

# THE GLOBAL FUND ANNUAL REPORT 2002/2003

22 January 2002 to 31 July 2003

## History of the Global Fund

Following a call by United Nations Secretary-General Kofi Annan and industrialized and developing countries alike to create a global health fund, donors pledged initial capital in May 2001. Subsequent consultations among public and private stakeholders concluded that the fund would make grants on the basis of proposals, subject to rigorous technical review, with ongoing financing based on performance. The Global Fund to Fight AIDS, Tuberculosis and Malaria was constituted as an independent Swiss foundation in January 2002. Work in its first year focused on establishing the systems, infrastructure and policies necessary to efficiently and accountably commit and disburse funds to approved programs. Fully operational by 2003, this architecture is now the basis of increasing outlays of finance in parallel with continued requests and review of new proposals.

## Core Structures

A 23-member Board—including donor and recipient governments, non-governmental organizations, corporations, foundations, multilateral partners and affected communities—governs the Global Fund. Board approval of proposals is preceded by expert evaluation conducted by a 26-member Technical Review Panel. A Secretariat based in Geneva conducts day-to-day operations. Proposals are submitted by public and private partners who cooperate at the local level through a Country Coordinating Mechanism. For each grant, one or a few Principal Recipient(s), nominated by the Country Coordinating Mechanism, are accountable for resources committed and report on financial and programmatic progress. This information is assessed and verified on an ongoing basis by a Local Fund Agent, contracted by the Global Fund to advise the Secretariat with a country-level perspective.

## Operations and Results

The Global Fund is a financing mechanism that defers to local ownership and capacity for the design and implementation of programs and to international partners for the technical assistance that supports and enables the use of funds at the country level. By financing efforts to reduce the burden of disease caused by AIDS, tuberculosis and malaria, the Global Fund contributes to poverty reduction as part of the Millennium Development Goals. Given this vision, its principal operations are threefold:

### Resource Mobilization

The Global Fund relies on voluntary ad hoc donations made by public and private contributors to approve proposals—on the basis of firm pledges—and to commit funds to approved programs—on the basis of confirmed assets. The total amount pledged to the Global Fund nearly tripled in its first 18 months, rising from US\$1.7 billion in January 2002 to US\$4.7 billion in July 2003. 40 governments have pledged 98 percent of funds, and 2 percent draw from the private sector. Management of funds by the trustee, the International Bank for Reconstruction and Development, raised US\$30 million in interest, covering 85 percent of the operational costs of the Global Fund in its first 18 months. Substantial new resources must be mobilized to sustain effective programs beyond initial commitments of two years, and to continue to bridge the global resource gap to fight the three diseases by approving new programs.

### Portfolio Management

Administering a proposals-based grant program is the core business of the Global Fund. After two proposal rounds, the Board approved, in April 2002 and January 2003, US\$1.5 billion—about 40 percent of funds requested—over two years to 154 programs in 93 countries. These funds support the range of proven interventions for the prevention and treatment of the three diseases, with more than 59 percent dedicated to AIDS programs, 19 percent to tuberculosis and 21 percent to malaria. Africa will receive 61 percent of funds, and 64 percent of the total is destined for low-income countries. Purchase of drugs and commodities will consume 46 percent of funds, and a quarter will bolster human resources. Governments will share resources with non-governmental partners; civil society recipients, including affected communities and faith-based organizations, will use 46 percent of funds.

Funds to approved programs are committed to Principal Recipients through formal grant agreements, followed by initial disbursements. The Global Fund first signed agreements and disbursed funds in December 2002. Since then, the Global Fund has signed agreements with nearly three-quarters of countries with approved programs, and disbursements have risen to more than US\$70 million through July 2003 and more than US\$130 million through September 2003. Improvements to the operational efficiency of the process include a 64 percent reduction in the time from approval to first grant agreement signing from the first to second proposal round, and a 51 percent reduction in the number of days from grant signing to disbursement from agreements signed in the first quarter of 2003, compared to those signed in the second quarter.

### Performance Monitoring

Monitoring and communicating the performance of grants—and of the Global Fund itself—are necessary to ensure accountability, transparency and continued resource mobilization. Reporting by Principal Recipients, through periodic disbursement requests and annual progress updates, is the basis of monitoring grant performance. Through July 2003, this has revealed steady progress in process measures to en-

able expanded coverage of services and initial increases in such coverage, including people living with HIV on antiretroviral treatment. These are steps toward specific objectives which, in aggregate, will expand global coverage of some interventions by tenfold, including HIV voluntary counseling and testing and the availability of insecticide-treated nets to prevent malaria transmission. Substantial information on grants, including approved proposals, grant agreements and disbursement requests, are available to the public on the Global Fund's Web site: [www.theglobalfund.org](http://www.theglobalfund.org).

### Partnerships

Partnerships enable the Global Fund to retain its focus as an efficient financing mechanism. Support from bilateral agencies to finance regional meetings of recipients reduces administrative costs to the Global Fund. Donor governments also fund the complementary capacity of multilateral partners, such as the Global Tuberculosis Drug Facility for the procurement of medicines. The World Health Organization, UNAIDS and other multilateral and donor aid agencies support countries directly with technical assistance. Non-governmental organizations also provide such support, and they contribute importantly to advocacy for greater resource mobilization to the Global Fund and analyses to encourage the realization of its principles, including the broad participation of civil society.

Corporations and foundations are also critical partners of the Global Fund. The private sector contributes substantially to the core structures of the Global Fund, but also uses its assets, whether goods or services, to supplement the core activities of the Global Fund. The advertising conglomerate Publicis is developing a brand-building platform for the Global Fund, McKinsey has provided pro bono counsel on governance and corporate resource mobilization, and Novartis plans to donate 100,000 tuberculosis treatments to Global Fund recipients. The Bill & Melinda Gates Foundation supports initiatives to complement the Global Fund, including the Health Metrics Network. The Kaiser Family Foundation provides in-kind communications assistance, and the Glaser Progress Foundation funds an Access Project to directly support Global Fund recipients at the country level.

