting in Geneva, the Board asked the FOPC to work with the Secretariat to test the forecasting model on a monthly basis and to “confirm the resource forecast in September 2012.”

### **Pledging opportunity**

At the Board meeting, the Global Fund announced that UN Secretary General Ban Ki-moon has offered to host a dinner during the UN General Assembly session in September 2012 in support of health-related development goals, with a special focus on the Global Fund. The event is also supported by Ray Chambers, the UN Special Envoy for Malaria and Advocate for the Millennium Development Goals (MDGs). Christoph Benn, Director of the Fund’s





operating in an excessively bureaucratic manner, protecting turf and responsibility, and acting as though they had the right to permanent positions regardless of their performance.”

The GM said that he also detected a “deep sense of mistrust. Fingers were pointed in all directions. An informal communication system – a rumor mill – had taken over, with destructive results. Disrespect for authority and the chain of command was prevalent.”

Mr Jaramillo provided the following additional information:

- By 30 April, the staff re-organisation had been completed (apart from the fact that a number positions are still in the process of being filled) and its main goal – significantly strengthening the Grant Management Division – had been accomplished.
- Seventy-five percent of staff now work in grant management; 189 new positions were created, and 236 “inefficient or out-dated” positions were eliminated. In the process, new job descriptions were developed for every single position in the new organisation.
- Vacancy notices were posted for 87 positions, for which more than 635 applications were received; 415 interviews were conducted, involving existing staff who were seeking new positions; and 209 employees were moved into new positions, of which 115 were promotions.
- Management arranged for 116 staff members to choose voluntary or mutually agreed separation, equivalent to 22% of the staff.

The GM said that, overall, there was a 7.4% reduction in positions, and that the Secretariat now has 585 authorized staff positions, with 131 of these positions currently vacant. The one-time cost of the re-organisation was \$22 million.

Mr Jaramillo said that the core processes for people management, which had served to embed a “culture of entitlement,” must be reformed. He said:

“We will seek to nurture and develop our staff; yet we will not be afraid to judge performance and differentiate outcomes. We will set clear objectives, define required competencies, and clarify expectations for behavior.... We will recognize, reward, and promote excellence. We will give poor performers the opportunity and the support to improve, and if they do not, we will ask them to leave the Fund to find roles more suited to their skills in other organisations.”

Mr Jaramillo said that the Secretariat will strengthen the “soft skills” of its staff – i.e., effective teamwork, communications, leadership and mentoring. At the same time, he said, the Global Fund will fundamentally reform the way it attracts expertise. “Recruiting top talent from developing countries is the highest priority,” he said.

*The Report of the General Manager is available at <http://www.theglobalfund.org/en/board/meetings/twentsixth>.*

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#### **4. NEWS: Global Fund Launches Process to Select New ED**

*Two of the four short-listed candidates must be women*

The Global Fund has initiated the process to recruit a new Executive Director (ED). The Fund wants the position filled by the time of the November 2012 Board meeting. The

Secretariat is currently being led by General Manager Gabriel Jaramillo, who started a one-year term in February 2012.

According to a press release from the Global Fund, there will be four people on the short list of candidates for the ED position, at least two of whom must be women. Since its inception, the Global Fund has had two EDs, both men.

At its meeting in Geneva, the Board established an Ad-Hoc Nominating Committee (AHNC) to coordinate the selection process. The AHNC will have nine members, of whom six will be from Board constituencies (serving in their personal capacities) and three will be independent outside experts. The Board appointed Don Baxter, Agnes Binagwaho, Karlo Boras, Nils Daulaire, Mireille Guigaz and Masaki Noke to fill the Board delegation seats; and authorised the AHNC to appoint the three independent members.

The Global Fund said that the inclusion of independent members on the AHNC will bring improved awareness of potential conflicts of interest, and increased diversity in opinion and experience.

The AHNC will engage an executive search firm to assist with the selection. The Committee will produce a detailed selection action plan by 31 May, and will propose to the Board revised terms of reference for the ED position by 15 June.

The Global Fund said that a consensus was reached at the Global Fund Board retreat in March 2012 that leadership of the Secretariat should be retained in one individual who reports to the Board and who is responsible for managing all of the Global Fund's administrative functions. There had been discussions earlier about the possibility of moving some of the ED's responsibilities to the Board Chair and perhaps making the Chair a paid position. The Fund has decided not to go that route.

In filling the ED position, the Global Fund said that it is seeking someone who is, first and foremost, an exceptional manager of people and systems; who is a proven leader and a visionary, preferably with strong prior engagement with the global South; and who has strong public relations skills in his or her field, preferably in international development or international health.

*Information for this article was taken from the Board's Decision Points document (see DP8) available at [www.theglobalfund.org/en/board/meetings/twentsixth](http://www.theglobalfund.org/en/board/meetings/twentsixth); a Board paper on the ED selection process (GF-B26-04), which should be available shortly at the same site; and a press release available [here](#).*

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## **5. NEWS: How Grants Will Be Managed in the Restructured Secretariat**

*List of 20 "high-impact" countries revealed*

### **Lengthy checklists and paper processes to be reduced**

In his report to the Global Fund Board at its meeting in Geneva, General Manager (GM) Gabriel Jaramillo provided information on how grants will be managed in the new Grant Management Division.

## Organisation of the Grant Management Division

Three departments have been established to manage grants from 20 high-impact countries. The Global Fund defines "high-impact countries" as countries with large volumes of funding, a multiplicity of grants, complex operations or other challenges.

The three departments and the countries they will cover are as follows:

- High-Impact Africa 1: Democratic Republic of the Congo, Nigeria, Cote d'Ivoire, South Africa, North Sudan, Ghana
- High-Impact Africa 2: Ethiopia, Zambia, Kenya, Tanzania, Uganda, Mozambique, Zimbabwe
- High-Impact Asia: India, China, Indonesia, Myanmar, Pakistan, Bangladesh, Philippines

These countries comprise 70% of the global burden of HIV/AIDS, TB and malaria, and represent about two-thirds of the total value of Global Fund grants.

Two other departments in the Grant Management Division are dealing with other grants in Africa and Asia, and all grants in the other regions. A sixth department, Grant Management Support, provides a variety of services to the other departments in areas such as quality assurance, risk management, local fund agents, country coordinating mechanisms (CCMs) and grant renewals.

Mr Jaramillo said that for each country managed by the high-impact departments, a country team has been established. Each country team is made up of a fund portfolio manager (FPM) and one or two programme officers, supported by technical and functional teams from procurement, monitoring, finance and legal. The FPMs are empowered to make final decisions on behalf of the country teams. Members of the procurement and monitoring teams will now formally become part of the Grant Management Division. Members of the finance and legal teams will continue to report to their respective units, but will sit physically within the Grant Management Division.

According to Mr Jaramillo, these changes will enhance consistent communications and decision-making within the Secretariat, and increase the speed with which the Division can answer questions from partners in implementing countries and address challenges or bottlenecks.

Mr Jaramillo said that as part of the restructuring in the Grant Management Division, and for the benefit of new country team members, every FPM completed a "knowledge-capture note" for his or her grants that "provided contact information for the main stakeholders in the field, outlined key upcoming milestones, explained the past history of the Global Fund's involvement in the country or countries concerned, flagged sensitive topics and explained where team members could find additional information."

Once the new structure was finalised, and teams were identified for each country, Mr Jaramillo said, staff from the Division explained the changes to partners, particularly CCMs and principal recipients (PRs). Mr Jaramillo said that Mark Edington, Head of the Grant Management Division, and the three heads of the high-impact units will be visiting high-impact countries throughout 2012.

The GM said that the Secretariat was also developing a dedicated evaluation function to measure the outcomes and impact of Global Fund grants in the high-impact countries.

Mr Jaramillo said that the Global Fund will be working with its partners and with implementers to produce demand-driven, long-term plans and strategies for the fight against the three diseases in high-impact countries that both the Global Fund and partners can support. "Our participation will be to finance pieces of those strategies," he said.

### **Strengthen risk management but simplify grant implementation**

In his report to the Board, the GM referred to a Secretariat project on grant management and risk management. He said that the Global Fund will reduce lengthy checklists and paper processes as part of this project, and that the Global Fund wants to strike a better balance between "checking" and "enabling." "By concentrating on the most-important elements of overseeing grants, but assuring we appropriately apply risk-management at every stage," he said, "we can reduce the paperwork traditionally associated with the Global Fund."

The goal of the project on grant management and risk management, Mr. Jaramillo said, is "to obtain more efficiency in the entire grant management process, while embedding an emphasis on risk throughout the life cycle of our grants." He said that he expects this approach will lead to increased consistency and effectiveness of operational risk-management activities; better focus on the most material risks; greater openness, transparency and accountability in decision-making; and fewer crises, emergencies and surprises.

The Secretariat has developed an Operational Risk-Management Framework which is currently being piloted in five countries: El Salvador, Jordan, Nigeria, Pakistan and Uganda. New risk-assessment and risk-management tools have been developed for Global Fund country teams and for in-country partners.

Mr Jaramillo said that all five country teams involved in the pilot have applied the new risk-assessment and risk-management tools to one or more grants in their portfolios. In doing so, he said, Secretariat staff have gathered relevant information from implementers, and agreed with them on what actions are required to address the risks and on when these actions will be implemented.

A newly created Operational Risk Committee in the Secretariat has already reviewed four of the grants involved in the pilot. The purpose of the Committee is to review and validate decisions for large or high-risk grants; share best practices among regional teams in the Secretariat; and, when necessary, escalate critical risk-taking issues to upper management.

Mr Jaramillo also reported that in a recent survey, Board Members and senior managers identified the following as the most-important risks the Global Fund is facing:

- fraud;
- pharmaceuticals (timely delivery, supply-chain management, stock-outs);
- fragile IT systems and data;
- ability to attract sufficient funding;
- implementers' dependency on financing from the Global Fund; and
- talent constrains in the organisation.

*The Report of the General Manager is available at*  
<http://www.theglobalfund.org/en/board/meetings/twentsixth>.

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## 6. ANNOUNCEMENT: Aidspan's 2011 Annual Report Now Available

Aidspan has published its Annual Report for 2011. This is the first time that Aidspan has formally published an annual report, though it has always provided progress reports to its donors.

The report presents a summary of Aidspan's 2011 Annual Plan and outlines how Aidspan performed against the Plan. It also describes in more detail some of Aidspan's accomplishments in 2011. Finally, the report includes information on how Aidspan is organised and provides summary financial statements for 2011.

*Aidspan's 2011 Annual Report is available on the Aidspan website [here](#).*

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This is an issue of the *GLOBAL FUND OBSERVER (GFO)* Newsletter.

**We welcome suggestions for topics we could cover in GFO. If you have a suggestion, please send it to the Editor of GFO (see contact information below).**

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