



Independent observer
of the Global Fund

Excerpts From the High Level Panel's Recommendations

The High Level Panel made six broad recommendations:

1. Turn the Page from Emergency to Sustainable Response
2. Define a Doctrine of Risk and Manage to it
3. Strengthen Internal Governance
4. Institute a New Grant-Approval Process
5. Empower Middle-Management's Decision-Making
6. Get Serious About Results

Excerpts from what the Panel said about each are as follows.

Recommendation 1: Turn the Page from Emergency to Sustainable Response (Full text available [here](#).)

The early years of the Global Fund's life were a period during which the institution went from a standing start to deploying resources quickly in dozens of countries at the same time, in response to an evident worldwide emergency. Donors and recipients felt the urgency. Goals and expectations were unclear, and oversight mechanisms imperfect...

No Amnesty for Fraud, but Focus Oversight on More-Recent Rounds of Grants

The Global Fund's oversight mechanisms should look to the future, focused on Rounds Six (2007) and

afterwards... The Global Fund's Board, Secretariat and OIG should agree to a... reconciliation strategy... that would involve the following elements:

- The Fund must not ignore wrongful acts that are significant, no matter how long ago they might have occurred...
- The Global Fund needs to create a set of clear, simple and practical basic standards... Once these are approved by the Board, the Global Fund should develop a mandatory... training program for PRs, SRs, CCMs, LFAs and Global Fund staff.

Strengthen the Relationship Between the Secretariat and the Inspector General

The OIG, the Secretariat and the Global Fund's Board must transform the nature and culture of their relationship into a partnership whose objective is the continued efficient functioning of the organization and the attainment of positive results. Should the unacceptable relationship between the Inspector General and the Executive Director persist, the Global Fund's Board must deal with this problem as a management issue of urgent priority...

The Global Fund should:

- a. The Global Fund normally should not publish audits of internal business practices within the Secretariat...
- b. The Global Fund should maintain its current posture of publishing all audit reports on its grant portfolio;
- c. The Global Fund should continue to publish reports that result from investigations, but should create separate versions of such reports for the Board and Secretariat, law-enforcement officials and the general public...
 - Recognize the obligation of the Global Fund's Board and management to respond promptly to, and act appropriately upon, the recommendations of the OIG...
 - Establish protocols and methods of work between the Global Fund Secretariat and the OIG...
 - Focus the 2012 operational plan proposed by the OIG on more recent transactions...
 - Adopt distinct policies for the release of the different categories of OIG reports, as follows:

Recommendation 2: Define a Doctrine of Risk and Manage to it (Full text available [here.](#))

Adopt a New Risk-Management Framework

The Panel recommends the Global Fund develop a new Risk-Management Framework, in two levels:

- Corporate risk-management...
- Operational risk-management...

Redefine "Country Ownership"...

A grant from the Global Fund is not an unalienable right, and recipients must earn "country ownership"...

Apply the Risk-Management Framework to the Existing Portfolio

- Categorize recipient countries into groupings by risk, capacity and burden through a formal matrix...
- Apply differentiated safeguards to the different categories of countries, including for the management of SRs...
- Focus inspection and audit resources in the areas of highest risk...

The Panel calls attention to the procurement, storage, distribution and delivery of pharmaceuticals health commodities as the single-biggest category of vulnerability...:

- Insist on pooled procurement as the norm, except where the Fund certifies a local institution according to Fund standards;
- Mandate the outsourcing of drug storage and delivery as the norm, except where the Fund certifies a local institution according to international standards...

Recommendation 3: Strengthen Internal Governance (Full text available [here.](#))

Focus the Board on Management, Strategy and Risk-Management...

The Board should make more time on its agenda to focus on its core roles of policy-setting, evaluating management, strategy and risk-management and the essential element of improved financial control and fiduciary oversight.

Re-purpose the Committees...

The Global Fund [should] collapse its current Committees into three: an Audit Committee, and Investment Committee, and a Finance Committee:

Investment Committee

- Replaces the Strategy and Policy [This should be Policy and Strategy – Editor] and Portfolio Committees
- Nine Board Members, led by the Chair or Vice Chair of the Board (whichever is from a donor constituency); three seats for donors responsible for more than eight percent of total contributions, two seats for other donors, four seats for implementers/civil society; plus the incumbent Chair of the TRP as a non-voting Member...
- Reviews the status of the implementation of grants...
- Approves a risk-stratification matrix of the countries/territories in which the Global Fund makes grants
- Based on that risk-stratification, in the first quarter of every year makes a proposal for allocating funding according to categories of programs and/or countries and/or interventions; the Board may only accept the proposal, without amendment, or remand it back to the Committee for re-consideration
- Determines the thresholds for delegating the power to Fund Portfolio Managers to make

modifications and reallocations within grants...

- Approves terminations of grants
- Delegates authority to the Executive Management Team to approve project-preparation funding up to a certain threshold...
- Has the authority to initiate re-programming or re-allocation between existing and future grants...

Audit Committee

- Seven Members, the majority of whom are independent of the constituencies on, and not members of, the Global Fund's Board... One of the independent Members will act as Chair...
- Oversees the Office of the Inspector General (OIG)...
- Reviews draft OIG reports...
- Approves a set of minimum standards for the scope-of-work for external auditors of PRs...
- Ensures the public disclosure, after the appropriate redaction of information of a sensitive nature... of investigative reports prepared by the OIG...

Finance Committee

- Nine Board Members...
- Reviews and makes recommendations to the Board on the annual budget and staffing plan for the Global Fund Secretariat...
- Leads the Board's efforts in resource-mobilization...
- Reviews the Global Fund's application processes...

Recommendation 4: Institute a New Grant-Approval Process (Full text available [here](#).)

The Panel found that seventy-nine percent of current and former members of the TRP consulted support moving to a multi-stage award model.

The Panel recommends the modification of the current TRP review and the grant-negotiation processes with a new, more streamlined, two-stage award process... Applications would only be permitted according to the allocation of funding by categories of programs and/or countries and/or interventions as approved by the Investment Committee.

Institute a Two-Stage Grant Process

Stage I: Grant Concept Paper

- Based on the previously approved risk-stratification matrix, in the first quarter of every year the Global Fund's Board would establish an allocation of funding according to categories of programs and/or countries and/or interventions.
- The applicant CCMs in each category would prepare a broad-brush Concept Paper... This would be much simpler for CCMs to produce than the present application, and should therefore encourage more genuinely home-grown proposals, rather than those drafted by external consultants.
- The TRP would then undertake a rapid, but informed, assessment... taking into account past performance, the risk environment, and the prospects for value-for-money for the investment. During this stage, the TRP would consult with the relevant LFA, Country Team(s) and the Chief Risk Officer.

- The TRP would recommend the best proposals to the Executive Management Team of the Global Fund Secretariat for approval in principle... and would set a budget-ceiling figure for the eventual grant.
- On the basis of the Concept Papers, PRs in higher-risk countries with limited capacity could receive smaller tranches of project-preparation funds initially, to build basic accountability, fiduciary and operations systems. Only after successful implementation of these would they receive more money for expanded service delivery.
- Equally, PRs in less-risky countries with adequate institutional infrastructure and systems, as well as a record of strong performance in their management of previous Global Fund grants, could have their Concept Papers forwarded by the EMT to the Investment Committee and then to the full Board to receive more capital up-front.

Stage II: Full Grant Proposal

- Following the approval of a Concept Paper and the successful implementation of the project preparation funding, most applicant CCMs could prepare a fully-fledged grant proposal, including... a capacity-assessment of the proposed PRs and main SRs. The proposal would cover all those matters currently dealt with during grant negotiations. The relevant FPM would provide advice and guidance during the preparation of the proposal. The interaction would not be a negotiation, as at present, but rather a collaboration, in which both parties-recipient CCM and Global Fund Secretariat – would be under an obligation to ensure the final proposal is in line with the Board approved concept and sound public-health practice.
- The TRP would review the full grant proposal... and then report in writing to the Investment Committee, to draw attention to any concerns, and to recommend the imposition of any conditions deemed appropriate. The TRP would also confirm the total amount of the budget for each grant and, within it, ceilings for the main items of expenditure...
- Board Members would then approve the package forwarded from the Investment Committee, after which the Secretariat would process the proposed grant for signature and payment.

Apply Risk-Differentiated Grant Processes and Requirements

The Panel further recommends treating the categories of countries in the Fund's risk matrix differently in the new grant-application process, such that PRs would be eligible for funding under different conditions, and in different amounts.

Recommendation 5: Empower Middle-Management's Decision-Making (Full text available [here.](#))

Establish a Chief Risk Officer...

Align The Staffing Pattern to Bolster Grant-Management

The Global Fund must reorient the Secretariat to return its focus to its most important

work: grant-management:

- The overall ratio of Country Program staff to other units within the Secretariat must increase...
- The most-experienced FPMs should work on the most difficult and riskiest countries...
- The Secretariat must re-engineer its human-resources processes...

Empower the Fund Portfolio Managers (FPMs)

- FPMs, with advice from LFAs, should determine at the outset of a grant the priorities for risk-management and grant oversight...
- FPMs should be empowered to make procedural adjustments to reflect the Global Fund's risk and grant management priorities...
- FPMs should have the authority to make financial adjustments to grants after signature...
- FPMs, POs and PAs should collectively spend 40 to 50 percent of their overall time in-country and another 20 percent of their time interacting from Geneva with key stakeholders in the countries within their portfolios...
- The Secretariat must re-calibrate the KPIs for the program staff away from rewarding them just for funds disbursed and towards success-and outcome KPIs based on achievements in a given portfolio; do not penalize staff for making difficult decisions that could slow down disbursements.

Reinforce the Executive Management Team (EMT)

The Global Fund must reinforce the EMT as the Secretariat's prime executive decision-making body...

The Panel recommends the Executive Director draw up new Terms of Reference (TORs) for the EMT...

The EMT should be the body that should make major decisions on grant-making (approval of grant Concept Papers, major modifications to grants, suspensions of grants)...

Leverage the Investment in the Local Fund Agents (LFA s)

The Global Fund must use the LFAs as partners, and not just contractors.

Define and clarify the role and responsibility of External Auditors...

Recommendation 6: "Get Serious About Results" (Full text available [here.](#))

Measure outcomes, not Inputs

- Require and pay for baseline data surveys of the incidence and prevalence of the three diseases at the country level;
- Mandate and underwrite simple (such as cellphone-based) data-tracking and -management systems in the field;
- Coordinate much more closely with other donors on data, including joint analyses to attribute results more precisely, and avoid double-counting...

Focus on Quality and Value, rather than Quantity...

Consolidate the Reform Agenda...

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