



Independent observer  
of the Global Fund

## USEFUL NEW DESCRIPTION OF THE GLOBAL FUND

The Global Fund has just released a Q&A document (dated 7 May) that provides a useful overview of the Fund and its operations. The text, available at [www.globalfundatm.org/qa.html](http://www.globalfundatm.org/qa.html), is as follows:

### Questions & Answers

- A Partnership to Prevent and Treat AIDS, Tuberculosis and Malaria

AIDS, tuberculosis and malaria are preventable diseases that can be treated effectively. Yet, they were the cause of six million deaths in 2002. Relative to high-income countries, the burden of these diseases is thirty times greater in developing countries, resulting in tremendous economic loss, social disintegration and political instability. The Global Fund to Fight AIDS, Tuberculosis and Malaria was created in 2002 to respond to this formidable challenge.

- What is the Global Fund?

The Global Fund's purpose is to attract and disburse additional resources to prevent and treat AIDS, tuberculosis (TB) and malaria. As a partnership between governments, civil society, the private sector and affected communities, the Global Fund represents a new approach to international health financing. The Fund works in close collaboration with other bilateral and multilateral organizations, supporting their work through substantially increased funding.

The Global Fund relies on local ownership and planning to ensure that new resources are directed to programs on the frontlines of this global effort. Its results-based approach to grantmaking – where grant awards are disbursed incrementally, based on measures of progress – is designed to ensure that funds are used efficiently to scale up proven interventions.

The Global Fund is an independent organization, governed by an international Board that consists of representatives of donor and recipient governments, non-governmental organizations (NGOs), the private sector (including business and philanthropic foundations) and affected communities. Also participating in ex-officio capacity are representatives of the World Health Organization (WHO), UNAIDS, and the World Bank. The latter also serves as the Global Fund's fiduciary trustee. In January 2003, United States Secretary of Health and Human Services Tommy Thompson replaced the Fund's first Chair, Dr Chrispus Kiyonga of Uganda. Dr Suwit Wibulpolprasert, Deputy Permanent Secretary for Thailand's Ministry of Public Health, serves as Vice Chair.

The Global Fund's by-laws also call for the formation of a broad group of stakeholders referred to as the Partnership Forum. Beginning in 2004, the Partnership Forum will convene biannually to review progress and provide counsel to the Fund.

The staff of the Global Fund (referred to as the Secretariat) is based in Geneva, Switzerland, and consists of about seventy people. The Secretariat aspires to be as lean an operation as possible: less than 3% of annual commitments is used annually for central administration and management of the Global Fund. An additional 2% is used for local oversight of grants by Local Fund Agents (see box for description of LFAs) Dr Richard Feachem joined the Global Fund as Executive Director in July 2002.

- Key Global Fund Structures

**Country Coordinating Mechanisms (CCMs):** Country-level partnerships that develop and submit grant proposals to the Global Fund, monitor their implementation, and coordinate with other donors and domestic programs. CCMs are intended to be multi-sectoral, involving broad representation from government agencies, NGOs, community- and faith-based organizations, private sector institutions, individuals living with HIV, TB or malaria, and bilateral and multilateral agencies.

**Technical Review Panel (TRP):** An independent panel of disease-specific and cross-cutting health and development experts that provides a rigorous review of the technical merit of applications. The TRP may recommend to the Board that proposals be funded without condition, approved conditionally, resubmitted or not approved. Thus far, the TRP has recommended 40% of the proposals reviewed for funding

**Principal Recipient (PR):** A local entity nominated by the CCM and confirmed by the Fund to be legally responsible for grant proceeds and implementation in a recipient country. Once the Board approves a proposal, the Secretariat negotiates a two-year grant agreement in which disbursement of funds to the PR is based on the achievement of measurable results. There may be multiple public and/or private PRs in a country.

**Local Fund Agent (LFA):** Independent organizations hired by the Secretariat to assess the PR's capacity to administer funds and provide ongoing oversight and verification of reported data on financial and programmatic progress. To date, LFAs include PriceWaterhouseCoopers, KPMG, United Nations Office for Project Services (UNOPS) and

## How does the Global Fund work?

The following process used by the Global Fund to approve and administer grant awards is designed to maximize the participation of local stakeholders, ensure accountability and provide transparency with respect to both decision-making and operations:

1. Developing country governments work with civil society organizations and partners through CCMs to prepare proposals that fill financing gaps in local HIV, TB and/or malaria programs.
2. Eligible proposals submitted to the Fund are reviewed for technical merit by the TRP; recommended proposals are considered by the Global Fund Board and approved based on available funds.
3. The Global Fund Secretariat appoints an LFA in countries with approved grants. The LFA assesses the capacity and systems of the PR that has been nominated by the CCM.
4. The Secretariat negotiates a two-year grant agreement with the PR, after which the PR receives its first disbursement. The PR in turn makes disbursements to local implementing organizations.
5. The PR periodically requests additional disbursements from the Secretariat, based on evidence of progress achieved, verified by the LFA.
6. Based on verified disbursement requests, the Secretariat instructs the Trustee to make disbursements throughout the two year period. The flow of funds is linked to continued progress.
7. Two-year program performance is evaluated by the GF to determine whether to renew grants through to their full term (typically 5 years).

- What is the Global Fund's track record?

In two rounds, the Global Fund has approved grants to 92 countries, including those with the greatest present disease burden and those at risk of future disaster (two more countries benefit from a multi-country proposal). Two years of initial financing totaling US \$1.5 billion has been committed to 153 programs. Sixty percent of this total is for Africa; 60% is for AIDS. Half of the money will be used by governments; half by NGOs. Half is for the purchase of drugs and commodities, and half is for infrastructure and training. In its first year, the Secretariat designed and implemented the Global Fund's new results-based system of grantmaking to help ensure the most effective use of donor funds. With this infrastructure now in place, the process of negotiating and signing grant agreements is well under way and the rate of signed agreements and disbursements is expected to increase dramatically. As of April 30, 2003 progress on Round 1 includes signed agreements with 29 of the 37 countries with approved proposals, valued at US \$367 million. Initial disbursements have been made to 25 countries, totaling US \$20 million. In addition to the progress on Round 1, the first two agreements for Round 2 have been signed, less than three months following their approval by the Board. Round 3 proposals must be submitted by May 31, 2003.

- What difference will the Global Fund make in people's lives?

With Global Fund resources, local programs approved in Rounds 1 and 2 will support an unprecedented scale-up of HIV treatment. Over five years, an estimated 500,000 people will begin receiving antiretroviral treatment, representing a tripling of current coverage in poor countries (including a six-fold increase in Africa). An expected 500,000 children orphaned by AIDS will receive support and an estimated two million people with infectious TB will be treated successfully using DOTS. Over this same period, the Global Fund will finance combination drug treatment for resistant malaria for almost 20 million people worldwide.

Examples of approved programs include a voucher program in Tanzania where pregnant mothers can shop among village vendors for locally-produced malaria bed nets; a TB grant to Sierra Leone to rebuild 24 (70%) of the country's DOTS clinics, which were destroyed during its civil war; a prevention effort in

India, which will expand mother to child transmission (MTCT) prevention programs, voluntary counseling and testing, and treatment for sexually transmitted infections from 125 to 450 health care centers. Moreover, India will have trained more than two thousand health care workers.

Ghana will use a grant to build 16 voluntary testing and counseling centers, provide MTCT prevention services to 600 mothers per year, and begin antiretroviral therapy for 2,000 people with AIDS. The country's grant will allow Ghana to treat an additional 20,000 patients using DOTS over the next two years. A quarter of these patients will be treated in private health clinics in order to strengthen the capacity of the private sector to work with the public sector to fight TB.

- How Haiti is Currently Using Global Fund Resources

A grant awarded to NGOs in Haiti is enabling that country to strengthen local public health infrastructure and dramatically scale up efforts to prevent and treat HIV and TB. Since August 2002, the program has reopened a public health clinic and operating room, stocked five public clinics with essential drugs, and provided basic laboratory services in four clinics. More than 600 individuals have begun antiretroviral treatment, and over 300 new TB cases have been detected. The recipient NGO also has expanded school-based prevention, access to voluntary testing and counseling and prenatal screening, and MTCT prevention five-fold. With systems now in place, the program is expected to receive additional disbursements to expand activities rapidly.

- How is the Global Fund accountable?

The Board and Secretariat have incorporated a number of accountability mechanisms into the Global Fund's review, awards and disbursement processes. The first level of responsibility lies with local CCMs, which must include in their proposals to the Global Fund plans for independent financial and programmatic audits of projects supported with grant funds. In addition, prior to the signing of an agreement, the LFA must certify the fiscal and administrative capacity of the PR. The LFA also prepares an annual assessment of progress for each funded proposal.

Written agreements between the Global Fund and CCMs are also structured to ensure accountability, with quarterly disbursement of funds tied to the achievement of mutually agreed-upon programmatic outcomes and appropriate expenditure of funds. This results-based system of grantmaking allows the Fund to ensure the most effective use of funds and demonstrate real outcomes.

The Board has also adopted other decisions to ensure fiscal prudence and the efficient use of funds. For example, grant awards are made only on the basis of confirmed pledges, and signed agreements must be based on funds actually received. The Board has also adopted an innovative drug procurement policy, which ensures that funded entities secure the lowest available price for quality pharmaceuticals.

Finally, one of the Global Fund's key operating principles is transparency. This is perhaps best illustrated by the broad content of its website. Approved proposals for Rounds 1 and 2 are available for review, as are documents discussed at Board meetings and information about the Fund's structure and governance. In the future, the Fund also intends to make available grantee progress reports and disbursement requests, as well as more detailed information on CCMs.

- Who are the Global Fund's partners?

The Global Fund represents one important part of a comprehensive global response to AIDS, TB and malaria. Bilateral efforts, which support countries more directly with technical assistance and capacity building, and other multilateral activities, which include the dissemination of model policies and best practices, are critical and complementary. Local planning by CCMs is designed to coordinate new activities with those that already exist to ensure that Global Fund efforts are additive. As a financing

mechanism, the Fund works closely with key international allies, such as UNAIDS, WHO and the World Bank, and major partnerships, including Stop TB and Roll Back Malaria.

The participation of NGOs and the private sector are key pieces of the Global Fund's operations – on the Board and TRP and in CCMs and the Secretariat. NGOs offer constructive scrutiny of the Global Fund's activities and ensure real engagement with civil society. Private sector partners and foundations provide both direct funding and in-kind assistance to the Fund. In addition, the Fund is working with businesses to encourage individual contributions from employees and customers and to co-finance the expansion of workplace programs into communities.

- What are the Global Fund's current resource needs?

To help establish the Global Fund, international donors – including 35 countries, major foundations and private donors – have pledged significant new resources. Between 2002 and 2004, contributions to the Fund total US\$ 2.3 billion, with an additional US\$ 1.1 billion pledged for the four year period 2005 to 2008. While significant, pledges through 2004 are not enough to finance Rounds 3, 4 and 5, which are scheduled to occur between October 2003 and October 2004. Given an expected increase in the number of applications in future rounds, as well as an anticipated approval rate of 50%, the projected needs of the Fund by calendar year are as follows: US\$1.6 billion for 2003 (for Round 3) and US\$ 3.8 billion for 2004 (US\$ 1.9 billion for each of Rounds 4 and 5). With approximately US\$250 million in pledges available to apply towards Round 3, the expected shortfall in 2003 is US\$ 1.4 billion. Another US\$ 500 million in pledges is available for Rounds 4 and 5, leaving a 2004 shortfall of US\$ 3.3 billion. Pledges for Round 3 must be confirmed by mid-October and received soon after in order for proposals to be approved and grant agreements signed, respectively. Round 1 grant recipients will also begin applying for continued funding in 2005. The Fund will revise these estimates as necessary based on proposals received.

The magnitude of this outstanding need means that the majority of funds must be raised from the public sector, including funding from new donors and additional contributions from developed countries that have pledged previously. However, businesses and private foundations also have important roles to play in the Global Fund, both as donors and partners. In addition, increased local financing and leadership among developing countries must be commensurate with new global financing. As a global responsibility, the Global Fund requires unprecedented commitments from all stakeholders.

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