ANNUAL REPORT 2003

Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

January 1 — December 31, 2003

"THE GLOBAL FUND EXISTS to fill a specific and substantial gap by providing effective and efficient financing to scale up our collective struggle. To mount an effective global response to HIV/AIDS alone, total spending needs to rise to $10 billion a year by 2005. The Global Fund is there to channel a significant part of that amount."

Kofi Annan, *Secretary-General of the United Nations*

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From the CHAIR *and* VICE CHAIR

The Global Fund to Fight AIDS, Tuberculosis and Malaria was created to channel large amounts of additional resources to the fight against these three diseases as part of the world's commitment to improve health.

In creating the Global Fund, the world sent a clear message: HIV/AIDS, tuberculosis and malaria are killers on an unprecedented scale — yet they don't need to be. They are preventable and treatable. We will strive to fulfill the promise we have made: to stop the spread of these diseases and to save the millions of lives now at risk.

Here, the Global Fund presents its second annual report and the first to cover a full calendar year of activities. It has been a year of execution — of turning vision into action.

Central to this vision is the financing of effective programs from proposals that are designed, owned and implemented by public-private partnerships in recipient countries. As well, proven results inform future funding. The Global Fund aims to work expediently, simply, transparently and focus on solutions.

LEFT
Man watering his horses in a river near LaCieba, Honduras. During 2003, Honduras' program of accelerated access to ARVs has allowed the government to double the number of patients under treatment from 400 at the beginning of June to more than 1,500 by the end of 2003.

The first full year of operations for the Global Fund has been a year of phenomenal growth and of maturation, both for the Secretariat and the Board. It has been a year of moving from grant approval to grant signing and the beginning of implementation, while facing the challenges which follow that process. It has been a year of harmonizing and adapting to the needs and limitations of partnerships in recipient countries. The Global Fund has benefited from the dedicated assistance of numerous partners and guidance from a Board uniquely gifted with a wide range of skills and experience.

It is too early to judge the Global Fund's success in the fight against these diseases. However, 2003 was a year of great progress and promise. It was also a year that clearly outlined the challenges ahead.

The Global Fund cannot function in isolation. Its work is inextricably tied to partnerships at every level; its successes and failures belong to everyone. The Global Fund is a trail-blazing social innovation in which governments, civil society, the private sector and international organizations work side by side. In 2003, relationships among these partners have deepened and grown more focused.

With the lessons that we have been learning together — embodied in this review — we recommit ourselves to urgent global mobilization of efforts to make a difference.

Tommy G. Thompson
Chair of the Board

Secretary of Health and Human Services
Department of Health and Human Services
United States of America

Suwit Wibulpolprasert
Vice Chair of the Board

Deputy Permanent Secretary
Ministry of Public Health
Thailand

From the EXECUTIVE DIRECTOR

In less than two years, the Global Fund to fight AIDS, Tuberculosis and Malaria has developed from an idea to become one of the world's biggest financiers of programs to fight these three diseases. By the end of 2003, the Global Fund's first full calendar year of operations, $2.1 billion had been committed to 227 grants in 124 countries.

It has been a year of tremendous progress and excitement. Two new rounds of funding have been approved. Grant agreements with 77 countries involving 130 principal recipients were signed and $232 million were disbursed by the end of the year.

It was also a year of continued focus on building and strengthening the foundations of the Global Fund. New policies on fiduciary arrangements between the Global Fund and grant recipients were formed, and the framework for monitoring and evaluation was developed.

From the African Union Summit in Mozambique to the International Meeting to Support the Global Fund in Paris and the meeting of UN Member States in New York to review the 2001 Declaration of Commitment on HIV/AIDS, worldwide support for the Global Fund has poured in — both for its progress and for its role in stimulating international response to these diseases.

LEFT
Riding home through a palm oil grove near Tacoa, Honduras. The country's ambitious TB program, worth US$ 3.8 million over two years, seeks to extend DOTS through community action to 80 municipalities across the country.

Pledges to the Global Fund through 2008 more than doubled in 2003, and the number of countries giving financial support continues to grow. So far, the Global Fund has managed to live up to its vision of funding all the proposals of high quality it receives. Over the coming years, this sharply rising curve of funding commitments will inevitably require greater resources. The challenge for 2004 and beyond is to demonstrate that by contributing resources to the Global Fund, the world will in return see tangible, substantial gains in the fight against these epidemics.

The Global Fund is more than an institution — it is a network of a wide range of partners. In 2003, these partnerships matured and grew even more effective. One particular example of such a partnership is the "3 x 5" initiative, in which the World Health Organization's commitment to drastically scale up the number of people having access to antiretroviral drugs led to close technical collaboration between the WHO, UNAIDS and the Global Fund. As our commitments expand, close collaboration with partners will become even more vital to the success of the Global Fund.

I would like to thank the many who have contributed to the Global Fund's success so far, both inside and outside its own structures. Particular tribute should go to the Global Fund's Chair and Vice Chair, Tommy G. Thompson and Suwit Wibulpolprasert, whose commitment and personal engagement have played a crucial role in leading the Global Fund through a challenging and exciting year.

Richard G.A. Feachem
Executive Director

CORE STRUCTURES *of* THE GLOBAL FUND

THE GLOBAL FUND RELIES ON distinct core structures for its governance and operations. Beyond these, it depends on a broad network of partners whose support of proposal development and program implementation complement the Global Fund's focus on resource mobilization, portfolio management and the monitoring and evaluation of grant performance.

A 23-member Board (18 voting members and five non-voting) governs the Global Fund, approves grants and mobilizes external resources to meet the Global Fund's financial needs. In 2003, the Board relied on four ad hoc committees to focus on specific issues and facilitate the work of the Board between meetings: Governance and Partnership; Monitoring, Evaluation, Finance and Audit; Portfolio Management and Procurement; and Resource Mobilization and Communications. An Ethics Committee was established following the sixth Board meeting in October.

Also at its October meeting, the Board created a Steering Committee to oversee the planning of the Global Fund's first biennial Partnership Forum, to be held in Bangkok in July 2004. The Partnership Forum will provide an opportunity for a diverse group of stakeholders to review the Global Fund's progress and provide important input for improvements. Much of this input will be solicited over the first six months of 2004 in regional meetings and extensive online forums, culminating in the July meeting. The Partnership Forum will provide a formal external advisory council to the Global Fund and reflect the broadly consultative process that created the foundation for the Global Fund in 2001.

A Secretariat, staffed by approximately 80 professional and administrative personnel, conducts day-to-day operations; mobilizes resources from the public and private sectors; oversees grants; provides financial, legal and administrative support to the Board and the Technical Review Panel; and reports information regarding the activities of the Global Fund to the Board and to the public. The Secretariat is based in Geneva, Switzerland.

To ensure that the Global Fund finances effective programs, the Board relies on an independent panel of international health and development experts. This Technical Review Panel assesses grant proposals for technical and scientific merit based on global best practices and makes recommendations to the Board on proposals that deserve funding. Members convene for two weeks in Geneva to review the proposals for each round of grants and provide ongoing support to proposal clarifications following approval.

Typically, a country interested in receiving support from the Global Fund establishes a local public-private partnership called a Country Coordinating Mechanism (CCM), which develops and submits grant proposals to the Global Fund based on national strategies, multi-stakeholder priorities and identified gaps in existing funding from all sources. After the Global Fund approves a grant, the Country Coordinating Mechanism oversees implementation of funded programs, reviews reports of Principal Recipients and ensures cross-sector coordination. Country Coordinating Mechanisms are central to the Global Fund's commitment to local ownership and participatory decision-making. They include representatives from the public and private sectors including governments, non-governmental organizations, academic institutions, private businesses, people living with the diseases and multilateral and bilateral development agencies.

For each grant, one or more Principal Recipients are accountable for resources committed and disbursed by the Global Fund and supervise program implementation, which may be conducted together with several sub-recipients. The Principal Recipients work with the Secretariat and sub-recipients to develop programme goals to be included in an initial two-year grant agreement. At intervals specified by the Principal Recipient and the Secretariat, the Principal Recipient requests disbursements from the Global Fund based upon verifiable progress updates and the cash requirements of the program. This performance-based system of grant making underpins the Global Fund's focus on tangible results.

Continues on page 14

LEFT
Mother and children at the Sonakasalampakkulam Refugee Camp, north-central Sri Lanka. Here, the Global Fund underwrites a US$ 1.7 million malaria control program, spearheaded by local NGO Sarvodaya, whose activities include distributing mosquito nets, running education programs and conducting residential spraying.

HIV/AIDS COVERAGE AFTER THREE ROUNDS OF PROPOSALS

Afghanistan
Algeria
Argentina
Armenia
Bangladesh
Belarus
Belize
Benin
Bolivia
Botswana
Bulgaria
Burkina Faso
Burundi
Cambodia
Cameroon
Central African Rep.
Chad
Chile
China
Colombia
Comores
Congo (Dem Rep)
Costa Rica
Côte d'Ivoire
Croatia
Cuba
Dominican Republic
Ecuador
El Salvador
Eritrea
Estonia
Ethiopía
Gabon
Gambia
Georgia
Ghana
Guatemala
Guinea
Guyana
Haiti
Honduras
India
Indonesia
Iran
Jamaica
Jordan
Kazakhstan
Kenya
Kyrgyzstan
Laos
Lesotho
Liberia
Macedonia
Madagascar
Malawi
Moldova
Mongolia
Morocco
Mozambique
Multi-country Americas (CARICOM)*
Multi-country Americas (OECS)*
Myanmar
Namibia
Nepal
Nicaragua
Niger
Nigeria
Pakistan
Peru
Philippines
Romania
Russian Federation
Rwanda
Senegal
Serbia
South Africa
Sudan
Suriname
Swaziland
Tajikistan
Tanzania
Thailand
Togo
Uganda
Ukraine
Uzbekistan
Vietnam
Western Pacific Islands**
Yemen
Zambia
Zimbabwe

*Anguilla (territory), Antigua & Barbuda, Bahamas, Barbados, Belize, British Virgin Islands (territory), Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Montserrat (territory), St. Lucia, St. Kitts & Nevis, St. Vincent & the Grenadines, Suriname, Trinidad & Tobago.

** Cook Islands, Federated States of Micronesia, Fiji, Kirbati, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu

TUBERCULOSIS COVERAGE AFTER THREE ROUNDS OF PROPOSALS

Afghanistan (integrated)
Bangladesh
Benin
Bolivia
Cambodia
Cameroon
Chad
China
Congo (Dem Rep)
Côte d'Ivoire
Dominican Republic
East Timor
Egypt
El Salvador
Ethiopia
Ghana
Guinea-Bissau
Haïti
Honduras
India
Indonesia
Kenya
Korea, DPR
Kyrgyzstan
Laos
Lesotho
Liberia
Mauritania
Moldova
Mongolia
Mozambique
Myanmar
Namibia
Nicaragua
Pakistan
Panama
Paraguay
Peru
Philippines
Romania
Russian Federation
Rwanda
Serbia
Sierre Leone
Somalia
South Africa
Sri Lanka
Sudan
Swaziland
Tajikistan
Tanzania
Thailand
Togo
Uganda
Vietnam
Western Pacific Islands*
Zambia

* Cook Islands, Federated States of Micronesia, Fiji, Kirbati, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu

MALARIA COVERAGE AFTER THREE ROUNDS OF PROPOSALS

Afghanistan
Angola
Benin
Bolivia
Burkina Faso
Burundi
Cambodia
Cameroon
Chad
China
Comores
Congo (Dem Rep)
East Timor
Eritrea
Ethiopia
Gambia
Georgia
Ghana
Guinea
Guyana
Haiti
Honduras
Indonesia
Kenya
Korea DPR
Laos
Liberia
Madagascar
Malawi
Mali
Mauritania
Mozambique
Multi-country Africa (RMCC)*
Multi-country Americas (Andean)**
Myanmar
Namibia
Nepal
Nicaragua
Niger
Nigeria
Pakistan
Papua New Guinea
Philippines
Rwanda
Senegal
Somalia
Sri Lanka
Sudan
Swaziland
Tanzania
Thailand
Togo
Uganda
Vietnam
Western Pacific Islands***
Yemen
Zambia
Zimbabwe

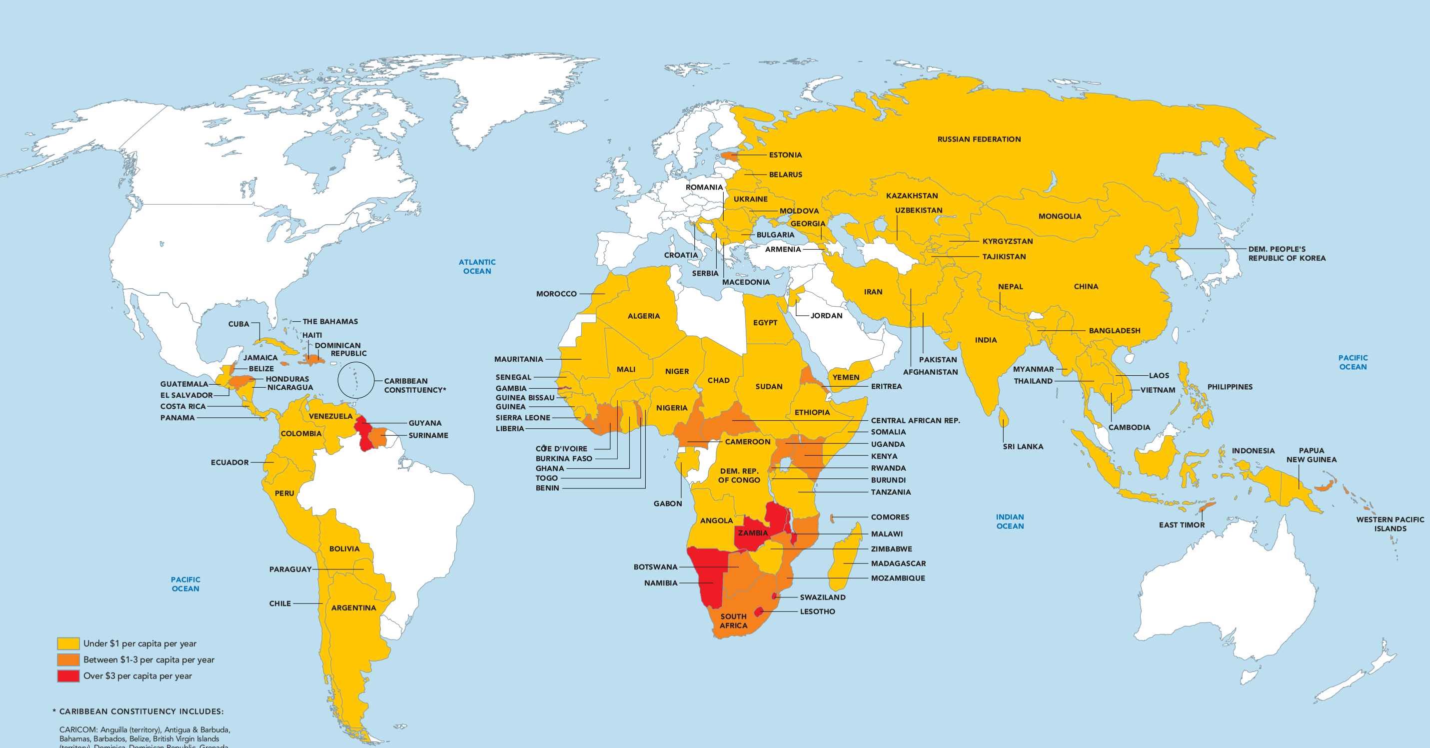
* Mozambique, South Africa and Swaziland

** Andean Region: Columbia, Ecuador, Peru, Venezuela

*** Cook Islands, Federated States of Micronesia, Fiji, Kirbati, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu

CONCENTRATION OF GLOBAL FUND RESOURCES

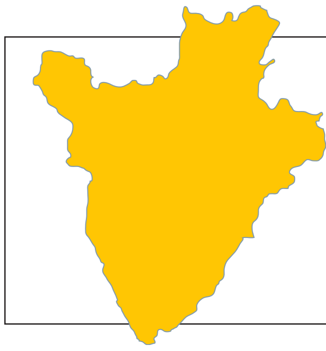
GLOBAL FUND PER CAPITA INVESTMENT IN HEALTH OVER FIVE-YEAR PROGRAMS



* CARIBBEAN CONSTITUENCY INCLUDES:

CARICOM: Anguilla (territory), Antigua & Barbuda, Bahamas, Barbados, Belize, British Virgin Islands (territory), Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Montserrat (territory), St. Lucia, St. Kitts & Nevis, St. Vincent & the Grenadines, Suriname, Trinidad & Tobago.

OECS: Cook Islands, Federated States of Micronesia, Fiji, Kirbati, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu



BURUNDI

CUTTING THE MALARIA BURDEN BY HALF IN THREE YEARS

Disease(s) funded: HIV/AIDS, malaria **Two-year budget:** US$ 18.7 million

Years of war, compounded by inadequate medical services, have led to a deteriorating health status of Burundi's population of six million. Malaria has reached such proportions that it is nearly overwhelming the capacities of the national health services.

Years of war, compounded by inadequate medical services, have led to a deteriorating health status of Burundi's population of six million. Malaria has reached such proportions that it is nearly overwhelming the capacities of the national health services.

Nearly 2.8 million cases of malaria were reported in 2001. Periodic widespread malaria epidemics continue to put severe strains on the health system, taking resources from other health programs. The severity of these epidemics is exacerbated by resistance to available anti-malarial drugs and the lack of resources. In addition, the systems put in place for early detection of such epidemics have been severely compromised by conflict and the movement of large populations of refugees and internally displaced people.

Nevertheless, the Burundi government was among the first in Africa to see the need for a shift from existing malaria medication, which was proving increasingly ineffective against resistant strains of malaria, to a new generation of artemisinin-based combination therapies (ACT). Already in June 2001, the government led a national malaria treatment policy change to recommend the combined use of Artesunate-Amodiaquine as first-line treatment in the case of an epidemic. The Burundi government was also among the pioneers in Africa to exempt mosquito nets and insecticides from import tax.

A US$ 14 million grant from the Global Fund is supporting a government program aimed at reducing malaria mortality and morbidity by 50 percent in three years. This is being done by greatly expanding the use of ACT, improving detection and distributing insecticide-treated bed nets. It will benefit nearly five million people living in malaria-endemic areas of the country.

One third of the US$ 14 million program will go toward procurement of ACT for the treatment of two million people per year. The remainder will strengthen other activities already begun and financed by the government and other partners, such as WHO, UNICEF and NGOs.

The program is strengthening the epidemiological surveillance system, ensuring sound management of epidemics and updating and scaling up malaria diagnosis and treatment in local health units.

Many NGOs and UN agencies continue to contribute to the fight to manage malaria cases with residential spraying programs and the distribution of insecticide-treated bed nets. But until now, the lack of equipment and resources to scale up prevention and management has led to slow progress in rolling back the epidemic.

New resources from the Global Fund in 2003 provided for the purchase of 360,000 nets (due for delivery in March 2004), insecticide impregnation kits and rapid tests, as well as the recruitment of suppliers and laboratory assistants. The program is so far on track for achieving its targets. •

GUIDING PRINCIPLES

Seven principles guide the policies and operations of the Global Fund, from its governance to its grant-making. These principles reflect a consensus by the many stakeholders whose consultations in 2001 laid the foundation for the Global Fund.

THE GLOBAL FUND:

1. Operates as a financial instrument, not an implementing entity
2. Makes available and leverages additional financial resources
3. Supports programs that evolve from national plans and priorities
4. Operates in a balanced manner with respect to different geographical regions, diseases and healthcare interventions
5. Pursues an integrated and balanced approach to prevention, treatment, care and support
6. Evaluates proposals through an independent review process
7. Operates transparently and accountably and employs a simplified, rapid and innovative grant-making process

Continued from page 9

A Local Fund Agent, contracted by the Secretariat, assesses both the capacity of a nominated Principal Recipient to administer grant monies and manage the implementation of funded programs, and reports on financial and programmatic progress. The Local Fund Agent also verifies the Principal Recipient's periodic disbursement requests, progress updates and annual audit reports, and advises the Secretariat on program implementation. Following a competitive international tender, the Global Fund confirmed the following firms as its Local Fund Agents in countries around the world: Chemonics International Inc., Crown Agents for Overseas Governments and Administrations Limited, Deloitte Touche Tohmatsu Emerging Markets Group, KPMG International, PricewaterhouseCoopers, the Swiss Tropical Institute of Chad and the United Nations Office for Project Services.

As a financing institution, the Global Fund relies upon its partners to provide technical assistance and capacity-building support to current and potential grant recipients. Bilateral agencies, businesses and foundations, non-governmental and multilateral organizations — including UNAIDS, the World Health Organization and the World Bank — work side by side with Country Coordinating Mechanisms to develop high-quality proposals, to strengthen local capacity to manage grants and to assist in the implementation of approved programs. The World Health Organization fills a distinctive role by providing normative leadership on international clinical standards for medical responses to AIDS, tuberculosis and malaria. Clear guidelines on how to fight these diseases are essential to effectively fund advance prevention and treatment. •

Bringing Malaria Care into Cambodian Villages

If a driver is ambitious, the 600-kilometer journey from Phnom Penh to Banlung in northeastern Cambodia can be managed in twelve hours, but the journey will have taken its toll on both goods and passengers. The bad roads have made this part of Cambodia particularly isolated, and delivery of health goods and services to the over 100,000 hill tribe people who live in the mountains and forests is particularly difficult.

But since 2001, the National Malaria Centre has recruited and trained Village Malaria Workers (VMWs) to help fight malaria in these highly endemic areas. In the first phase, VMWs are recruited in thirty-six remote villages to diagnose and treat the disease quickly.

At the heart of this project is a small plastic test strip: the dipstick test. Fifteen minutes is all it takes to determine the malaria status of the person whose finger is pricked for a blood sample. Volunteer VMWs then give free pre-packaged combination therapy to those diagnosed positive with malaria, often children under five years of age.

The results in these pilot villages have quickly shown what was already suspected: the incidence of malaria is much higher in reality than that reported by the health centers. The provision of emergency diagnosis and treatment has significantly reduced the number of malaria deaths, especially in children under five years of age — deaths dropped by 25% between 2001 and 2002.

The VMW project has been so successful that the National Malaria Centre will be expanding these activities to another 300 high-endemic villages in different parts of the country in 2004. The presence of a VMW who lives in the village and is therefore on call 24 hours a day, seven days a week has proven so effective that the government wants to change VMWs to VHWs — Village Health Workers — who would be trained to deal with other communicable diseases affecting their communities.

"The most important barrier is the geography," says Dr Chea Nguon, Team Leader of the Village Malaria Workers Project at the National Malaria Centre. "All of these remote villages are very difficult to reach. This is why we started the project. Everybody has the right to treatment and the right to survive, especially this minority ethnic group. They must have the right to get these services, since the other provinces already have them." •

CAMBODIA

SCALING UP WHAT WORKS BEST

Disease(s) funded: HIV/AIDS, malaria, TB **Two-year budget:** US$ 24.1 million

For the last 20 years, Cambodia has been rebuilding a health system dismantled by war, but it is only over the past decade that peace, improved economic growth and development assistance have made possible substantial progress.

The government's overall strategy is to improve equity and accessibility to essential health services to rebuild confidence in the public health sector. Despite widespread poverty, many Cambodians still opt to pay for private sector services rather than use what is perceived to be a low quality public health sector, even though its services are free.

In Round One, the Global Fund signed a grant agreement on HIV/AIDS with Cambodia, and signed three further grant agreements for HIV/AIDS, tuberculosis and malaria in Round Two. Funding of US$ 24.1 million has been approved over the first two years for these projects, with US$ 6.5 million disbursed by the end of 2003.

Cambodia's programs live up to the Global Fund's vision of building local capacity and scaling up existing projects with proven results. The Khmer HIV/AIDS NGO Alliance (KHANA) is a Cambodian NGO that provided support to 39 local NGOs and community-based organizations to implement 53 HIV/AIDS projects in 14 provinces and three municipalities in 2002. KHANA is currently a sub-recipient of the Ministry of Health's Global Fund grant. This sub-grant will assist KHANA to scale up its successful home care and support program to meet the needs of people living with HIV/AIDS and to mitigate the impact on children and families affected by HIV/AIDS.

In collaboration with local NGOs and faith-based organizations, KHANA assists people living with HIV/AIDS to access treatment for opportunistic infections and antiretroviral therapy. It also provides services to affected families, including the promotion of income-generating activities, agricultural production and education for children affected by the disease. Global Fund financing has enabled KHANA to expand its home care and support program to four new provinces: Kandal, Takeo, Battambang and Siem Reap, reaching several hundred families and supporting a number of new orphans.

Population Services International (PSI), a US-based non-governmental agency which specializes in social marketing, is another sub-recipient of Global Fund grants in Cambodia. PSI helps individuals to lead healthier lives by providing them with critical health information in ways that are easily understood and accepted. These educational campaigns are then directly linked with easy access to products and services offered at affordable prices in the local community.

PSI is currently using two mobile video units to reach populations who have no other access to mass media. They drive through towns, setting up screens which show a combination of light entertainment and HIV/AIDS messages. In a quiz after the screenings, volunteers are tested on their knowledge of HIV/AIDS, their knowledge of condom use, and the "abstinence, be faithful, use a condom" mantra. Global Fund financing is enabling PSI to greatly expand the number of mobile video units, which will bring HIV information to several hundred thousand Cambodians.

In 2003, PSI launched two new HIV/AIDS prevention products in the provinces of Pursat, Battambang and Banteay Meanchey: a female condom and a lubricant. In the first quarter after introducing these products, PSI sold over 5,200 female condoms and over 8,500 lubricant applications. •

2003 *in* REVIEW

JANUARY

- The global fight against AIDS receives a historic boost when US President George W. Bush announces his Emergency Plan for AIDS Relief with US$ 10 billion in new funding to US efforts to combat the pandemic, including US$ 1 billion over five years to the Global Fund. Pledges to the Global Fund total nearly US$ 3.4 billion.
- By the fourth Board meeting, the Global Fund signs grant agreements with more than a dozen additional countries, following initial agreements with four countries in December 2002. The Board refines the proposal process by agreeing to eligibility criteria to focus funding on countries and regions with the greatest need, based on poverty and burden of disease; by agreeing to renew and extend the term of Technical Review Panel members; and by enabling countries with repeated unsuccessful proposals to appeal. The Board approves an operational budget for the Global Fund.
- The Board considers the results of the review of Round Two proposals and approves US$ 0.9 billion in new funds to 72 countries, bringing total commitments over two years to US$ 1.5 billion for 92 countries (later rising to 93, following a successful appeal). The Board elects Tommy G. Thompson, US Secretary of Health and Human Services, and Suwit Wibulpolprasert of Thailand as chair and vice chair, succeeding Chrispus Kiyonga and Seiji Morimoto.
- The work of the Global Fund during the following months focuses on managing the grant portfolio, combining following up proposals approved in Round Two with sustaining momentum of signing grant agreements and making disbursements to programs successful in Round One.

MARCH

- The Global Fund completes agreements with 30 countries. More than US$ 10 million is disbursed.
- To continue to bridge the global resource gap to fight AIDS, tuberculosis and malaria, the Global Fund launches a third round of proposals. The Secretariat, the Chair and Members of the Board, and advocates step up efforts to mobilize resources to finance this and future rounds. A broad fund-raising campaign, called Fund the Fund, is launched and draws on more than 100 non-governmental organizations around the world that work at the grassroots level and in donor capitals.

MARCH–APRIL

— Regional consultations with recipients are held, first in the Philippines and later in Myanmar, Senegal and Ukraine. During these consultations, the Secretariat advances grant negotiations and completes the first agreements for a proposal approved in Round Two. The Global Fund receives more than 400 applications for open positions in the now 26-member Technical Review Panel.

MAY

— Disbursements total more than US$ 20 million. While maintaining momentum on signings and disbursements, the Secretariat works with the Board to improve portfolio management. The Secretariat issues its largest and mostly widely advertised global competitive tender for country-level Local Fund Agents, to select the best services by candidate organizations on a country-by-country basis.

— The Secretariat also consults with a wide range of partners — including the Global Alliance for Vaccines and Immunization, the World Bank, the Organization for Economic Cooperation and Development and bilateral agencies, as well as Principal Recipients — to finalize the basic procedures for performance-based disbursements, which will tie ongoing financing of programs to proven results.

— The Global Fund receives proposals for Round Three of funding, with approvals scheduled for October. Nearly 200 proposals are submitted from more than 100 countries, with requests for funds in excess of the pledges available for 2003. Recognizing the urgent need for new resources, communities of people living with HIV/AIDS launch a new campaign, "It Starts with Us," to make personal contributions to the Global Fund.

JUNE

— At its fifth meeting, the Board adopts guidelines for the effective operation of Country Coordinating Mechanisms, agrees on a framework for monitoring and evaluation, and endorses policies on the fiduciary arrangements between the Global Fund and grant recipients.

— In response to the growing call for new resources, the G8 Summit includes the Global Fund on the agenda of its meeting in Evian, France.

— President Jacques Chirac commits to tripling France's annual contribution to the Global Fund and, along with United Nations Secretary-General Kofi Annan, calls on other heads of state to renew commitments. The European Commission pledges an additional €340 million, Italy affirms an additional €200 million and the United Kingdom (UK) underscores its belief in the Global Fund with an additional US$ 80 million for 2006 and 2007.

— In one week, pledges to the Global Fund grow by US$ 1.2 billion from European donors. The communiqué of the G8 Summit calls on others to increase their support. In his appeal to other donors, President Chirac announces a goal of US$ 3 billion for the Global Fund in 2004.

— Subsequently, President Chirac and UK Prime Minister Tony Blair encourage countries in Europe to reach a combined target of US$ 1 billion in 2004 as one third of the aggregate need. Steady progress toward new contributions is made over the coming weeks, including active debate at the European Union Summit in Thessaloniki, Greece.

CHILE

GOVERNMENT AND CIVIL SOCIETY FIGHT HIV/AIDS IN TANDEM

Disease(s) funded: HIV/AIDS **Two-year budget:** US$ 13.6 million

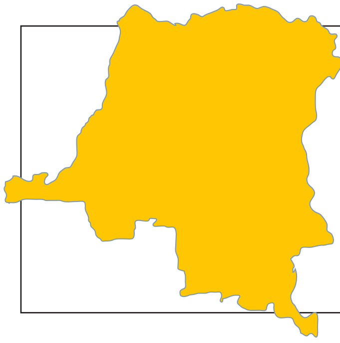
On a global scale, Chile's HIV problem is relatively small, and the country's main challenge is to keep it that way.

Through its Global Fund grant, Chile has become a model for effective collaboration between the government and civil society. In a relatively conservative sociocultural context, such cooperation is important in order to reduce stigma and discrimination against people living with HIV/AIDS.

The Global Fund approved a Round One grant worth US$ 13.6 million over the first two years to support Chile's national HIV/AIDS response. Funded programs will increase the provision of antiretroviral treatment to 100 percent throughout the country, reduce mother-to-child transmission of HIV by half and implement targeted prevention programs for high-risk groups. Another important aspect of the grant-funded programs is to strengthen the engagement of civil society, such as increasing the involvement of people living with HIV/AIDS — particularly women — in social mobilization efforts to reduce stigma and discrimination.

Chile has one of the highest levels of non-governmental representation on its Country Coordinating Mechanism (CCM) of any country, with 60 percent made up of NGOs, a foundation and the University of Chile; 20 percent made up of multilateral organizations (UNAIDS and the Pan-American Health Organization); and 20 percent by the government (the National AIDS Commission). In an unprecedented decision by a CCM, the Chilean CCM selected its Principal Recipient through a competitive public tender. The successful bidder was a consortium of two organizations — Consejo de las Américas, an NGO, and Fundación IDEAS, a foundation — which combined their years of project management expertise and experience with social mobilization in their proposal.

In all, Global Fund grants will ultimately go to three sub-recipients: Vivo Positivo, an NGO working with people living with HIV/AIDS; the Assembly of NGOs, which represents 15 Chilean NGOs working on HIV/AIDS issues; and the National HIV/AIDS Commission, which will implement the treatment elements of the program. A total of 40 projects will be funded by the Global Fund grant, implemented by executing teams working under the sub-recipients. •



DEMOCRATIC REPUBLIC OF CONGO

TUBERCULOSIS CONTROL IN A CHALLENGING CONTEXT

Disease(s) funded: HIV/AIDS, malaria, TB **Two-year budget:** US$ 66.2 million

Democratic Republic of Congo (DRC) has the eleventh highest burden of tuberculosis in the world. The size of the country and the breakdown of infrastructure after decades of conflict and economic hardship have resulted in no access to health services for large parts of the population, and only half of the estimated TB cases are detected.

Despite these obstacles, the National TB Program has increased access to DOTS, the approved treatment strategy for TB, to 70 percent of the population. Yet, political instability in the eastern provinces, an overall lack of funding and an under-developed primary care system continue to hamper the country's TB control efforts.

In 2003, the Global Fund approved a grant of US$ 6.4 million over two years to support the National TB Program's strategies. All funded activities will reinforce or extend campaigns to expand access to DOTS. The goal is to reach 90 percent of the population, and in doing so, raise the TB case detection rate to 65 percent and the cure rate to 80 percent.

So far, 63,000 treatments have been procured and distributed through the Global TB Drug Facility. Part of the Global Fund grant has already been used to renovate five provincial reference laboratories, replace laboratory equipment and supplies and train 20 laboratory technicians to become peer educators. These 20 technicians are currently training the other 800 technicians in the country. A national "Green Light Committee" has been created to oversee the use of second-line medication against multidrug-resistant TB, and four centers have been chosen to administer such treatment. Information about TB and DOTS is disseminated through radio, television and print media daily in a six-month campaign to raise awareness.

In late 2003, grants to fight HIV/AIDS — US$ 34.8 million in the first two years — and malaria — US$ 25 million in the first two years — were also approved for DRC. These additional grants are notable for the synergies between them and the earlier TB grant. All three grants strengthen technical capacity for these diseases in particular and the health system in general. Funding for the HIV/AIDS grant will support focused case management for TB patients who are co-infected with HIV — who make up approximately a quarter of TB patients in DRC — and for pregnant women, for whom both malaria and mother-to-child transmission of HIV are serious risks. •

JULY

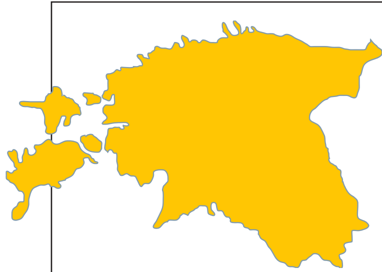
- Heads of state at the African Union Summit in Maputo, Mozambique, recommit themselves to aggressive efforts to fight AIDS, tuberculosis and malaria and affirm their hope that the Global Fund receives US$ 3 billion in 2004.
- Regional consultations are held in Cairo, Egypt and Johannesburg, South Africa for representatives from 36 countries in eastern and southern Africa, including more than 100 CCM members. The workshops focus on grant management and collaboration among partners.
- The endorsement of the Global Fund's needs and progress is articulated clearly at the International Meeting to Support the Global Fund in Paris, France on July 16.
- At the meeting, co-chaired by Board Chair Tommy G. Thompson and French Ministers Jean-François Mattéi and Pierre André Wiltzer, European Commission President Romano Prodi expresses support for the target of a total EU contribution of US$ 1 billion annually.
- Germany, China, Greece and Ireland renew their pledges, bringing total confirmed pledges to US$ 4.7 billion, with nearly US$ 1 billion for 2004. Resource mobilization efforts have tripled overall commitments in the first 18 months of the Global Fund's operations.
- The July 16 meeting creates momentum around a broad array of partnerships, including one with the Publicis Group, an international communications group that commits pro bono support to the development of a global branding and outreach campaign for the Global Fund.
- On July 17 in Paris, a consultation of 45 CCM representatives from 12 countries provides the first opportunity for recipient country representatives across regions to share early experiences and to discuss governance and implementation issues. They agree to recommendations on how the Global Fund and recipients alike can improve performance and the flow of information.
- By the end of the month, the Global Fund has signed grant agreements with nearly 60 countries and has disbursed US$ 74 million.

AUGUST

- The process of selecting new Local Fund Agents moves forward as ten firms, selected among 18 applicants that responded to a global tender, submit bids for country-specific contracts.
- The Technical Review Panel meets to review applications submitted for Round Three, which consist of approximately 180 proposal components requesting US$ 1.9 billion in two-year commitments. The panel recommends to the Board 34 percent of this amount, in dollar terms. Though this is a smaller figure than the one initially projected, recommended commitments still exceed available 2003 pledges.
- By the end of the month, disbursements by the Global Fund surpass US$ 100 million.

SEPTEMBER

- Two years after the historic United Nations General Assembly Special Session (UNGASS) on HIV/AIDS, UN Member States meet in New York City on September 22 to review progress in meeting the goals set in the 2001 Declaration of Commitment, regarded as a basic foundation for turning the tide of the pandemic and achieving other Millennium Development Goals.
- Secretary-General Kofi Annan underscores the importance of political will to generate adequate resources to fight HIV/AIDS. He also affirms the role of the Global Fund, and more than 60 countries applaud the early progress of the Global Fund and confirm its role in accelerating national responses to the pandemic.



ESTONIA

STOPPING THE HIV EPIDEMIC IN ITS TRACKS

Disease(s) funded: HIV/AIDS **Two-year budget:** US$ 3.9 million

In Estonia, one of the worst-affected countries in Eastern Europe, HIV prevalence is increasing rapidly, largely due to injecting drug use and risky sexual behavior among young people.

The annual number of new cases shot up from 390 in 2000 to nearly 1,500 in 2001, bringing the country's prevalence to one percent of the adult population. Individuals between 15 and 24 years of age comprise 80 percent of the newly diagnosed.

The goal of the program supported by the Global Fund is to stop the spread of HIV by 2007. Global Fund contributions are concentrated on activities thus far under-funded — mainly in the area of prevention — but will also supplement national spending on medical treatment for HIV-infected individuals.

Estonia has moved rapidly toward implementing its Global Fund grant, worth US$ 3.9 million over the first two years. The grant was signed in late September 2003, and the first disbursement of US$ 1 million arrived in mid-December 2003. Within a matter of weeks, all sub-contracting had been coordinated and structures had been put in place to begin implementation of programs with three main components: prevention work with young people; treatment and care for people living with HIV/AIDS; and targeted interventions for high-risk communities such as injecting drug users, commercial sex workers, prisoners and men who have sex with men.

The program combines direct service delivery with counseling and education activities for high-risk groups. Antiretroviral treatment has been guaranteed for everyone in need. AIDS prevention and treatment activities for injecting drug users are combined with efforts to replace illicit drug use and other support activities.

The National Institute for Health Development, a recent merger of three independent health research institutes, is the Principal Recipient. In addition to the management and monitoring and evaluation of sub-recipients, the institute will develop minimum capacity standards for all partner organizations involved in the program.

Where baseline data do not exist, the Institute for Health Development will conduct studies to establish current status. Program success will then be measured against an improvement of the baselines.

The level of civil society involvement in implementation is high, with approximately 50 percent of the overall budget allocated to NGOs. Five NGOs play a dominant role; all of them were operational before the Global Fund contribution and are now scaling up their interventions. •

- The World Health Organization, UNAIDS and the Global Fund announce "3 by 5", an initiative whereby the World Health Organization will lead a broad effort to ensure that three million people living with HIV have access to antiretroviral treatment by the end of 2005. The Global Fund emphasizes the need for adequate resources to meet that target, both to financing mechanisms like the Global Fund itself and providers of technical assistance like the World Health Organization.

OCTOBER

- The Board convenes in Chiang Mai, Thailand for its sixth meeting. The Board approves new grants totaling more than US$ 600 million to 61 countries, bringing the size of the total portfolio to US$ 2.1 billion in two-year commitments to 121 countries (later rising to 124 countries following 3 successful appeals).
- Successful Round Three proposals are distinctive in their commitment of 57 percent of approved funds to non-governmental partners, and their focus on the world's poorest countries, with nearly three-quarters of approved funds going to settings classified as low-income by the World Bank.
- The Board adopts a voluntary replenishment resource mobilization model as part of a comprehensive funding policy. This approach to fund-raising will enable long-term sustainable commitments.
- The consulting firm Accenture commits pro bono resources to conduct a study of the potential implications of in-kind donations to the Global Fund's grant-making model, with support from the World Economic Forum.
- The Global Fund commits to launching a fourth round of proposals in January 2004 for approval the following June and accepts an invitation by the President of Tanzania to hold its November 2004 meeting in Arusha.
- The Secretariat selects seven Local Fund Agents for services in countries with proposals approved in Rounds One and Two. Confirmation of contracts for countries with proposals approved in Round Three begins in December.
- Disbursements reach approximately US$ 150 million by the end of the month.

NOVEMBER

- The European Commission announces a front-loading of €170 million of the 2003–2006 €340 million pledge made at the G8 Summit in Evian, which implies an accelerated payment of resources from the European Development Fund.
- The Secretariat publishes a newsletter for Country Coordinating Mechanisms, titled *Frontliners,* to encourage better communication and sharing of best practices across Global Fund grants. A regional consultation with Latin American and Caribbean Country Coordinating Mechanisms and Global Fund recipients is held in Panama.
- In Cape Town, South Africa, the Nelson Mandela Foundation — in collaboration with MTV and other corporate partners — hosts a globally televised music concert to raise awareness and resources for the fight against AIDS. The concert is an early centerpiece of the 46664 campaign, named after Nelson Mandela's prison number on Robben Island, which aims to mobilize international solidarity in framing the AIDS pandemic as a human rights issue and to generate more support to halt the spread of HIV. The Global Fund affirms its support for the campaign, and the concert features the Global Fund as a critical component of the world's response to AIDS.

DECEMBER

— On World AIDS Day, the World Health Organization and UNAIDS release a detailed strategy to reach "3 by 5." The World Health Organization also facilitates the carrying out of that strategy by providing to countries new simplified HIV/AIDS treatment guidelines and by launching an AIDS Medicines and Diagnostics Service to help accelerate the affordable procurement and supply of drugs and HIV tests.

— Global Fund Board Chair and US Health and Human Services Secretary Tommy G. Thompson leads a delegation of nearly 100 corporate, nonprofit and public leaders on a trip through Africa to view the devastation caused by the three diseases and commit greater American and international support to local programs. The visit includes projects that are scaling up services with Global Fund grants in Kenya, Rwanda, Uganda and Zambia.

— During the visit, the Global Fund and the Global Business Coalition on HIV/AIDS announce their intention to increase private sector engagement in the local fight against AIDS by encouraging Country Coordinating Mechanisms to develop co-investment proposals to leverage workplace AIDS services by extending them to the wider community. Nine corporations commit to the model and to working with Country Coordinating Mechanisms for fourth round proposals.

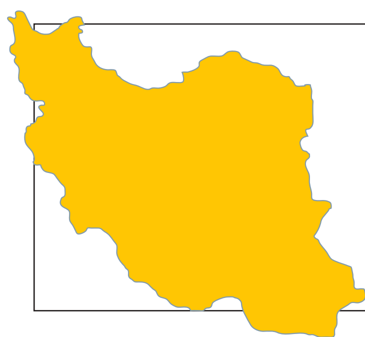
— Popular African musicians join forces with the Global Fund to produce public service announcements about the Global Fund's work and the hope associated with new programs to fight the three diseases. The first of these videos is shown at the Kora All Africa Music Awards ceremony to an audience of several hundred million viewers.

— By the end of the year, disbursements by the Global Fund total US$ 232 million, exceeding an end-of-year target of US$ 200 million and including the first fourth disbursement to a country — Haiti.

— Payments of 2003 pledges — totaling more than US$ 0.9 billion — reach 99 percent by the end of the year. Total pledges to the Global Fund reach nearly US$ 5 billion, with US$ 1.2 billion committed for 2004. •

"IN VIEW OF THE LIMITED RESOURCES AVAILABLE to developing countries in the fight against HIV/AIDS, we welcome the establishment of the Global Fund, a multilateral initiative to fight AIDS, TB and malaria. It is our hope that the existing multilateral structures would be more intensively used in ways that reduce costs and ensure that resources are more easily accessible to the poor communities of the world."

John Kufuor, *President of the Republic of Ghana*



IRAN

STRENGTHENING CIVIL SOCIETY TO FIGHT AIDS

Disease(s) funded: HIV/AIDS **Two-year budget:** US$ 9.7 million

The Islamic Republic of Iran has low HIV prevalence, with an estimated 20,000 people living with the disease. However, the HIV epidemic in the country is already accelerating at an alarming rate, with the numbers of newly diagnosed HIV infections and AIDS cases in 2001 showing a three-fold increase over 2000. In 2001, two thirds of all reported AIDS cases were due to injecting drug use.

The aim of the programs in Iran is to contain the spread of HIV through outreach to vulnerable groups and information to the wider population. Specifically, the programs aim over five years to reach nearly half a million young people with HIV education and life skills programs; reach up to 200,000 street children; give health education to 20,000 high-risk women; distribute 13 million condoms; and establish a broad range of prevention and treatment programs in all of Iran's 28 provinces.

The NGO community is central to the country's prevention efforts, and both of Iran's approved grants focus on civil society and partnership between civil society and the public sector. The Round Two approved program is a one-third/two-third matching of funding by the Global Fund and the government.

In Round Three, an NGO-led proposal on HIV/AIDS prevention for young people was recommended by the Technical Review Panel and approved by the Global Fund Board. UNICEF's regional HIV/AIDS advisor provided technical support to four national NGOs — Red Crescent Society, Family Planning Association, Drug Control Society and Society for the Protection of and Assistance to Socially Disadvantaged Individuals. The Red Crescent Society has been proposed as the Principal Recipient.

The Global Fund process has led to collaboration between the government and NGOs, where previously there was little. The Global Fund and UNICEF jointly facilitated some of the in-country discussions with the Country Coordinating Mechanism to ensure CCM support for NGO proposals.

The four NGOs have agreed to form a network which will include around 100 smaller, local NGOs. They will invest in building civil society capacity for program implementation, allowing these NGOs to play a more proactive role in the development sector. The NGO network will receive technical assistance from UNICEF to form a viable coalition able to manage funds and implement programs. It is expected that three to five local NGOs in each of 28 provinces will work on the HIV/AIDS prevention work. That would mean a major mobilization of NGOs throughout the country and the integration of NGOs as part of the overall development process in Iran. The NGOs will also partner with government organizations to provide support to the national program and ensure implementation of the national HIV/AIDS strategy. •

MOBILIZING SUPPORT: FUND-RAISING *and* COMMUNICATIONS

OPERATIONS

The Global Fund relies on donations from governments, foundations, corporations and individuals to finance the fight against the three diseases, with the majority of funding coming from the public sector. Pledges are received on a continual basis and can span any number of years.

The voluntary replenishment model adopted by the Board in October 2003 will allow donors to the Global Fund to make large, multi-year commitments. Other donors will continue to make year-by-year pledges.

Pledges available in the calendar year of each Board approval determine the maximum commitment available for a given round of applications for funding. The Global Fund requires that sufficient pledges are turned into cash (or promissory notes) prior to signing grant agreements, which formally commit resources for the initial two-year period of an approved program or for the extension of a grant for its remaining term, typically three years.

As trustee for the Global Fund, the World Bank manages contributions to the Global Fund. To receive private contributions, the Global Fund relies upon the services of the United Nations Foundation, a grant-making public charity established by philanthropist Ted Turner. On a pro bono basis, the United Nations Foundation receives private donations in support of the Global Fund, and the foundation's status as a nonprofit organization in the United States affords contributors using this mechanism certain tax benefits in the United States.

Resource mobilization activity, including important advocacy work, is carried out on a number of fronts: by the Board, by a small team within the Global Fund Secretariat and by non-governmental supporters of the Global Fund, including communities living with the diseases.

Fund-raising builds on broader efforts to mobilize support, particularly communications to potential donors that educate them on the role, results and needs of the Global Fund. Communications by the Global Fund are also important to ensure transparency with recipients and stakeholders, and the Secretariat is increasing its activities to meet their need for a robust and responsive information system about the institutional activity and grant progress of the Global Fund.

LEFT
Boy swimming in uSutu River, Swaziland, a country where as many as 75,000 children have been orphaned by HIV/AIDS. The Global Fund grant of US$ 30 million will support health-care initiatives across the entire population.

ABOVE
Rowboat passing a house surrounded by flood waters, near Route #1, Phnom Penh, Cambodia. Improving access to health services for remote and inaccessible communities is a priority for Global Fund supported HIV/AIDS, tuberculosis and malaria programs.

RESULTS

Resource Mobilization

At the beginning of 2003, pledges for the year totaled US$ 605 million. This rose by more than 50 percent to US$ 933 million by the conclusion of the year but was insufficient to meet the needs of proposals recommended to the Board for the second and third rounds of applications. As a result, the Board deferred approval of more than US$ 100 million for recommended proposals in the third round until January 2004.

Aggregate pledges to the Global Fund more than doubled in 2003, from US$ 2.2 billion at the beginning of the year to US$ 5.0 billion by its conclusion. The number of countries pledging financial support to the Global Fund grew from 36 to 44 over the course of 2003, with more than three-quarters of 2002 public donors recommitting to provide resources for 2003. First-time pledges to the Global Fund came from a number of countries, including China, Greece, Iceland, Mexico, New Zealand, Poland, Portugal and South Africa.

Overall, the level of resources in 2003 was 98 percent of the magnitude mobilized for 2002, but 2004 resources will grow substantially beyond the amounts raised for either of the Global Fund's first two years. By the conclusion of 2003, pledges for 2004 totaled US$ 1.2 billion. (By the conclusion of the first quarter of 2004, the amount had risen further to US$ 1.5 billion.)

Public-sector resource mobilization in 2003 relied heavily on affirmations of the Global Fund made in international fora, including the G8 Summit, the European Union Summit in Greece and the African Union Summit in Mozambique. Each issued formal declarations to call on donor nations to ensure the growth and sustainability of the Global Fund.

The French hosted a conference dedicated to the Global Fund on July 16, where attendees included government ministers and company CEOs. Speakers — including United Nations Secretary-General Kofi Annan, Nelson Mandela, Presidents Jacques Chirac and Romano Prodi, as well as public and private recipients of Global Fund financing — called on the international community to ensure the sustainability of the Global Fund by mobilizing greater support for it.

The spirit was similar at the United Nations General Assembly on September 22, when it convened to evaluate progress in the global fight against AIDS in the two years following its Special Session on the subject in 2001.

In addition to public engagements, the Global Fund relied heavily on the support and advocacy of a vast network of non-governmental organizations and foundations. Among them, Fund the Fund coordinated more than 100 national and international non-governmental organizations in advocating for adequate and sustained resources for the Global Fund. In an unprecedented initiative the 'It Starts With Us' campaign was launched in the summer of 2003 to raise contributions directly from communities and people living with HIV/AIDS.

Private-sector resource mobilization was modest in 2003. Though private donors contributed 5 percent of total funds for the year, approximately 99 percent of this amount came from an accelerated payment of a multi-

year US$ 100 million pledge by the Bill and Melinda Gates Foundation. As a public-private partnership, the Global Fund recognizes the need to increase the share of private funding.

The Global Fund enlisted the pro bono assistance of McKinsey & Company to develop a strategy for mobilizing corporate sector support. Based on the input of a wide range of corporations, McKinsey highlighted the need to build a recognized and respected brand name in order to approach private sector organizations and individuals successfully for support of any kind. The study, presented to the Board, also encouraged greater focus on in-country collaboration and in-kind donations as avenues for private sector support.

These recommendations drove substantial activity in the latter half of the year. The work of the communications team of the Global Fund focused on branding and awareness-raising; the World Economic Forum recruited the pro bono services of Accenture to study the potential for in-kind contributions to Global Fund grants; and the Global Fund announced with the Global Business Coalition on HIV/AIDS the intention of nine corporations to develop co-investment proposals with Country Coordinating Mechanisms in order to increase local collaboration and the sharing of resources.

Overall, 5 percent of resources contributed to the Global Fund from 2001 to 2003 came from private sources, while 49 percent came from governments in Europe, 33 percent from the United States and 15 percent from countries throughout the rest of the world.

The payment of pledges to the Global Fund has been consistent. By the beginning of 2003, 90 percent of 2002 pledges had been paid, and this soon rose to 100 percent. The payment of 2003 pledges was swifter, with 99 percent of the amount contributed by the year's end and less than US$ 6 million outstanding for payment in 2004.

The rate of return on investment management by the World Bank was a little more than two percent in 2003, resulting in nearly US$ 30 million of investment income. Combined with the interest earned in 2002, investment income has covered nearly 87 percent of the operational costs of the Global Fund through 2003. This figure confirms that nearly all of those resources contributed to the Global Fund go directly to the programs it finances.

Communications

The Secretariat's communications efforts in 2003 focused on broadening awareness of the Global Fund, both to increase its popular support as a base for future contributions and to maximize transparency among stakeholders about the use of its finances.

The Global Fund enlisted various sources of support for this work, including pro bono capacity from the Publicis Group, an international marketing, public relations and communications group. Publicis is assisting in the design of a multi-country branding and outreach campaign to commence in 2004. The campaign will involve television and print advertising, merchandising promotions and special events in key donor markets.

Given the limited capacity of the Secretariat, the branding and outreach campaign — while coordinated by the Global Fund — will depend on the services of many additional partners. For example, the French Postal Service will issue decorative stamps that bear the Global Fund's logo in conjunction with the launch of the campaign in France.

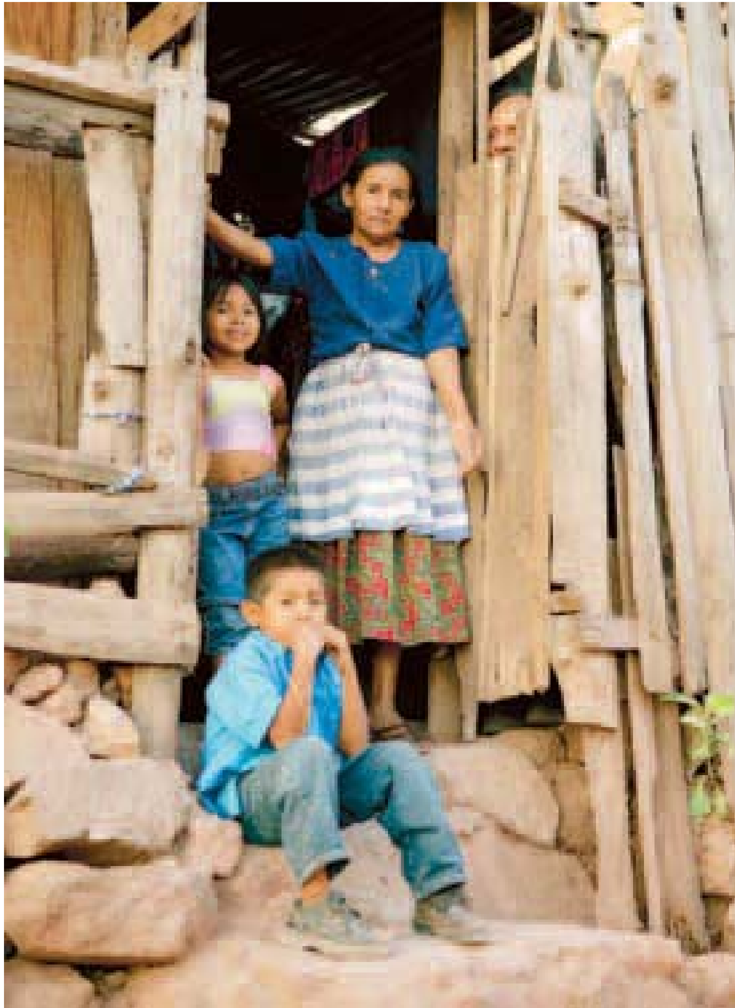
> "It's going to take a very concentrated, coordinated effort among governments, private entities and individuals to win this battle. And we need all the help we can get. This is a battle we cannot afford to lose."
>
> Tommy G Thompson, *US Secretary for Health and Human Services and Chair of the Board of the Global Fund*

Partnership will be equally important in extending communications efforts in recipient settings. To raise awareness of the Global Fund across Africa, several nominees and past winners of the Kora All Africa Music Awards agreed to make public service announcements promoting and explaining the work of the Global Fund.

The Global Fund produced a wide range of publications in 2003, including its first annual report, a brochure, leaflets, country fact sheets, monthly updates on progress and briefs on particularly relevant issues such as disbursement and resource mobilization status. In addition, the Secretariat published a newsletter for Country Coordinating Mechanisms, called *Frontliners.*

Video production was also an area of progress. A short documentary about grants in Panama, Rwanda, Sri Lanka and Ukraine was aired at the International Meeting to Support the Global Fund in Paris on July 16. The Secretariat has since filmed programs in two more countries and is building a video database that documents the ongoing results of Global Fund programs. Using this footage, country-specific and thematic DVDs will be made for use in the promotion of the Global Fund and to educate those interested in applying for grants about the Global Fund's operation.

The Global Fund launched a new website in October 2003 as a central tool for information sharing and accessibility for those interested in the work of the Global Fund. Information now available for each grant includes brief descriptions of approved programs, copies of approved proposals, grant agreements, disbursement requests, progress updates and fiscal-year reports by Principal Recipient(s), as well as contact information



ABOVE
Family at home in the 3rd de Mayo neighborhood of Tegucigalpa, Honduras, which is named after the day Hurricane Mitch hit Tegus. Honduras' US$ 12.6 million HIV/AIDS program, part of the country's integrated attack on the three diseases, embodies the need for timely and appropriate action to avert a rapidly worsening health crisis.

for the Country Coordinating Mechanism, Principal Recipient(s), Local Fund Agent and the relevant grant manager at the Secretariat. In the four months following its launch, the number of visits to the website increased by more than 50 percent, from an average of 650 visits per day (including visits by Secretariat members) to 1000 visits per day (*not* including Secretariat visits). The number of visitors to the site continues to grow.

The Global Fund's non-governmental partners also dedicated substantial effort to maximizing transparency about the Global Fund. The organization Aidspan maintains an online repository of documents and articles about the Global Fund and publishes the *Global Fund Observer*, a newsletter that offers news, independent analysis and commentary about the Global Fund to approximately 4,000 subscribers in more than 150 countries.

External coverage of the Global Fund in the media also increased in 2003, with coverage more than doubling from the first half of 2002 to the same period in 2003. In total, in 2003, approximately 1,500 print articles in 120 of the world's top media outlets published articles mentioning the Global Fund.

"We repair broken hearts": AIDS Care and Prevention in Kenya

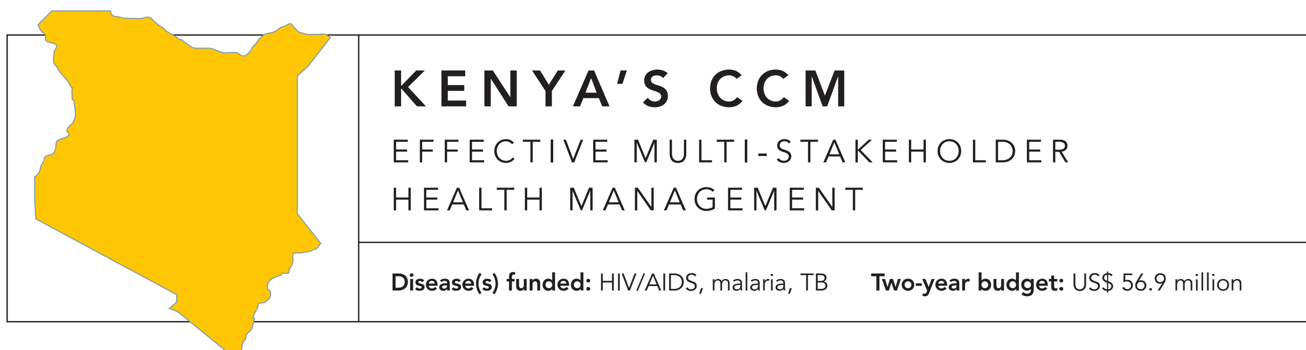
At the end of 2001, Kenya had an estimated 2.5 million adults and children infected with HIV, and an estimated 890,000 orphans who had lost one or both parents to the disease. One of the grant agreements signed at the end of March 2003 was with a remarkable NGO, the Kenya Network for Women with AIDS (KENWA).

Started in 1993 by five Kenyan women living with HIV, KENWA is a self-help community organization. At the time it designed its Global Fund application, KENWA was already reaching half a million people through a country-wide network of 2,430 women living with the disease, working in their home communities. It has over 700 orphans in its care.

The organization, whose motto is "We repair broken hearts", is staffed entirely by volunteers. Its main mission is to improve the quality of life for women living with HIV/AIDS and their affected children. "Most of the women are poor and cannot even afford clean drinking water, let alone sufficient food and drugs," says Asunta Wagura, KENWA's Executive Director and co-founder.

For KENWA, the US$ 221,000 two-year Global Fund grant is stretching far, in a program whose objectives include training for advocacy, production of educational materials and the establishment of three new drop-in centers in Thika, Mathare and Kikuyu. The existing three KENWA centers in Nairobi's slum areas are overburdened and too far away for many members to make the journey.

By its second disbursement in June 2003, KENWA had already established one of the new drop-in centers where 200 women and children affected or infected by HIV/AIDS are being given care and support. By end of January 2004, home-based care had been expanded to 540 people, 200 additional people had received counseling, thousands of health education posters and leaflets had been produced and distributed, and an additional 50 orphans had received support (including school fees, uniforms and clothing). A media forum to advocate the de-stigmatization of people living with HIV had also been hosted.



KENYA'S CCM

EFFECTIVE MULTI-STAKEHOLDER HEALTH MANAGEMENT

Disease(s) funded: HIV/AIDS, malaria, TB **Two-year budget:** US$ 56.9 million

Country Coordinating Mechanisms (CCMs) were created to ensure the broadest possible participation of all stakeholders in policy and program decisions for Global Fund grants. Where they are successful, they may prove valuable to other national disease programs and health strategies.

In most countries, the concept of an inclusive CCM is a new one, and ensuring that it works well will take time. Building on the experiences of a large number of countries, the Global Fund has created a comprehensive CCM manual, which outlines the necessary features of a well-functioning CCM while acknowledging the diversity of CCMs around the world.

One of the countries that has seen an evolution of its CCM is Kenya. In Kenya, nearly 60 percent of health services are delivered to the population by non-public sector providers — NGOs, faith-based organizations, community-based organizations and private corporations. In a drastic re-organization of its CCM, Kenya has ensured that its composition reflects this reality and that the various providers are included in program and policy discussions and decisions.

Toward the end of 2003, the Kenya CCM — known as the Joint Interagency Coordination Committee (JICC) — reduced its numbers from 35 to 16 and moved from having government-selected representation from NGOs, faith-based organizations, people living with HIV/AIDS, academia and the private sector to having representation chosen by these constituencies themselves.

The new JICC membership is made up of senior policy-level representation and chaired by the Minister of Health. The government has three seats, bilateral and multilateral development partners and faith-based organizations have three seats each, and NGOs and people living with AIDS have two seats each; professional associations, private sector and academic institutions each have one seat.

Within each technical area, an Interagency Coordination Committee (ICC) is responsible for all activities in the country. The chair of the ICC will be invited to the JICC meeting as a resource person when reports of the relevant ICC are being discussed.

While the JICC is set up to work with Global Fund programs, Kenya's aim is to expand its activities to also plan and coordinate other parts of the health sector, such as integrated management of childhood illness, reproductive health and health system development. •

PLEDGES TO THE GLOBAL FUND

ALL NUMBERS ARE IN US$'000s

PLEDGES MADE THROUGH 31 DECEMBER 2003

DONORS	DUE IN 2001 & 2002	DUE IN 2003	DUE IN 2004 AND BEYOND OR PERIOD TO BE CONFIRMED	TOTAL
Andorra	100	—	—	100
Austria	1,076	—	—	1,076
Barbados	—	100	—	—
Belgium	12,207	7,491	—	19,698
Burkina Faso	75	—	—	75
Cameroon	—	100	—	100
Canada	25,000	25,000	50,000	100,000
China	—	2,000	8,000	10,000
Denmark	14,817	13,791	—	28,607
European Commission	137,064	52,434	372,207	561,706
France	59,445	62,230	561,798	683,473
Germany	11,995	37,427	318,976	368,399
Greece	—	—	312	312
Iceland	—	—	209	209
Ireland	9,835	11,161	12,484	33,481
Italy	100,000	100,000	249,688	449,688
Japan	80,000	79,993	100,000	259,993
Kenya	8	—	—	8
Kuwait	—	1,000	—	1,000
Liberia	—	—	25	25
Liechtenstein	100	—	—	100
Luxembourg	1,038	1,095	1,248	3,381
Mexico	—	100	—	100
Monaco	44	44	—	88
Netherlands	8,087	43,590	113,608	165,286
New Zealand	—	734	—	734
Niger	—	—	50	50
Nigeria	9,000	1,000	—	10,000
Norway	17,962	17,710	18,546	54,218
Poland	—	20	—	20
Portugal	—	400	600	1,000
Russia	1,000	4,000	15,000	20,000
Rwanda	—	—	1,000	1,000
Saudi Arabia	—	2,500	7,500	10,000
South Africa	—	2,985	—	2,985
Spain	—	35,000	15,000	50,000
Sweden	22,370	11,488	41,209	75,067
Switzerland	5,594	4,406	—	10,000
Thailand	—	1,000	4,000	5,000
Uganda	—	—	2,000	2,000
United Kingdom	78,215	40,033	191,901	310,149
United States	300,000	322,725	1,000,000	1,622,725
Zambia	25	—	—	25
Zimbabwe	—	1,000	—	1,000
TOTAL	**895,058**	**882,558**	**3,085,361**	**4,862,977**

CONTRIBUTIONS TO THE GLOBAL FUND

CONTRIBUTIONS RECEIVED THROUGH 31 DECEMBER 2003

DONORS	FOR 2001 & 2002	FOR 2003	FOR 2004	TOTAL
Andorra	100	—	—	100
Austria	1,076	—	—	1,076
Barbados	—	—	—	—
Belgium	12,207	—	—	12,207
Burkina Faso	75	—	—	75
Cameroon	—	—	—	—
Canada	25,000	25,000	—	50,000
China	—	2,000	—	2,000
Denmark	14,817	13,791	—	28,607
European Commission	137,064	52,434	212,407	401,905
France	59,445	62,230	—	121,675
Germany	11,995	37,427	—	49,423
Greece	—	—	—	—
Iceland	—	—	—	—
Ireland	9,835	11,161	6,242	27,239
Italy	108,619	106,542	—	215,160
Japan	80,400	79,993	—	160,394
Kenya	8	—	—	8
Kuwait	—	1,000	—	1,000
Liberia	—	—	—	—
Liechtenstein	100	—	—	100
Luxembourg	1,038	1,095	—	2,132
Mexico	—	—	—	—
Monaco	44	44	—	88
Netherlands	8,087	43,590	—	51,678
New Zealand	—	734	—	734
Niger	—	—	—	—
Nigeria	9,081	—	—	9,081
Norway	17,962	17,710	—	35,672
Poland	—	20	—	20
Portugal	—	400	—	400
Russia	1,000	4,000	—	5,000
Rwanda	—	—	—	—
Saudi Arabia	—	2,500	—	2,500
South Africa	—	—	—	—
Spain	—	35,000	—	35,000
Sweden	22,370	11,488	—	33,858
Switzerland	5,594	4,406	—	10,000
Thailand	—	1,000	1,000	2,000
Uganda	—	—	—	—
United Kingdom	78,215	40,033	—	118,248
United States	300,000	322,725	—	622,725
Zambia	25	—	—	25
Zimbabwe	—	158	—	158
TOTAL	**904,158**	**876,482**	**219,649**	**2,000,289**

PLEDGES TO THE GLOBAL FUND (CONTINUED)

PLEDGES MADE THROUGH 31 DECEMBER 2003

DONORS	DUE IN 2001 & 2002	DUE IN 2003	DUE IN 2004 AND BEYOND OR PERIOD TO BE CONFIRMED	TOTAL
FOUNDATIONS AND NOT-FOR-PROFIT ORGANIZATIONS				
Gates Foundation	50,000	50,000	—	100,000
Int'l Olympic Committee	100	—	—	100
Other	—	—	—	—
TOTAL	**50,100**	**50,000**	—	**100,100**
CORPORATIONS				
Eni S.p.A.	500	—	—	500
Winterthur	1,000	—	—	1,000
Other	—	—	—	—
TOTAL	**1,500**	—	—	**1,500**
INDIVIDUALS, GROUPS & EVENTS				
Mr. Kofi Annan	100	—	—	100
Amb. D. Fernandez	100	—	—	100
People of Taiwan	1,000	—	—	1,000
Real Madrid Soccer Match	112	—	—	112
Treatment Action Campaign	—	10	—	10
Other - pledged	—	50	—	50
Other - unpledged	—	—	—	363
TOTAL	**1,312**	**60**	—	**1,372**
GRAND TOTAL	**947,970**	**932,618**	**3,085,361**	**4,965,950**

"WE BELIEVE THAT THE CREATION OF A GLOBAL FUND FOR AIDS, TB and Malaria has been a significant development. We hope to see increased commitment and resolve by the donor community so that the Fund can live up to its promise."

Mr Yashwant Sinha, *Minister for External Affairs for the Republic of India*

CONTRIBUTIONS TO THE GLOBAL FUND (CONTINUED)

CONTRIBUTIONS RECEIVED THROUGH 31 DECEMBER 2003

	FOR 2001 & 2002	FOR 2003	FOR 2004	TOTAL
FOUNDATIONS AND NOT-FOR-PROFIT ORGANIZATIONS				
Gates Foundation	50,000	50,000	—	100,000
Int'l Olympic Committee	100	—	—	100
Other	20	32	—	52
TOTAL	**50,120**	**50,032**	**—**	**100,152**
CORPORATIONS				
Eni S.p.A.	500	—	—	500
Winterthur	1,044	—	—	1,044
Other	18	2	—	20
TOTAL	**1,562**	**2**	**—**	**1,564**
INDIVIDUALS, GROUPS & EVENTS				
Mr. Kofi Annan	100	—	—	100
Amb. D. Fernandez	100	—	—	100
People of Taiwan	1,000	—	—	1,000
Real Madrid Soccer Match	112	—	—	112
Treatment Action Campaign	—	11	—	11
Other - pledged	—	50	—	50
Other - unpledged	242	120	—	363
TOTAL	**1,555**	**181**	**—**	**1,736**
GRAND TOTAL	**957,395**	**926,698**	**219,649**	**2,103,741**

NOTES

- For pledges made in currencies other than US dollars, the pledge amount in US$ comprises the actual US$ value realised from any contributions made plus the US$ equivalent of the remainder of the pledge calculated using UN operational rates of exchange at 31 December 2003.
- Where pledges have been made that are not specific to individual years, the amount shown as pledged for a period is the sum of contributions received in that period. The remainder is shown under "period to be confirmed".
- Some totals may not equal the sum of their constituents because of rounding.

Reconciliation with Financial Statements (all numbers are in US$'000)

Contributions per Financial Statements 2002	781,816
Contributions per Financial Statements 2003	1,368,522
	2,150,338
less: Receivable at 31 December 2003	–104,182
Contributions received through 31 December 2003	2,046,156
add: Contributions pending agreements[a]	58,677
Total contributions	2,104,833
less: Contributions towards operating expenses	–1,092
Total contributions per above	2,103,741

(a) These are not included in the financial statements prior to execution of the contribution agreements.

GRANTS *to* COUNTRIES IN NEED: PORTFOLIO MANAGEMENT

OPERATIONS

Once or twice per year, the Global Fund issues a call for grant proposals. Approximately six months after the call — during which time applicants prepare proposals and the Technical Review Panel reviews submissions and makes recommendations to the Board — the Board of the Global Fund approves technically sound programs based on available resources.

In their considerations, both the Board and the Technical Review Panel seek evidence that programs will advance proven best practices to maximize the effective prevention and treatment of AIDS, tuberculosis and malaria by leveraging and strengthening health-care systems. The Global Fund also seeks commitments to public-private partnership; to the complementarity and additionality of funding; and to measures that ensure the sustainability of programs.

In the months subsequent to Board approval, the Secretariat advances grant negotiations, including the receipt of technical clarifications to proposals and the assessment of nominated Principal Recipients. These assessments, conducted by Local Fund Agents, evaluate capacity in four areas: financial management, institutional capacity, monitoring and evaluation and procurement and supply management.

Grants with confirmed Principal Recipients commit two years of initial funding to approved programs, which are typically five years in scope. Initial disbursements follow the signing of grant agreements. These first outflows typically take place approximately one year after grantees submit their proposals to the Global Fund.

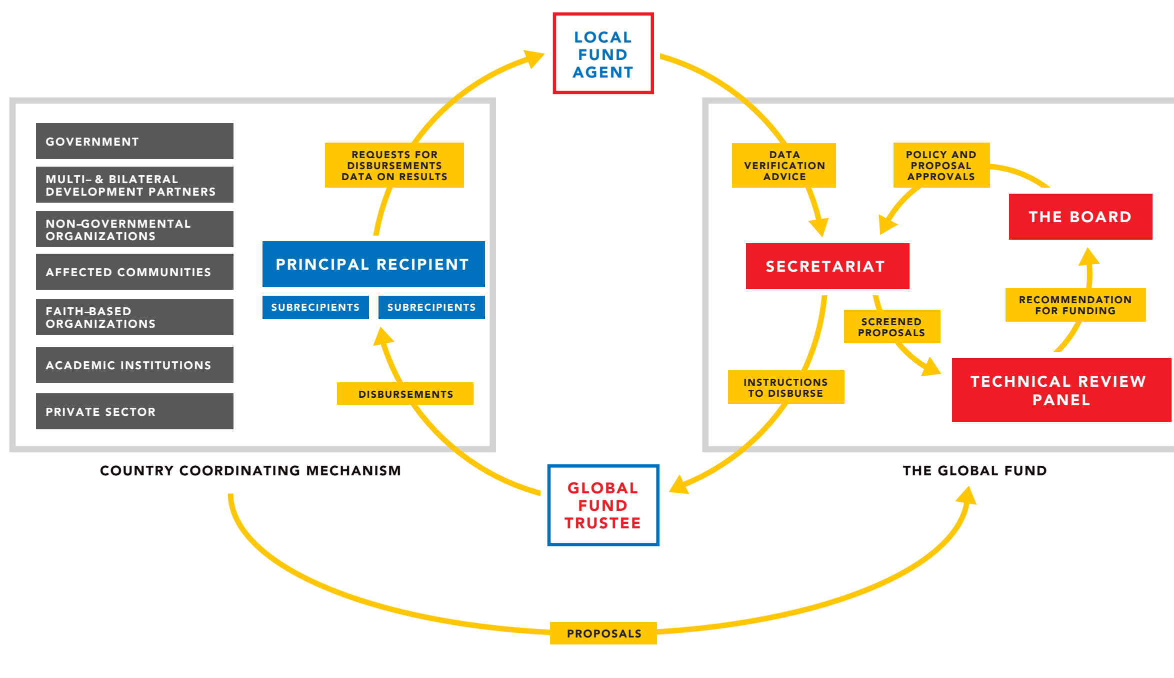
The grant agreement between the Global Fund and each Principal Recipient includes targets for program performance. Throughout the grant period, the Global Fund disburses funds against evidence of progress toward these targets.

Twenty months following the initial disbursement, the Global Fund decides whether to continue funding a program for the full term of the approved proposal, which is typically three years beyond the initial two-year commitment. This decision on phase two renewals is based on an evaluation of recipient progress toward achieving proposed results, as documented by a request for continued funding from the relevant Country Coordinating Mechanism. The first renewals of Global Fund grants will be made in 2004.

Successful programs depend on renewed funding to sustain service delivery — including maintaining antiretroviral treatment for people living with HIV/AIDS— and on the continual scaling up of efforts to extend those services to larger populations.

LEFT
Students in a Tehran girls' school. Iran's US$ 10 million HIV/AIDS program aims to reach nearly half a million young people over five years with HIV education and life skills programs.

PORTFOLIO MANAGEMENT



RESULTS

Proposals and Approvals

In January and October 2003, the Board of the Global Fund approved grants submitted in Rounds Two and Three, which brings the total size of the Global Fund's portfolio to US$ 2.1 billion in two-year grants to 227 programs in 124 countries. (These figures include 3 successful appeals against Round Three decisions, approved in March 2004.)

These approvals reflected rigorous assessments of applications by the Technical Review Panel — which has consistently recommended less than 40 percent of the proposals reviewed — following submissions by 78 Country Coordinating Mechanisms. Proposals receiving focused technical assistance from bilateral donors and multilateral organizations have fared better in this review process. In Round Three, the World Health Organization and UNAIDS focused support on applicants who had previously been rejected twice in applications to the Global Fund; as a result, 70 percent of these proposals were successful.

The majority of approved funds (58 percent) will be used to fight HIV/AIDS, while tuberculosis and malaria programs will receive 14 percent and 28 percent, respectively. While Global Fund financing will meet only a small percentage of global resource needs to fight HIV/AIDS, it is emerging as the leading source of funds in the fight against tuberculosis and malaria around the world.

As a result of changes in the eligibility criteria for applications introduced in Round Three, the amount of Global Fund finance to the world's poorest countries (classified as "low income" by the World Bank) increased to 67 percent of the total amount approved through 2003. Additional grants are made to lower-middle-income countries, such as Guatemala and Algeria, and to upper-middle-income countries facing an exceptionally high burden of one or more of the diseases, including Botswana.

The regional distribution of Global Fund grants strongly favors Africa, which has received 61 percent of the dollar value of grants through Round Three. The remainder of the portfolio focuses on other regions facing a high present burden of disease or which are at risk of future impact due to the pace with which AIDS, tuberculosis and malaria are spreading. Overall, the Global Fund's grants are spread across nearly the full range of developing countries that require support to fight these diseases. The 124 countries with grants account for 80 percent of all people living with HIV/AIDS, over 80 percent of all new smear-positive tuberculosis cases, and 65 percent of all malaria deaths.

Investments include substantial sums for the improvement of health-care systems, as approved funds balance a focus on commodities and drugs with the financing of physical and human infrastructure. Half of Global Fund grant funding will go to government agencies and half to non-governmental recipients, including community-based and faith-based organizations and people living with and affected by the diseases.

Grant Agreements and Disbursements

The Global Fund was created as an independent foundation under Swiss law in 2002 and focused its first year on

THE GLOBAL FUND GRANT CYCLE

STEP 1 The Secretariat announces a call for proposals for funding.

STEP 2 Country Coordinating Mechanisms prepare proposals based on local needs and gaps in financing. Many partners assist in this process. In each proposal, Country Coordinating Mechanisms nominate one or more Principal Recipient(s).

STEP 3 The Secretariat reviews proposals to ensure that they meet eligibility qualifications and then forwards screened proposals for detailed technical assessment.

STEP 4 The Technical Review Panel evaluates each proposal for technical and scientific merit and then makes one of the following recommendations to the Board: (1) fund, (2) fund if certain clarifications are provided, (3) encourage resubmission, or (4) do not fund.

STEP 5 The Board awards grants based on technical merit, as appraised by the Technical Review Panel, and on availability of funds.

STEP 6 The Secretariat contracts with a Local Fund Agent to certify the financial and administrative capacity of nominated Principal Recipient(s), whose confirmation may depend on formal commitments to strengthen capacities such as procurement or data monitoring.

STEP 7 The Secretariat and each Principal Recipient enter into a grant agreement that specifies conditions precedent to disbursement and the programmatic indicators and milestones that the recipient will use to track progress.

STEP 8 The Secretariat instructs the trustee to disburse funds to the Principal Recipient, who allocates further monies to sub-recipients.

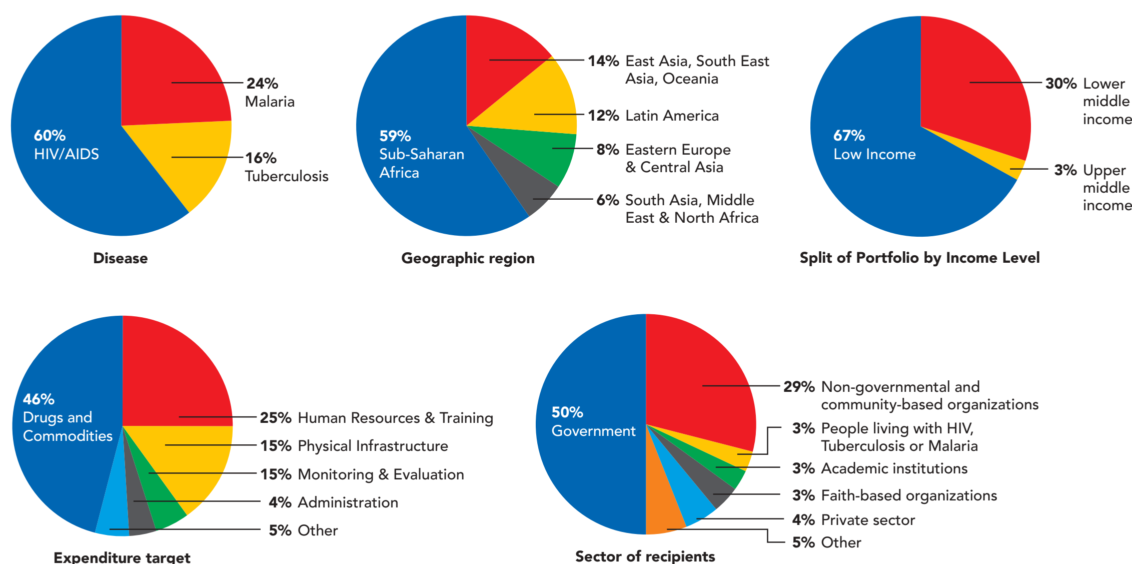
STEP 9 Programs begin and services expand. The Country Coordinating Mechanism oversees program implementation by recipients, who work with many partners to scale up the fight against disease and link grants from the Global Fund to other domestic and donor-funded activities.

STEP 10 The Principal Recipient submits to the Secretariat, through the Local Fund Agent, periodic disbursement requests, which provide updates on grant progress. The Local Fund Agent verifies information submitted and recommends disbursement based on demonstrated performance.

STEP 11 The Principal Recipient reports fiscal-year progress and conducts annual financial audits. Country Coordinating Mechanisms support systems for data monitoring and evaluation. Local Fund Agents continue to verify data submitted by recipients.

STEP 12 Twenty months after initial receipt of funds, the Country Coordinating Mechanism requests funding beyond the initial two-year grant commitment to finance the full term of approved programs that are working effectively. The Global Fund approves such requests as progress is verified and on the basis of resource availability.

DISTRIBUTION OF THE GLOBAL FUND PORTFOLIO



designing and constructing an innovative system for making and monitoring grants. The Global Fund signed its first grant agreements — with Ghana, Haiti, Sri Lanka, and Tanzania — in December 2002. In 2003, the number of countries with signed grant agreements rose from 4 to 77, increasing formal commitments of funds from more than US$ 50 million at the start of the year to more than US$ 1.1 billion by the end of the year.

"THE GLOBAL GUND IS ENTIRELY COUNTRY-DRIVEN. We finance what Malawians think is best for Malawi, not what we think is best for Malawi."

Richard Feachem, *Executive Director of the Global Fund*

These commitments were entirely to proposals approved in the first two rounds, as the Board only considered Round Three in late October 2003. For the first two rounds, approximately 80 percent of the approved proposals had moved forward to formal commitments by the end of the year. All but two components from Round One — in particularly challenging grant environments — were complete, as were 70 percent of the proposals approved in the second round.

For grant agreements signed through December 2003, 140 Principal Recipients were certified to act as accountable parties for approved grants. Of these Principal Recipients, 38 percent are Ministries of Health; 29 percent are other government recipients, particularly Ministries of Finance and multi-sector National AIDS Councils; 14 percent are country offices of the United Nations Development Program; and nearly 19 percent are non-public recipients, including non-governmental organizations, faith-based organizations, foundations and academic institutions.

While the Global Fund defers to Country Coordinating Mechanisms to nominate Principal Recipients, it continues to encourage innovation in their selection, particularly to maximize absorption capacity for large grants by spreading the responsibilities of program management and ongoing financial flows across multiple public and private parties.

For example, Zambia chose to channel its sizable grant — which in 2002 nearly doubled annual commitments in that country to development assistance for health — through four Principal Recipients: the Central Board of Health (part of the Ministry of Health) through a basket fund for district-level responses; the Churches Health Association for faith-based efforts; the Zambia National AIDS Network for non-governmental organization programs; and the Ministry of Finance to disburse funds to line ministries.

Other non-governmental Principal Recipients include CARE in Peru; Catholic Relief Services and Population Services International in Madagascar; the Kenya Network of Women with AIDS; a multi-country grant to the Lutheran World Federation; the Tropical Disease Foundation in the Philippines; and World Vision in

Armenia. In Chile, the private organization Consejo de las Américas (Council of the Americas) was chosen following an open tender commissioned by the Country Coordinating Mechanism.

The United Nations Development Program has played a unique role in serving as Principal Recipient for the Global Fund in settings where local capacity is limited. Part of the commitment of the United Nations Development Program is to build local capacity in order to transfer its responsibilities to alternative parties, particularly in the transition to phase two grant commitments.

The diversity of Principal Recipients is reflected in the breadth of Local Fund Agents that work on behalf of the Global Fund in recipient countries. In May 2003, the Global Fund began a global tendering process to competitively select a set of Local Fund Agents for all countries in which the Global Fund either has a grant or may have one in the future. The result is cost-effective contracts with a wide range of organizations, particularly ones that leverage and apply the expertise of the private sector to this oversight role. The Global Fund's Local Fund Agents include Chemonics International Inc., Crown Agents for Overseas Governments and Administrations Limited, Deloitte Touche Tohmatsu Emerging Markets Group, KPMG International, Pricewaterhouse-Coopers, the Swiss Tropical Institute of Chad and the United Nations Office for Project Services.

The interaction between Principal Recipients and Local Fund Agents is the basis for the ongoing disbursement process that follows the signing of grant agreements, whereby Principal Recipients submit disbursement requests to Local Fund Agents for verification of data presented to recommend an action to the Global Fund's Secretariat.

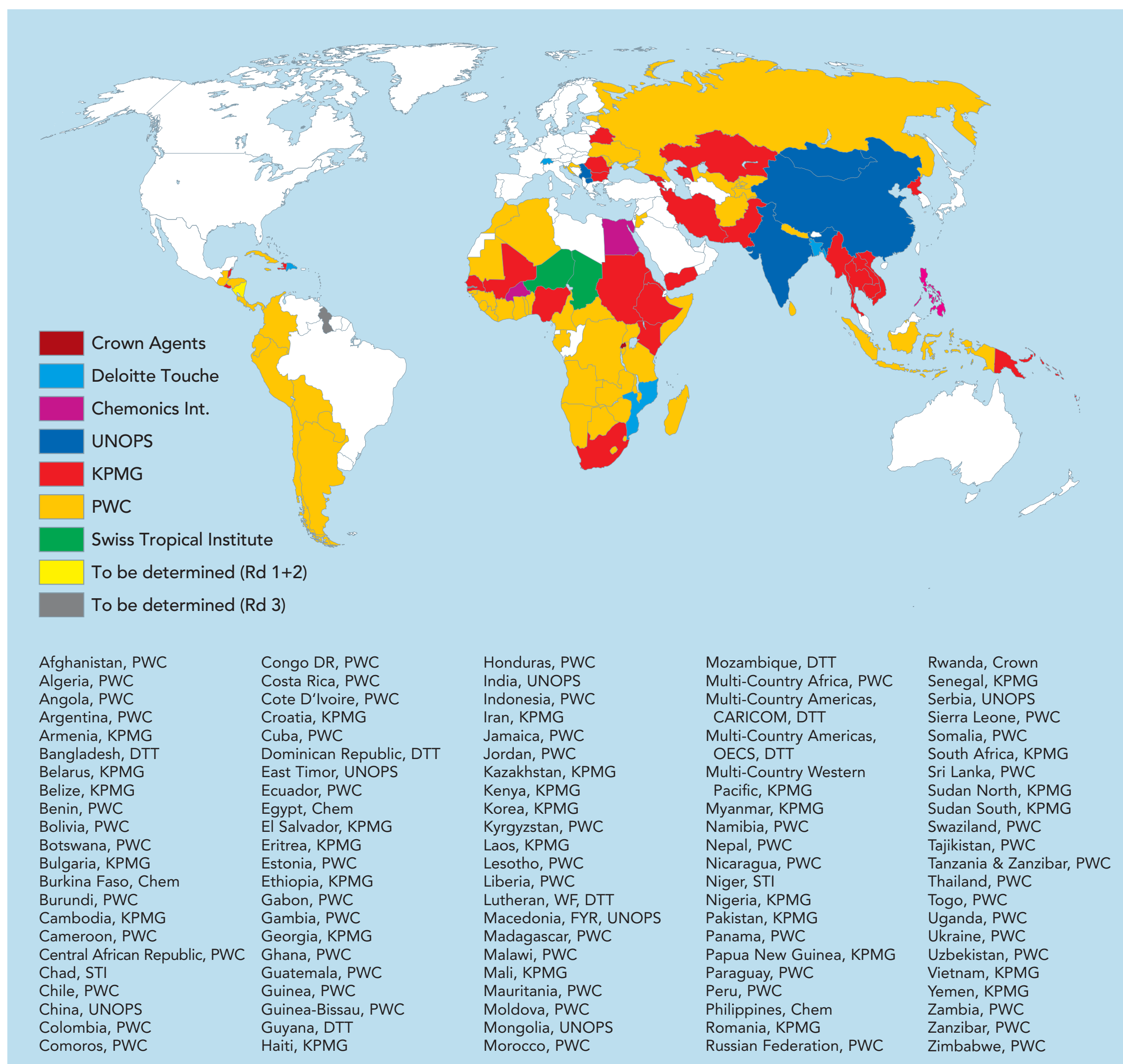
In the Global Fund's second year, disbursements rose dramatically, from US$ 1 million disbursed to Ghana in December 2002 to more than US$ 232 million to 130 programs by the end of 2003. This amount exceeded a US$ 200 million target set by the Secretariat and is the basis for an ambitious goal of disbursing approximately US$ 1 billion by the end of 2004. Disbursements in 2003 included many first disbursements as well as a steadily growing number of second, third, and even fourth disbursements based on measurable evidence of grant progress.

First disbursements from the Global Fund varied considerably in size in 2003, ranging from about US$ 300,000 to fight AIDS in Malawi to more than US$ 20 million to fight AIDS in Ethiopia. The reason for this variance is the approach taken to signing grant agreements and in particular the nature of conditions precedent to large disbursements for the procurement of medicines. In 2003, aspiring to ensure initial outflows, the Global Fund often deferred procurement assessments until after grant signing and initial disbursements.

Following a complete review of the Principal Recipient assessment framework in late 2003, the Secretariat committed to a new approach for 2004 in which all Principal Recipient assessments are completed before grants are signed for an approved proposal. While this will delay the agreements themselves, the policy will enable quicker and more sizable first

ABOVE
Patients and relatives wait to be seen by staff at Hospital Torax, Tegucigalpa, Honduras, where a US$ 3.8 million TB program is aimed at the 3.2 million Hondurans who live in the areas with the greatest incidence of tuberculosis. Its activities range from strengthening of the Honduran laboratory diagnostic network, to implementing a DOTS-PLUS strategy, and procuring drugs for multi-drug resistant TB patients.

LOCAL FUND AGENTS BY COUNTRY DURING 2003



disbursements to accelerate program implementation once the grants commence.

Nonetheless, the magnitude of overall disbursements in 2003 was robust. Unfortunately, misperceptions persist about how to judge the performance of the Global Fund in this regard. As the volume of outflows should keep pace with what recipients are expending and requesting, the amount of disbursement will always be less than the amount committed by the Global Fund Board. Because the signing of grant agreements and their start dates are staggered following proposal approval, the amount disbursed for a given round will not be proportionate to the time elapsed from approval.

As an indication of the relative magnitude of disbursements, it is worthwhile noting that the US$ 232 million disbursed by the end of 2003 represents 21 percent of the two-year commitment to those programs for which at least an initial disbursement had been made. This is a substantial investment for a performance-based approach and affirms the ability of recipients to use the funds that they are receiving steadily and responsibly. The sections below offer additional discussion of the performance measurement of the Global Fund's disbursements through 2003.

All information on agreements and disbursements, including grant agreements and disbursement requests — as well as copies of approved proposals, contact information for each country's Country Coordinating Mechanism, Principal Recipient(s), and Local Fund Agent — is available on the Global Fund's website at www.theglobalfund.org. This transparency enables all stakeholders, especially those in recipient countries, to contribute to the oversight of and accountability for the way Global Fund financing is used and whether it is achieving maximum impact in the fight against AIDS, tuberculosis and malaria.

MADAGASCAR

MAKING A BIG DIFFERENCE WITH A SMALL INVESTMENT

Disease(s) funded: HIV/AIDS, malaria **Two-year budget:** US$ 23.9 million

Malaria is the leading cause of death in Madagascar and disproportionately so for children under five. Over 1.4 million cases were reported in 2000 in Madagascar's predominantly rural population of 17 million.

Given its political conflicts over the past few years, Madagascar was unable to create a Country Coordinating Mechanism, so three proposals from two nongovernmental organizations were approved in Rounds One and Two for AIDS and malaria. Another two proposals for AIDS and malaria were approved in Round Three.

A US $1.5 million grant was awarded to Population Services International (PSI) to expand an ongoing program to subsidize and market pre-treated long-lasting bed nets. Despite its relatively modest budget, the program aims to reduce the number of malaria cases by 30 percent and deaths by 20 percent among pregnant women and small children.

By the end of 2003, PSI had received half of the awarded funding and was exceeding its targets of establishing points of sale for treated bed nets, holding mobile video unit events to educate communities and distributing and selling subsidized nets.

PSI has instigated an innovative price structure that subsidizes below-cost nets for more needy rural populations while providing above-cost (but still competitively priced) nets targeted at urban populations.

The introduction of Global Fund financing has catalyzed a broad national response, leading to the development of a nationwide strategy for the distribution of bed nets by PSI. This national framework has encouraged other donors to increase their commitment to malaria control in Madagascar, thus ensuring additionality of Global Fund resources to other financing efforts in the country.

To publicize the scheme and the nets, PSI is dramatically expanding its behavior-change communications strategy, including radio spots, printed materials, point-of-sale promotions, mobile video units in rural areas and advocacy through local NGOs.

When signed, the US$ 5.3 million (over two years) Round Three grant for malaria will expand and complement current activities by PSI and strengthen national detection and treatment capacity for malaria. •

DOCUMENTING RESULTS: PERFORMANCE MEASUREMENT

OPERATIONS

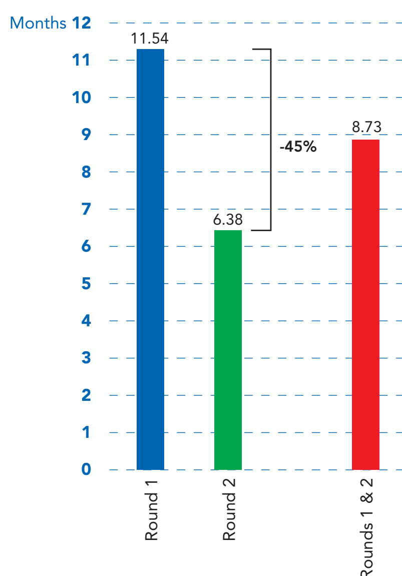
Effective monitoring and evaluation inform the Global Fund's model of performance-based financing. Within countries, grant performance is measured regularly to ensure that resources achieve promised results in reducing illness and death caused by AIDS, tuberculosis and malaria.

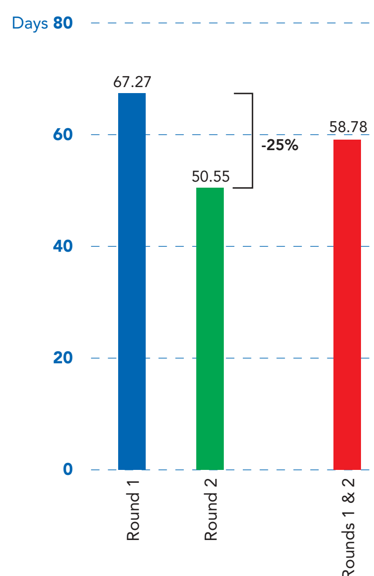
Reporting by Principal Recipients is the basis for monitoring and evaluating individual grants awarded by the Global Fund. Local Fund Agents monitor and verify data submitted on grant progress, included as part of disbursement requests, fiscal year updates and phase two renewal requests.

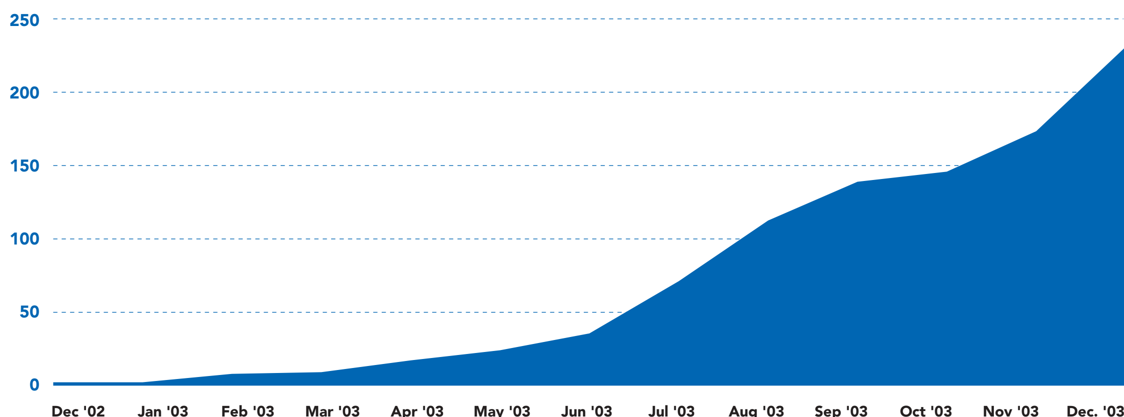
The Global Fund requires that its grants build and reinforce existing country frameworks in the fight against the three diseases. As a result, its data-reporting requirements have been designed to be minimal and flexible in order to avoid additional administrative burdens on recipients while maintaining the necessary accountability.

As countries often have such requirements from a wide range of donors, the Global Fund worked closely in 2003 with seven other agencies — UNAIDS, the United Nations Children's Fund, the United States Agency for International Development, the US Department of State, the US Department of Health and Human Services, the World Bank and the World Health Organization — to agree on common terms for monitoring and evaluation, including shared definitions of service-delivery areas, categories and indicators for the three diseases. The result of this interagency effort is a Monitoring and Evaluation Toolkit that is now broadly available to guide

KEY INSTITUTIONAL INDICATORS







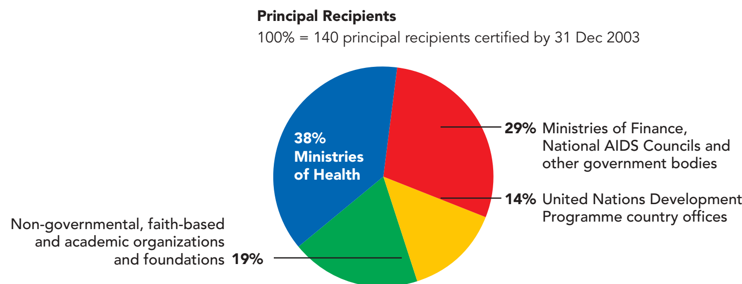
recipients through the process of harmonizing their monitoring and evaluation structures.

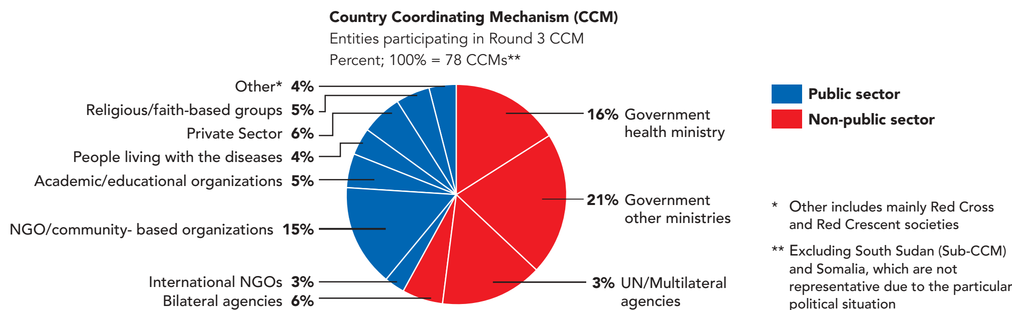
In the near term, data from the country level will focus on measures of achievement. Progress over the medium term will be reflected by information on the expanded coverage of services and interventions, which in turn will make possible an assessment of the programs, through impact on the spread and burden of the three diseases.

Along with the need to measure progress against the three diseases within countries is the imperative to demonstrate the worldwide effectiveness of the Global Fund as a financing mechanism. As a new channel of international aid, the Global Fund must confirm that its operations are transparent, effective and efficient.

The Global Fund has begun to put in place a series of indicators to measure its performance as a grant-making institution, monitored continually by the Secretariat. The Global Fund will commission independent external evaluations of particular areas of operations regularly— in addition to annual financial audits — and will leverage external studies to improve operating processes and procedures.

KEY INSTITUTIONAL INDICATORS (CONTINUED)





RESULTS

Institutional Performance

The core business of the Global Fund is portfolio management, and this forms the basis of two areas of institutional performance assessment: the pace of grant management, which tracks the Global Fund's processes through to the point at which cash outflows begin, and disbursement activity. An additional area for assessment is the operational efficiency with which the Global Fund conducts its business.

Grant management

The broadest indicator for the pace of grant management is the time from which proposals are submitted to the time first disbursements are received. Based on data up to December 15, 2003, the average time period was 14.5 months for proposals approved in Round One (based on 96 percent of components signed) and 11.8 months for proposals approved in Round Two (based on 69 percent of components signed). This reflects that the Secretariat was still developing portfolio management procedures when the Board approved Round One proposals. The comparison between rounds will be most useful when all grant agreements from each approved round, or at least an equal share, have been completed and first disbursements made.

This broad indicator captures the pace of distinct phases of the grants management process. For example, the time from application deadline to Board approval varied for the first three rounds of proposals from 1.5 months for the first round, to 4.1 months for the second round, to 4.6 months for the third round. The fourth round has scheduled three months for this period of grants management, which includes technical review.

The median time from Board approval to the completion of clarifications requested by the Technical Review Panel, which precedes grant negotiations, varied from five months for Round One to three months for Round Two, based on data available through 2003. The median time from the completion of technical clarifications to the signing of grant agreements was seven months for Round One and four months for Round Two.

For grants signed in the first quarter of 2003, a median of 63 days elapsed from signing to the first disbursement. In the second, third and fourth quarters of the year, this pace was 33, 80 and 28 days, respectively.

> "THE GLOBAL FUND REPRESENTS an opportunity for poor countries to expand their response to HIV/AIDS and diseases of poverty much faster than would have been imaginable a few years ago. It has raised AIDS, TB and malaria on to center stage as urgent, global priorities."
>
> Baroness Valerie Amos, *UK Secretary of State for International Development*

PROJECTED OUTCOMES

700,000 PEOPLE	on antiretroviral treatment, tripling current coverage in developing countries
35,000,000 CLIENTS	reached with voluntary counseling and testing services for HIV prevention
MORE THAN 1,000,000	orphans supported through medical services, education and community care
NEARLY 3,000,000	additional tuberculosis cases treated successfully with DOTS after case diagnosis
TRIPLING OF TREATMENT	of multi-drug resistant tuberculosis, with more than 8,000 new treatments
DELIVERY OF 22,000,000	artemisinin-based combination drug treatments for resistant malaria
64,000,000 BED NETS	financed to protect African families from transmission of malaria

Disbursement activity

Once disbursement begins, disbursement activity itself becomes a core area for performance assessment, both of the Global Fund Secretariat and of its grantees and their ability to effectively and efficiently use disbursed funds. In this area, the principal indicator is the ratio of actual disbursement value to the disbursements budgeted and projected in grant agreements. In aggregate, this indicator takes the median value of the calculation for each of a set of grants one year after initial disbursement.

Through 2003, this was only possible for two grants, both given to Ghana's Ministry of Health for AIDS and tuberculosis activities. On December 18, 2002, just under US$ 900,000 was disbursed to Ghana for these two grants. By December 31, 2003, disbursements for the grants totaled US$ 3.2 million. The budgets of these agreements projected that US$ 3.4 million would be disbursed in the first year. The ratio of actual to budgeted, in this case, is therefore 93 percent.

Through the first quarter of 2004, this calculation was possible for 16 grants made by the Global Fund, and the median value of this ratio across this set of grants — based on one-year maturity for each grant — was 76 percent. These are high ratios, given precedents in development finance and development assistance for health specifically, but the indicator will be more meaningful when the calculation can be conducted for a broader set of grants later in 2004.

For this area of performance, additional indicators include the median number of disbursements per grant for all grants that have reached a certain maturity. Examining those grants for which one year had elapsed since initial disbursement by the end of the first quarter of 2004, this revealed three disbursements per grant.

By December 31, 2003, disbursements by the Global Fund included the fulfillment of both initial and ongoing disbursement requests. By dollar value, the US$ 232 million disbursed by year end was split among first, second, third and fourth disbursements as follows: 79 percent, 17.9 percent, 1.7 percent and 1.5 percent, respectively. While most of the funds disbursed by the Global Fund through 2003 were first disbursements, program performance in 2004 will be reflected by a greater share of resources disbursed to second and ongoing disbursements.

Another indicator of disbursement activity is the ratio of disbursements to commitments for those grants for which disbursements have begun. Through 2003, this value was 21 percent, revealing that a large amount

of resources were immediately available for those grantees with whom grant negotiations had advanced to initial cash outflows.

Operational efficiency

The operating expenses of the Global Fund comprise the expenses of the Secretariat, Board and Technical Review Panel, and fees paid to Local Fund Agents for oversight of the fund's grants in recipient countries. An indicator used to measure the efficiency of this operating overhead is the ratio of operating expenses to total expenditure. Total expenditure reflects both grant expenditure — the amount of grant commitments entered into during the year — and operating expenses.

In 2003, operating expenses were three percent of total expenditure. Within this indicator, Secretariat expenses represented 1.9 percent of total expenditure, Local Fund Agent fees represented 0.9 percent, and meetings of the Board and Technical Review Panel accounted for 0.2 percent. Secretariat expenses relate to managing the grant cycle, from facilitating the proposal process through to grant negotiations and disbursements, implementation follow-up and the monitoring and evaluation of performance, together with resource mobilization and communications, and the support infrastructure to enable these activities. Local Fund Agent fees are for assessing grant recipients prior to grant signing and for monitoring performance throughout the life of the grant.

Comparing operating expenses to investment income reveals the extent to which the Fund's operating overhead is financed by income other than donor contributions. In 2003, investment income covered 87 percent of operating expenses.

Other indicators

There are several other areas that require evaluation, but for which relevant indicators are more difficult to define and data more difficult to obtain. One of these is additionality. Funds committed to the Global Fund by donors should be additional to their existing commitments to a country, region or disease arena to ensure an overall scaling up of the resources dedicated to fighting the three diseases. Similarly, funds used by recipients should be additional to budgets already dedicated to public health programs to maximize the use of both domestic and international resources and improving health outcomes overall.

Systematic analyses of additionality are difficult. Evidence of donor additionality is largely anecdotal but indicates that Global Fund financing has increased overall funding for the three diseases. The need for recipient additionality is the subject of terms in each grant agreement and has been the cause of unbending negotiations between the Global Fund and recipients in advance of signing agreements. It is, however, difficult to assess across the breadth of the portfolio.

Another area critical to the institutional performance of the Global Fund, but also difficult to measure, is engagement of civil society. The Global Fund exists, in part, to better engage non-governmental partners in the fight against the three diseases. Data indicate that this is happening. Non-governmental entities received 50 percent of the money approved in the three proposal rounds complete through 2003. Non-governmental entities comprised 19 percent of the Principal Recipients confirmed by the end of 2003, and 43 percent of the average composition of Country Coordinating Mechanisms which submitted applications in Round Three were non-governmental. However, the quality of this participation and its impact are difficult to quantify.

Similarly, it is difficult to assess the performance and inclusiveness of Country Coordinating Mechanisms. A comparison between those submitting proposals to the second and third rounds reveals some improvements, with an equal share of average composition drawing from non-governmental representatives but greater participation by other critical partners, including Ministries of Finance, the World Bank and bilateral partners. Data on composition, however, reveal little about performance, particularly the ongoing activities of Country Coordinating Mechanisms in coordinating program implementation and data monitoring.

It is in the areas described above that qualitative analyses are important in characterizing the Global Fund's performance. The Global Fund itself commissions studies to critically examine areas of its activity that require independent and focused evaluation. Other organizations also commission studies about the Global Fund or its processes.

> "THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA HAS EMERGED as a key instrument in the developing countries. We must provide it with the support it needs. We must ensure its long-term funding."
>
> Jacques Chirac, *President of the Republic of France*

A number of studies have taken place or are ongoing. The most frequent subject of analysis is the Country Coordinating Mechanisms. For example, Belgian partners commissioned a study on the Country Coordinating Mechanism in Cambodia; the United Kingdom's Department for International Development conducted case studies on those in Ghana, Kenya, Malawi, Uganda and Ukraine; UNAIDS examined the role of Country

ABOVE
Girl on her way to wash dishes, at Sir Lowries, near Gordon's Bay, Western Cape, South Africa. The Western Cape HIV/AIDS program works towards delivering optimal service to all people with HIV/AIDS in the region by strengthening the existing response and expanding existing treatment to include access to anti-retroviral treatments.

Coordinating Mechanisms in broader country-level efforts to coordinate multi-sectoral responses to AIDS; and the Global Fund itself in 2004 is doing case studies on more than a dozen Country Coordinating Mechanisms with support from development partners in France and Germany.

Building on 2002 studies by the International Council of AIDS Service Organizations and the International HIV/AIDS Alliance, in 2003 the Global Network of People Living with HIV began a study of the role and ability of Country Coordinating Mechanisms to engage people living with HIV. The International Council of Research on Women received support from the Ford Foundation to begin a study of Country Coordinating Mechanisms and gender. Both of these studies will report their results in 2004.

The London School of Hygiene and Tropical Medicine is conducting what is arguably the deepest study of the Country Coordinating Mechanisms in four countries: Mozambique, Tanzania, Uganda and Zambia. This study will last from April 2003 to July 2004 with support from aid agencies in Denmark, Ireland, the Netherlands and the United Kingdom. Interim findings of the study affirm the Global Fund's role in highlighting the weaknesses of health delivery systems — and the need to invest in them — and the Global Fund's ability to better engage non-governmental partners in comprehensive national responses to the three diseases. Equally, the study reinforces the needs for improved representation of and communication between stakeholders, for coordination between donors to harmonize policies and processes, and for additional capacities to assist recipients in achieving proposed grant targets and ensure accountability for the use of funds.

Other studies of the Global Fund are thematically oriented. More than half a dozen partners in donor and recipient countries have established a collaborative group to examine systems-wide effects of the Global Fund; for example: policy coordination, human resources and pharmaceutical procurement. Analyses will focus on approximately one dozen countries, with the study relying on support from the European Commission and USAID.

Another thematic study will assess the innovations of the Global Fund in development finance, evaluating where they have added value and what challenges exist to realize additional benefit. The Center for Global Development is pursuing this research with support from the Hewlett Foundation. It, too, will report its findings in 2004.

A final study of note for 2003 is the external evaluation of the Global Fund by the United States General Accounting Office. The analysis affirmed noteworthy progress in establishing governance, oversight and grant-making systems and observed that the Global Fund faces many challenges, including ensuring that grants add to and complement existing spending. The report affirmed that existing levels of pledges threaten the Global Fund's ability to approve and to finance additional grants, and it identified the need for improvements in the function of Country Coordinating Mechanisms.

In sum, these studies are as important in the assessment of the Global Fund's institutional performance as its own indicators. In both cases, the Global Fund uses them as ongoing inputs to operational improvements. As a young organization with a broad mandate, the Global Fund must transform constructive criticism into concrete applications to increase its effectiveness while maintaining as much momentum as possible in the fight against AIDS, tuberculosis and malaria.

Grant Progress

By the end of 2003, there was only one Global Fund grant for which one year had elapsed since the initial disbursement of funds. Therefore the Global Fund had received

PHILIPPINES

SCALING UP PRIVATE SECTOR ENGAGEMENT

Disease(s) funded: HIV/AIDS, malaria, TB **Two-year budget:** US$ 14.2 million

The Philippines has long been known for an active civil society and for governments that work closely with non-governmental organizations.

This tradition has been extended to the implementation of the Global Fund's grants in the country, where a private foundation has been named Principal Recipient for all three grants approved by the Global Fund and also serves as the vice-chair of the Country Coordinating Mechanism.

The Tropical Diseases Foundation (TDF) was elected as a Principal Recipient by the CCM after successful grant applications in Round Two. The Ministry of Health works under TDF as a sub-recipient — testimony to their well established working relations.

The Philippines has three grant agreements with the Global Fund: two approved in Round Two for malaria and tuberculosis respectively, and one approved for HIV/AIDS in Round Three. The overall two-year approved funding is US$ 14.1 million, of which US$ 3.1 million has been disbursed to date.

The TB program best illustrates how the Philippines manages to work across traditional barriers in the health sector. The Philippines has one of the highest burdens of TB in the world. In 1997, the Department of Health in the Philippines commissioned TDF to conduct a prevalence survey on TB. Results were surprising, showing that 75 percent of people displaying TB symptoms did not consult any professional help. Of those that did, only seven percent used government services despite TB diagnosis and treatment in this sector being free of charge.

TDF then set up a program in the private Makati Medical Centre in Manila in 1999 to run DOTS-based treatment and to investigate the high default rate among those using TB drugs. The Ministry of Health supplied the necessary drugs and TDF provided facilities and the appropriate staff; four months after the beginning of the program, it was clear that a number of patients were failing treatment because they had become resistant to first-line TB drugs.

The Philippines was the first country to apply to the Stop TB Partnership's Green Light Committee for second-line TB drugs, and the first to be approved. With the help of Global Fund money, the Philippines was able to place orders in the second half of 2003 and is now awaiting delivery. This would not have been possible without the collaboration between the government and the private sector and their joint work concerning TB research and treatment.

Part of the Global Fund grant money will be spent on training more private practitioners on DOTS and DOTS-Plus (for multi-drug resistant TB). Private doctors are encouraged to either refer patients to the health centers that offer DOTS or to set up the facilities themselves, with the Ministry of Health providing the TB treatment and the private sector providing staff and the facility for the DOTS programs to run. To date, one central unit of this new Public-Private Mix program has opened, along with five regional units.

To reach the large numbers of people with TB symptoms who do not seek professional help for diagnosis, Global Fund grant money will support the NGO World Vision to launch an extensive advocacy campaign. The messages will provide information about where to access treatment and, just as importantly, they will focus on demystifying the disease, since stigma continues to keep people away from clinics for diagnosis and treatment. •

no annual updates, reporting fully with data of grant progress. The receipt of these reports — in conjunction with greater standardization of the indicators reported and the establishment of an information-management system by the Global Fund — will enable the first systematic review of the Global Fund's portfolio by mid-2004.

In the interim, the best source of data on grant progress is disbursement requests, which report more briefly on results to justify continued financial outflows by the Global Fund. These reveal progress by recipients in building the infrastructure necessary to expand service delivery to large populations as well as the initial coverage of those services. This is best reflected by the first

"WE ALSO BELIEVE THERE IS A NEED to create a global system for monitoring and neutralizing dangerous infectious diseases. And we consider the activities of the Global Fund to be a real manifestation of international solidarity in fighting the spread of AIDS, tuberculosis and malaria".

Vladimir Putin, *President of the Russian Federation*

countries to sign grant agreements with the Global Fund: Ghana, Haiti, Sri Lanka and Tanzania.

In Ghana, training health-care staff has proceeded as a critical first step to scaling up HIV voluntary counseling and testing services, mother-to-child transmission prevention programs and access to antiretroviral treatment. By the end of the first quarter in 2003, the targeted counselors, supervisors, laboratory technicians and midwives had received training, and the program's next phase was underway. In addition, detection and treatment of tuberculosis had begun, following the renovation of more than 20 centers providing these services and the training of private practitioners to extend the delivery of tuberculosis programs from the public sector.

The AIDS grant to Haiti is rapidly having an impact on the ground. By the end of 2003, more than 2,500 pregnant women had been tested for HIV, of whom nearly 70 were diagnosed as HIV-positive and enrolled in a mother-to-child transmission prevention program. In addition, recipients increased the number of centers offering voluntary counseling and testing from 3 to 13, and the number of patients living with HIV who were receiving antiretroviral treatment rose from 50 to over 2,000 by the end of 2003.

Sri Lanka's malaria program distributed 10,000 of a planned 100,000 insecticide-treated bed nets by the end of 2003, with many of these nets reaching people returning to their villages after years of civil conflict. The program plans to complete distribution of an additional 40,000 nets by February 2004, with 40,000 more to be delivered in March.

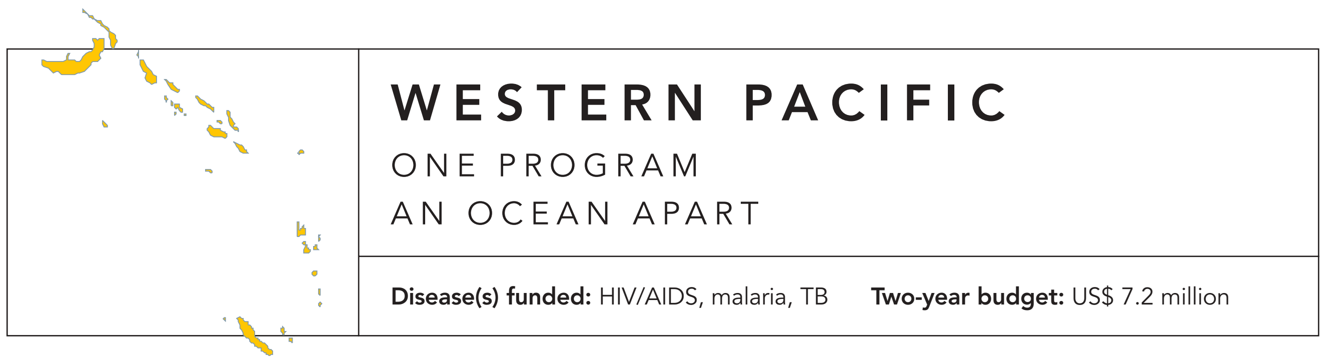
While progress in Ghana, Haiti and Sri Lanka has been steady — with 47 percent of their two-year commitments disbursed one year from initial disbursement — in Tanzania, the pace of implementation has been slower, with US$ 500,000 of the malaria grant disbursed by end of 2003. Tanzanian recipients are working to increase the pace of implementation.

While other grants in the Global Fund's portfolio are less mature, many are showing results quickly. Between April and June 2003, despite the focus of public-health capacity on the SARS crisis, the Chinese Center for Disease Control and Prevention trained a staff of more than 1,000 to diagnose and treat tuberculosis. Also, recipients broadcast educational television messages about tuberculosis control to more than 1,000 counties. Nearly 40,000 new cases of active tuberculosis were detected, enabling the expansion of the DOTS treatment strategy to new regions. The program aims to extend DOTS coverage to at least 90 percent of China's population by 2010 and to treat an additional 93,000 patients with infectious tuberculosis by 2006.

In Zambia, a Global Fund grant has financed a shift in the treatment of malaria to third-generation medications effective against strains of the parasite that are resistant to first- and second-generation drugs. In 2003, approximately two million treatments of artemisinin-based combination therapy (ACT) were purchased. As part of a phased integration process for ACT treatment, the first ten districts received shipments of the medication to begin delivery to patients. The grant is also funding an insecticide-spraying program based on a model designed by a local mining company.

Between March and June, nearly 300 educators in Morocco were trained in HIV prevention, and 3,800 young people and nearly 200 commercial sex workers received education on how to avoid infection. In the first two months of its mother-to-child transmission prevention program, Cuba treated 300 pregnant women infected with HIV, and plans are in place for a steady scale up of enrollees following the procurement of additional medication. Honduras doubled the number of people on antiretroviral treatment, clearing a previous waiting list of people living with HIV who were without access to these life-sustaining medications.

These figures represent small and important steps toward ambitious targets. Proposals approved by the Global Fund aspire to reach tens of millions of people with services that will prevent and treat AIDS, tuberculosis and malaria. Their use of initial financing in 2003 has laid the foundation for that impact in the years ahead. •



WESTERN PACIFIC

ONE PROGRAM AN OCEAN APART

Disease(s) funded: HIV/AIDS, malaria, TB **Two-year budget:** US$ 7.2 million

Using technology to overcome the vast distances of the Pacific Ocean, the Western Pacific multi-country proposal has become a model for the ways in which multiple countries can come together under one umbrella proposal, one Country Coordinating Mechanism and one Principal Recipient.

The Global Fund approved three grant agreements worth a total of US$ 7.2 million over two years for HIV/AIDS, tuberculosis and malaria in Round Two to eleven Pacific nations of Fiji, Cook Islands, Federated States of Micronesia, Kiribati, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. By the end of 2003, US$ 2.4 million was disbursed.

The HIV/AIDS project will cover all eleven islands and will aim to maintain HIV prevalence among high risk populations at less than two percent. It will achieve this by strengthening the control of sexually transmitted infections and HIV, and promoting interventions to reduce risk behavior via peer education and outreach activities.

The malaria component covers two nations, the Solomon Islands and Vanuatu, as only these two out of the eleven have a high malaria burden. The goal of the Global Fund program is to reduce morbidity due to malaria in both nations by 50 percent and mortality by 80 percent for the Solomon Islands and 100 percent for Vanuatu within five years.

The TB project includes ten out of the eleven countries and will reach a total population of 1.1 million people. The goal of the project is to reduce the TB burden by one third by 2007.

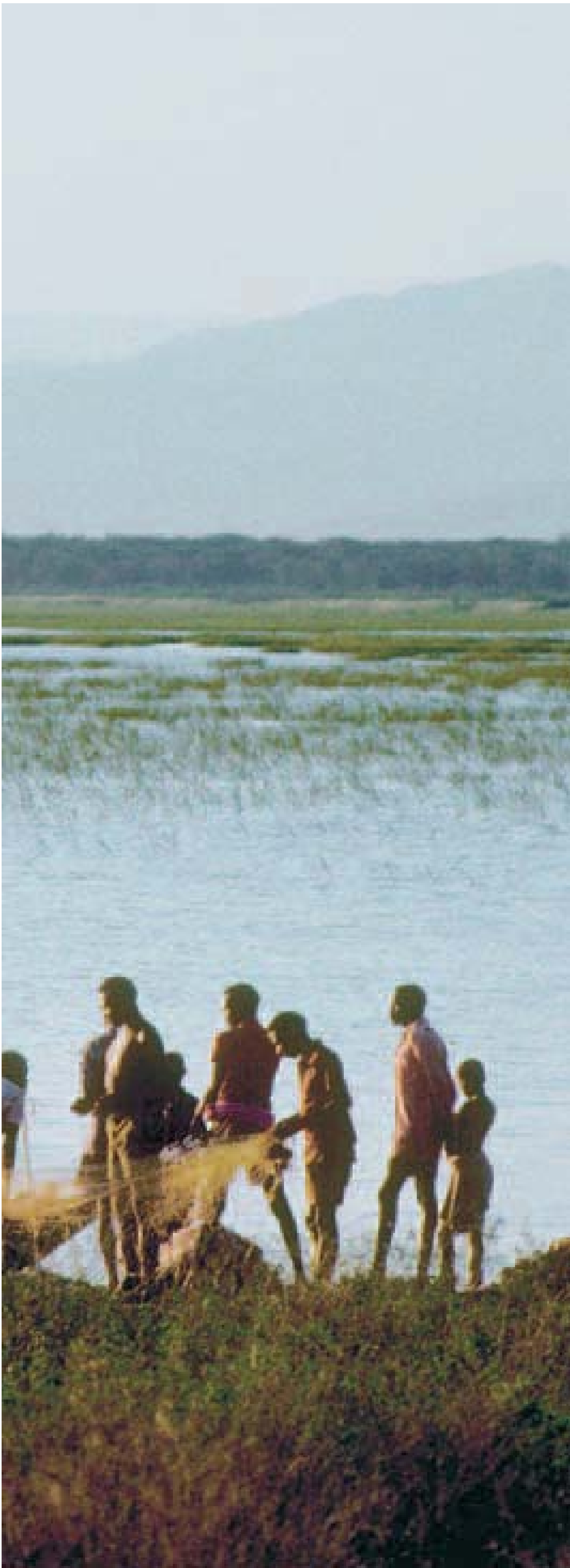
The vast distances, as well as the many economic and social differences among the diverse island nations, are challenging. Population numbers range from Niue's total of 2,145 inhabitants to Fiji's almost 900,000 people. One island's GNP per capita is US$ 700 whereas another's is US$ 8,000, and health spending per capita varies from as little as US$ 40 to US$ 450.

The eleven countries relied on existing structures by setting up their CCM under an existing Secretariat of the Pacific Community (SPC), the oldest technical regional organization in the area. The SPC has members representing 22 Pacific island countries and territories, as well as Australia and New Zealand, and has been involved in managing, coordinating and implementing regional programs for the last 55 years. Each nation has two members representing it on the CCM — one each from government and NGOs/civil societies. In addition, one NGO member represents people living with HIV/AIDS in the region.

By using technology, the Pacific Islands have overcome communication challenges faced even by CCMs and recipients with no geographical barriers. The multi-country Western Pacific program has established an e-mail network as the CCM's main mode of communication. All eleven CCM members have equal access and an equal voice in communication relating to the program and are able to maintain continual engagement in ongoing debates and discussions on the program.

E-mail discussion topics are diverse and range from finding a solution to acute distribution problems in Cook Islands to debates on the response to condom vending machines in different cultural settings. Update reports on the Global Fund programs on the various islands are posted on the network to inform all members. When non-CCM members request permission to be included in the network, CCM members discuss it and make a decision by vote. Such additional members include World Health Organization representatives, the Local Fund Agent and the Global Fund's portfolio manager.

"It is wonderful to see how the e-mail exchanges inform all members and develop the program in the different countries," says Sandii Lwin, the Global Fund's portfolio manager responsible for the Pacific Islands. "The e-mail network is a very efficient and transparent way to achieve high-level functioning of the CCM despite large distances." •



APPROVED GRANTS *and the* ORGANIZATION

56 APPROVED GRANTS

64 THE BOARD

66 THE SECRETARIAT

68 THE TECHNICAL REVIEW PANEL

APPROVED GRANTS

The principal work of the Global Fund is accomplished by rewarding and managing grants to finance the battle against the world's three great health pandemics: HIV/AIDS, tuberculosis and malaria. Following approval of programs by the Board, grant agreements commit funds for an initial two-year period, and periodic disbursements are made on the basis of requests and performance.

The list that follows details funding approved by the Board after three proposal rounds, by region, country, disease target and round. The total sum authorized by Board approval is specified and is followed by the sum committed as a result of signed grant agreements as of 31 December 2003 and then by the amount disbursed as at the same date.

Principal Recipients are listed for all grant agreements signed by 31 December 2004. In all other cases, these are shown as "To Be Confirmed". This is also the case for Local Funding Agents.

For current and detailed information regarding the grant portfolio of the Global Fund, please refer to the Global Fund website at www.theglobalfund.org.

KEY TO GRANT DISBURSEMENT

Benin	Country
HIV/AIDS, Tuberculosis and Malaria	Program(s) Approved for Funding
Rounds 1, 2 and 3	Round(s) of Approval
17,294,520	Total Funds Approved (in US$)
15,910,589	Funds Committed by Grant Agreement(s) (in US$)
2,512,893	Funds Disbursed 31 December 2003 (in US$)

AFRICA

Angola
Malaria
Round 3
25,259,000
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Benin
HIV/AIDS, Tuberculosis and Malaria
Rounds 1, 2 and 3
17,294,520
15,910,589
2,512,893

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The United Nations Development Programme and TBC

Botswana
HIV/AIDS
Round 2
18,580,414
18,580,414
—

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Ministry of Finance and Development Planning

Burkina Faso
HIV/AIDS and Malaria
Round 2
14,630,388
14,630,388
1,294,813

Local Fund Agent
Chemonics
Principal Recipient(s)
The United Nations Development Programme

Burundi
HIV/AIDS and Malaria
Rounds 1 and 2
18,669,126
18,669,126
2,784,747

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
Conseil National de Lutte Contre le SIDA (National AIDS Council) and the Ministry of Public Health

Cameroon
HIV/AIDS, Tuberculosis and Malaria
Round 3
34,566,421
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Central African Republic
HIV/AIDS
Round 2
8,198,921
8,198,921
1,382,341

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The United Nations Development Programme

Chad
HIV/AIDS, Tuberculosis and Malaria
Rounds 2 and 3
11,672,813
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Comores
HIV/AIDS and Malaria
Rounds 2 and 3
2,286,331
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Congo (Democratic Republic)
HIV/AIDS, Tuberculosis and Malaria
Rounds 2 and 3
66,175,203
6,408,741
1,578,727

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The United Nations Development Programme and TBC

Cote d'Ivoire
HIV/AIDS and Tuberculosis
Rounds 2 and 3
22,000,248
18,099,398
1,922,482

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The United Nations Development Programme and TBC

Eritrea
HIV/AIDS and Malaria
Rounds 2 and 3
10,742,543
2,617,633
324,063

Local Fund Agent
KPMG
Principal Recipient(s)
The Ministry of Health

Ethiopia
HIV/AIDS, Tuberculosis and Malaria
Rounds 1 and 2
104,261,422
104,261,422
45,739,466

Local Fund Agent
KPMG
Principal Recipient(s)
The Federal Ministry of Health and the HIV/AIDS Prevention and Control Office

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Gabon
HIV/AIDS
Round 3
3,154,500
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Gambia
HIV/AIDS and Malaria
Round 3
11,907,243
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Ghana
HIV/AIDS, Tuberculosis and Malaria
Rounds 1 and 2
11,898,529
11,898,529
4,045,169

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Ministry of Health

Guinea
HIV/AIDS and Malaria
Round 2
11,698,205
11,698,205
578,158

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Ministry of Public Health

Guinea-Bissau
Tuberculosis
Round 3
1,503,587
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Kenya
HIV/AIDS, Tuberculosis and Malaria
Rounds 1, 2 and 3
56,861,358
55,049,108
8,321,462

Local Fund Agent
KPMG
Principal Recipient(s)
Kenya Network of Women With AIDS, Sanaa Art Promotions, the Ministry of Finance and TBC

Lesotho
HIV/AIDS and Tuberculosis
Round 2
12,557,000
12,557,000
1,450,300

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Ministry of Finance and Development Planning

Liberia
HIV/AIDS, Tuberculosis and Malaria
Rounds 2 and 3
24,333,195
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Madagascar
HIV/AIDS and Malaria
Rounds 1, 2 and 3
23,909,389
5,261,823
2,288,487

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
Catholic Relief Services - Madagascar, Population Services International and TBC

Malawi
HIV/AIDS and Malaria
Rounds 1 and 2
62,623,500
41,751,500
314,000

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The National AIDS Commission Trust and TBC

Mali
Malaria
Round 1
2,023,424
2,023,424
678,620

Local Fund Agent
KPMG
Principal Recipient(s)
The Ministry of Health

Mauritania
Tuberculosis and Malaria
Round 2
1,929,203
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Mozambique
HIV/AIDS, Tuberculosis and Malaria
Round 2
54,157,547
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Multi-country Africa (RMCC)
Malaria
Round 2
7,090,318
7,090,318
2,160,782

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Medical Research Council

Namibia
HIV/AIDS, Tuberculosis and Malaria
Round 2
30,707,125
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Niger
HIV/AIDS and Malaria
Round 3
13,290,406
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Nigeria
HIV/AIDS and Malaria
Rounds 1 and 2
45,997,194
28,168,386
2,522,672

Local Fund Agent
KPMG
Principal Recipient(s)
National Action Committee on AIDS of the Federal Government of Nigeria, Yakubu Gowon Center for National Unity and International Cooperation and TBC

Rwanda
HIV/AIDS, Tuberculosis and Malaria
Rounds 1 and 3
36,345,304
8,409,268
2,111,992

Local Fund Agent
Crown Agents
Principal Recipient(s)
The Ministry of Health and TBC

Senegal
HIV/AIDS and Malaria
Round 1
10,285,714
10,285,714
1,393,386

Local Fund Agent
KPMG
Principal Recipient(s)
The Ministry of Health and the National AIDS Council

Sierra Leone
Tuberculosis
Round 2
2,569,103
2,569,103
950,275

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Sierra Leone Red Cross Society

Somalia
Tuberculosis and Malaria
Rounds 2 and 3
14,491,712
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

South Africa
HIV/AIDS and Tuberculosis
Rounds 1, 2 and 3
65,030,985
41,095,529
16,743,723

Local Fund Agent
KPMG
Principal Recipient(s)
The National Treasury and TBC

Sudan
HIV/AIDS, Tuberculosis and Malaria
Rounds 2 and 3
40,778,415
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Swaziland
HIV/AIDS, Tuberculosis and Malaria
Rounds 2 and 3
31,959,700
30,611,300
6,109,250

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The National Emergency Response Council on HIV/AIDS and TBC

Tanzania
HIV/AIDS, Tuberculosis and Malaria
Rounds 1 and 2
41,310,110
17,359,076
2,289,478

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Ministry of Finance, the Ministry of Health and TBC

Tanzania/Zanzibar
HIV/AIDS, Tuberculosis and Malaria
Rounds 1, 2 and 3
2,856,702
1,897,220
520,793

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Ministry of Health and Social Welfare, Zanzibar AIDS Commission and TBC

Togo
HIV/AIDS, Tuberculosis and Malaria
Rounds 2 and 3
19,417,957
14,185,638
3,537,177

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The United Nations Development Programme and TBC

Uganda
HIV/AIDS, Tuberculosis and Malaria
Rounds 1, 2 and 3
136,725,385
36,314,892
287,029

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Ministry of Finance, Planning and Economic Development and TBC

Zambia
HIV/AIDS, Tuberculosis and Malaria
Round 1
74,945,056
74,945,056
8,941,409

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Central Board of Health, the Churches Health Association of Zambia, the Ministry of Finance and National Planning and Zambia National AIDS Network

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Zimbabwe
HIV/AIDS and Malaria
Round 1
17,016,250
6,716,250
1,415,000

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Ministry of Health and Child Welfare of the Government of Zimbabwe and TBC

ASIA, MIDDLE EAST & NORTH AFRICA

Afghanistan
HIV/AIDS, Tuberculosis and Malaria
Round 2
3,125,605
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Algeria
HIV/AIDS
Round 3
6,185,000
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Bangladesh
HIV/AIDS and Tuberculosis
Rounds 2 and 3
23,179,824
6,010,140
100,000

Local Fund Agent
DTT Emerging Markets
Principal Recipient(s)
The Economic Relations Division, Ministry of Finance, The Government of the People's Republic of Bangladesh and TBC

Cambodia
HIV/AIDS, Tuberculosis and Malaria
Rounds 1 and 2
24,131,619
24,131,619
6,491,730

Local Fund Agent
KPMG
Principal Recipient(s)
The Ministry of Health of the Government of Cambodia

China
HIV/AIDS, Tuberculosis and Malaria
Rounds 1 and 3
61,016,212
28,893,662
14,630,863

Local Fund Agent
United Nations Office for Project Services
Principal Recipient(s)
The Chinese Centre for Disease Control and Prevention of the Government of the People's Republic of China and TBC

East Timor
Tuberculosis and Malaria
Rounds 2 and 3
3,268,394
2,300,744
380,964

Local Fund Agent
United Nations Office for Project Services
Principal Recipient(s)
Ministry of Health, Timor Leste and TBC

Egypt
Tuberculosis
Round 2
2,480,219
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

India
HIV/AIDS and Tuberculosis
Rounds 1, 2 and 3
47,194,345
5,650,999
1,000,000

Local Fund Agent
The World Bank and United Nations Office for Project Services
Principal Recipient(s)
The Department of Economic Affairs of the Government of India and TBC

Indonesia
HIV/AIDS, Tuberculosis and Malaria
Round 1
36,792,183
36,792,183
6,022,550

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
Directorate of Directly Transmitted Disease Control of the Ministry of Health of the Government of the Republic of Indonesia and Directorate of Vector Borne Disease Control of the Ministry of Health of the Republic of Indonesia

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Iran (Islamic Republic of)
HIV/AIDS
Rounds 2 and 3
9,698,000
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Jordan
HIV/AIDS
Round 2
1,778,600
1,778,600
332,188

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Ministry of Health of the Government of the Hashemite Kingdom of Jordan

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Korea, DPR
Tuberculosis and Malaria
Rounds 1 and 3
5,521,300
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Lao PDR
HIV/AIDS, Tuberculosis and Malaria
Rounds 1 and 2
5,987,154
5,987,154
2,364,173

Local Fund Agent
KPMG
Principal Recipient(s)
The Ministry of Health of the Government of the Lao People's Democratic Republic

Mongolia
HIV/AIDS and Tuberculosis
Rounds 1 and 2
1,915,623
1,915,623
920,845

Local Fund Agent
United Nations Office for Project Services
Principal Recipient(s)
The Ministry of Health of Mongolia

Morocco
HIV/AIDS
Round 1
4,738,806
4,738,806
1,862,111

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Ministry of Health of the Government of the Kingdom of Morocco

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Multi-country Western Pacific
HIV/AIDS, Tuberculosis and Malaria
Round 2
7,151,950
7,151,950
2,416,393

Local Fund Agent
KPMG
Principal Recipient(s)
The Secretariat of the Pacific Community

Myanmar
HIV/AIDS, Tuberculosis and Malaria
Rounds 2 and 3
35,680,724
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Nepal
HIV/AIDS and Malaria
Round 2
6,988,925
6,988,925
170,438

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Ministry of Health, His Majesty's Government of Nepal

Pakistan
HIV/AIDS, Tuberculosis and Malaria
Rounds 2 and 3
18,795,870
10,478,500
1,713,094

Local Fund Agent
KPMG
Principal Recipient(s)
The National AIDS Control Programme on the Behalf of the Ministry of Health of the Government of Pakistan and TBC

Papua New Guinea
Malaria
Round 3
6,106,556
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Philippines
HIV/AIDS, Tuberculosis and Malaria
Rounds 2 and 3
14,176,114
10,679,249
3,123,188

Local Fund Agent
Chemonics
Principal Recipient(s)
Tropical Disease Foundation, Inc. and TBC

Sri Lanka
Tuberculosis and Malaria
Round 1
8,057,620
8,057,620
3,099,072

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
Lanka Jatika Sarvodaya Shramadana Sangamaya and The Ministry of Health

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Thailand
HIV/AIDS, Tuberculosis and Malaria
Rounds 1, 2 and 3
61,197,279
60,285,737
8,426,277

Local Fund Agent
KPMG
Principal Recipient(s)
The Ministry of Public Health of the Government of Thailand, RAKS Thai Foundation and TBC

Vietnam
HIV/AIDS, Tuberculosis and Malaria
Rounds 1 and 3
23,388,402
10,000,000
876,133

Local Fund Agent
KPMG
Principal Recipient(s)
The Ministry of Health of the Government of Vietnam and TBC

Yemen
HIV/AIDS and Malaria
Rounds 2 and 3
4,159,632
4,159,632
200,000

Local Fund Agent
KPMG
Principal Recipient(s)
The National Malaria Programme at the Ministry of Public Health and Population of the Republic of Yemen and TBC

LATIN AMERICA, THE CARIBBEAN & EASTERN EUROPE

Argentina
HIV/AIDS
Round 1
12,177,200
12,177,200
2,786,834

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The United Nations Development Programme

Armenia
HIV/AIDS
Round 2
3,166,641
3,166,641
1,338,138

Local Fund Agent
KPMG
Principal Recipient(s)
World Vision International - Armenia Branch

Belarus
HIV/AIDS
Round 3
6,818,796
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Belize
HIV/AIDS
Round 3
1,298,884
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Bolivia
HIV/AIDS, Tuberculosis and Malaria
Round 3
14,500,232
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Bulgaria
HIV/AIDS
Round 2
6,894,270
6,894,270
500,000

Local Fund Agent
KPMG
Principal Recipient(s)
The Ministry of Health of the Republic of Bulgaria

Chile
HIV/AIDS
Round 1
13,574,098
13,574,098
3,513,428

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
Consejo de las Américas

Colombia
HIV/AIDS
Round 2
3,482,708
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Costa Rica
HIV/AIDS
Round 2
2,279,501
2,279,501
100,000

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Consejo Técnico de Asistencia Médico Social (CTAMS) of the Government of the Republic of Costa Rica

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Croatia
HIV/AIDS
Round 2
3,363,974
3,363,974
1,098,000

Local Fund Agent
KPMG
Principal Recipient(s)
The Ministry of Health and Social Welfare of the Republic of Croatia

Cuba
HIV/AIDS
Round 2
11,465,129
11,465,129
5,000,000

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The United Nations Development Programme

Dominican Republic
HIV/AIDS and Tuberculosis
Rounds 2 and 3
17,335,590
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Ecuador
HIV/AIDS
Round 2
7,453,979
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

El Salvador
HIV/AIDS and Tuberculosis
Round 2
14,775,073
14,775,073
649,821

Local Fund Agent
KPMG
Principal Recipient(s)
The United Nations Development Programme

Estonia
HIV/AIDS
Round 2
3,908,952
3,908,952
1,002,625

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The National Institute for Health Development of the Ministry of Social Affaires of Estonia

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Georgia
HIV/AIDS and Malaria
Rounds 2 and 3
4,664,032
4,018,332
810,321

Local Fund Agent
KPMG
Principal Recipient(s)
The Georgia Health and Social Projects Implementation Center and TBC

Global(LWF)
HIV/AIDS
Round 1
485,000
485,000
73,000

Local Fund Agent
DTT Emerging Markets
Principal Recipient(s)
The Lutheran World Federation

Guatemala
HIV/AIDS
Round 3
8,423,807
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Guyana
HIV/AIDS and Malaria
Round 3
11,541,797
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Haiti
HIV/AIDS, Tuberculosis and Malaria
Rounds 1 and 3
40,222,156
24,699,764
12,713,111

Local Fund Agent
KPMG
Principal Recipient(s)
Fondation SOGEBANK, The United Nations Development Programme and TBC

Honduras
HIV/AIDS, Tuberculosis and Malaria
Round 1
20,470,016
20,470,016
3,612,414

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The United Nations Development Programme

Jamaica
HIV/AIDS
Round 3
7,560,365
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Kazakhstan
HIV/AIDS
Round 2
6,502,000
6,502,000
637,700

Local Fund Agent
KPMG
Principal Recipient(s)
The Republican Center for Prophylactics and Control of AIDS of the Government of the Republic of Kazakhstan

Kyrgyzstan
HIV/AIDS and Tuberculosis
Round 2
6,170,873
6,170,873
93,705

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The National AIDS Center of the Government of the Republic of Kyrgyzstan and The Tuberculosis Research Institute of the Government of the Republic of Kyrgyzstan

Macedonia, FYR
HIV/AIDS
Round 3
4,348,599
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Moldova
HIV/AIDS and Tuberculosis
Round 1
5,257,941
5,257,941
1,090,000

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Project Coordination, Implementation and Monitoring Unit of the Ministry of Health of the Republic of Moldova

Multi-country Americas (CARICOM)
HIV/AIDS
Round 3
6,100,900
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Multi-country Americas (OECS)
HIV/AIDS
Round 3
2,553,861
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Nicaragua
HIV/AIDS, Tuberculosis and Malaria
Round 2
8,702,180
8,702,180
227,473

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
Federación NICASALUD

Panama
Tuberculosis
Round 1
440,000
440,000
112,000

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The United Nations Development Programme

Paraguay
Tuberculosis
Round 3
1,194,902
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Peru
HIV/AIDS and Tuberculosis
Round 2
35,872,172
35,872,172
3,518,956

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
CARE Peru

Romania
HIV/AIDS and Tuberculosis
Round 2
38,671,000
38,671,000
5,675,000

Local Fund Agent
KPMG
Principal Recipient(s)
The Ministry of Health and Family of the Government of Romania

Russian Federation
HIV/AIDS and Tuberculosis
Round 3
37,937,518
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

Serbia
HIV/AIDS and Tuberculosis
Rounds 1 and 3
5,147,700
2,718,714
1,017,870

Local Fund Agent
United Nations Office for Project Services
Principal Recipient(s)
The Economics Institute in Belgrade and TBC

Tajikistan
HIV/AIDS and Tuberculosis
Rounds 1 and 3
2,995,560
1,474,520
620,105

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The United Nations Development Programme and TBC

Ukraine
HIV/AIDS
Round 1
24,970,211
24,970,211
7,578,902

Local Fund Agent
PricewaterhouseCoopers
Principal Recipient(s)
The Ministry of Health of the Government of Ukraine, The Ukrainian Fund to Fight HIV Infection and AIDS and The United Nations Development Programme

Uzbekistan
HIV/AIDS
Round 3
5,182,832
—
—

Local Fund Agent
TBC
Principal Recipient(s)
TBC

THIS PAGE
A family travels by motor bike in Cambodia, where the National Malaria Program is urgently scaling up recruiting and training of resident malaria workers in remote villages.

THE ORGANIZATION

Board Members

An international, multi-sectoral, 23-member Board (18 voting and five non-voting) governs the Global Fund, approves grants and mobilizes external resources to meet the Global Fund's financial needs.

VOTING MEMBERS OF THE BOARD

China (Western Pacific Region)

Huang Jiefu
Vice Minister
Ministry of Health
China

Eastern Mediterranean Region

Ejaz Rahim
Federal Health Secretary
Pakistan

Eastern Europe

Andrej Pidaev
Minister of Health
Ukraine

Eastern and Southern Africa

Chrispus Kiyonga
Minister without Portfolio
Uganda
(until June 2003)

Jim Muhwezi
Minister of Health,
Uganda
(from July 2003)

European Commission

Lieve Fransen
Head of Unit, Human and Social Development
Directorate General for Development
Belgium

France, Germany, Luxemburg and Spain

Mireille Guigaz
Directeur du Développement et de la Coopération Technique CID/DCT
Ministry of Foreign Affairs
France

Private Foundations

Helene D. Gayle
Director of HIV, TB and Reproductive Health
Bill & Melinda Gates Foundation
United States

Italy

Giandomenico Magliano
Minister Plenipotentiary
Director-General for Development Cooperation
Ministry of Foreign Affairs
Italy
(until June 2003)

Giuseppe Deodato
Director-General for Development Cooperation
Ministry of Foreign Affairs
Italy
(from July 2003)

Japan

Seiji Morimoto
Deputy Director-General
Multilateral Cooperation Department
Ministry of Foreign Affairs
Japan
(until January 2003)

Shigeki Sumi
Deputy Director- General
Multilateral Cooperation Department
Ministry of Foreign Affairs
Japan
(from February 2003)

Latin America & Caribbean

Dr. Paulo Teixeira
Director, Brazilian STD/AIDS Program
Ministry of Health
Brazil
(until June 2003)

Dr. Alexandre D. Grangeiro
Director
Brazilian National AIDS Program
Brazil
(from July 2003)

Non-governmental Organization – Developed Country

Hélène Rossert-Blavier
Director General
AIDES
France

Non-governmental Organization – Developing Country

Milly Katana
Lobbying and Advocacy Officer
Health Rights Action Group
Uganda

Private Sector

Rajat Gupta
Managing Director
McKinsey & Company
United States

Southeast Asia

Suwit Wibulpolprasert
Deputy Permanent Secretary
Ministry of Public Health
Thailand

Point Seven (Sweden, Denmark, Ireland, the Netherlands and Norway)

Lennarth Hjelmåker
Director, Ambassador
Department for the Global Development
Ministry of Foreign Affairs
Sweden

United Kingdom, Canada and Switzerland

Clare Short
Secretary of State
Department for International Development
United Kingdom
(until May 2003)

Valerie Amos
Secretary of State
Department for International Development
United Kingdom
(from June 2003)

Hillary Benn
Secretary of State
Department for International Development
United Kingdom
(from October 2003)

United States

Tommy G. Thompson
Secretary of Health and Human Services
United States

Western and Central Africa

Adetokunbo O. Lucas
Professor of International Health (retired)
Nigeria

NON-VOTING MEMBERS OF THE BOARD

Community of People Living with HIV/AIDS, Tuberculosis or Malaria

Philippa Lawson
The Futures Group International
United States

Joint United Nations Programme on HIV/AIDS (UNAIDS)

Peter Piot
Executive Director
Switzerland

World Health Organization

Gro Harlem Brundtland
Director-General
Switzerland
(January–June 2003)

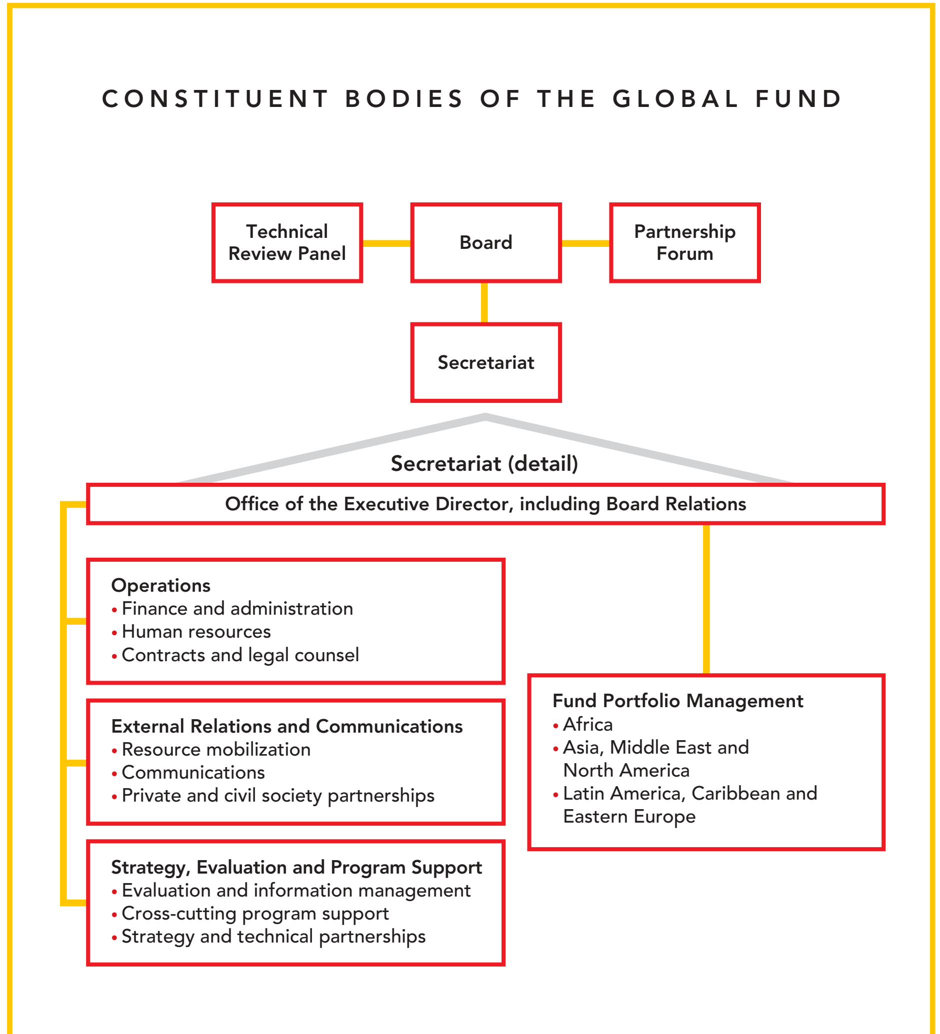
J.W. Lee
Director-General
Switzerland

World Bank Group

Geoffrey Lamb
Vice President, Concessional Finance & Global Partnerships
United States

Board Designated Non-voting Swiss Member

Edmond Tavernier
Senior Partner
Tavernier Tschanz
Switzerland



Secretariat

The Secretariat of the Global Fund continued to benefit in 2003 from the services of many individuals, including those on short-term contracts and secondments. Based in Geneva, the Secretariat is led by Richard Feachem, Executive Director since July 2002. Listed below are those who have either been recruited through international competition to fixed-term (two-year) contracts or who worked at the Global Fund for at least six months in 2003. For each individual, his or her country of origin is also indicated.

An asterisk (*) indicates those individuals who no longer worked for the Global Fund at the end of 2003. A double asterisk (**) specifies secondees.

Seble Abebe
Fund Portfolio Assistant
Ethiopia

Doumit Abisaleh
IT Manager
Lebanon

Jacqueline Adhiambo
Human Resources Assistant
Kenya

Nazir Ahmed
Information Assistant
India

Julie Archer
Information Officer
Canada

Guido Bakker
Procurement Manager
Netherlands

Godfrey Bash *
Clerk
Uganda

Mariangela Bavicchi **
Resource Mobilization Manager
Italy

Christoph Benn
Director of External Relations
Germany

Chrystel Bijasson
Administrative Assistant
France

Robert Bourgoing
Communications Officer
Canada

Brigitte Caron
Communications Assistant
Canada

Patricia Chatsika
Human Resources Assistant
Malawi

Valery Chernyavskiy
Fund Portfolio Manager
Russia

Tim Clark
Communications Officer
United Kingdom

Cohen, Nathalie *
Legal Assistant
France

Doris D'cruz-Grote **
CCM Coordinator
Germany

Ruwan De Mel
Financial Advisor
Sri Lanka

Naina Dhingra
Communications Assistant
United States

Philippa Dobree-Carey
Secretary to the Chief Operating Officer
United Kingdom

Tina Draser
Fund Portfolio Manager
Germany

Anne Duke
Human Resources Manager
United Kingdom

Earle Duncan
Fund Portfolio Manager
United States

Olivier Fauvre-Vincent
Finance Officer
France

Richard Feachem
Executive Director
United Kingdom

Danielle Ferris
Assistant to the Senior Advisor to the Executive Director
Ireland

Roberto Garcia
Fund Portfolio Manager
France

Nicole Gloor
Assistant
Australia

Eric Godfrey
Finance Officer
United States

Sanja Gohre
Communications Officer
South Africa

Nicole Gorman
Fund Portfolio Assistant
United States

Barry Greene
Chief Financial Officer
Ireland

Marie Stephane Gruenert
Fund Portfolio Assistant
Haiti

Hempel, Dominique ** *
Senior Legal Counsel
Switzerland

Aleph Henestrosa
Fund Portfolio Manager
Mexico

Brad Herbert **
Senior Director, Strategy, Evaluation and Program Support
United States

Waichi Ho
Executive Assistant
United Kingdom

Elizabeth Hoff
Fund Portfolio Manager
Norway

Hilary Hughes
Monitoring and Evaluation Manager
United Kingdom

Tom Hurley
Fund Portfolio Manager
United States

Sandra Irbe
Fund Portfolio Assistant
Latvia

Nankhonde Kasonde
Fund Portfolio Manager
Zambia

Tobias Kasper
Fund Portfolio Manager
United States

Patrica Kehoe
Contracts Specialist
Australia

Ricard Lacort
Fund Portfolio Manager
Spain

Michel Lavollay **
Senior Advisor
France

Jon Lidén
Director of Communications
Norway

Catherine Lijinsky
Assistant to Senior Director for Strategy Evaluation and Program Support
United States

Gladys Lopatka
Assistant
Belgium

Sandii Lwin
Fund Portfolio Manager
Myanmar

Dee Jay Mailer
Chief Operating Officer
United States

Purnima Mane
Chief Fund Portfolio Director
India

Dorcas Mapondera
External Relations Assistant
Zimbabwe

Ntombekhaya (Khaya) Matsha
Information Officer
South Africa

Bartolomeo Migone
Senior Legal Officer
Italy

George Mills-Odoi
Assistant, Strategy and Evaluation
Ghana

Kingsley Moghalu
Resource Mobilization Manager
Nigeria

Nilofar Mohideen Bawa
Finance Assistant
Pakistan

Vinand Nantulya
Senior Advisor to the Executive Director
Uganda

Karin Nasheya
Fund Portfolio Assistant
Namibia

Mabingue Ngom
Fund Portfolio Manager
Senegal

Martina Niemeyer
Strategy and Evaluation Assistant
Germany

Susan O'Leary
External Relations Manager
Canada

Hind Khatib Othman
Fund Portfolio Manager
Jordan

Arletty Pinel
Fund Portfolio Director
Panama

Taufiqur Rahman
Fund Portfolio Manager
Bangladesh

Marie Rosencrantz
Adviser, Strategy and Evaluation
Sweden

Yoshiko Saito **
Fund Portfolio Director
Japan

Paul Schumacher
Assistant, Strategy and Evaluation
United States

Jessie Schutt-Aine
Fund Portfolio Manager
United States

Bernhard Schwartlander
Director, Strategic Information and Measurement
Germany

Angela Smith
Fund Portfolio Manager
Australia

Anil Soni
Advisor to the Executive Director
United States

Dianne Stewart
Board Relations Manager
South Africa

David Sullivan
Senior Legal Counsel
United States

Elhadj (As) Sy
Fund Portfolio Director
Senegal

Wilfred Thalmas
Finance Assistant
Ivory Coast

Kate Thomson
Civil Society Relations Manager
United Kingdom

Bintou Toure
Fund Portfolio Assistant
Ivory Coast

Julia Van Riel-Jameson
Administrative Officer
Ireland

Gerard Van-Mourik
Fund Portfolio Manager
Netherlands

Sudha Venkatram
Administrative Officer
India

Urban Weber
Fund Portfolio Manager
Germany

Devi Weerasuriya * **
Human Resources Assistant
Sri Lanka

Francoise Welter
Assistant (Board)
Rwanda

William Wilson
Information Technology Manager
Ghana

Technical Review Panel

The Technical Review Panel is an independent, impartial team of experts appointed by the Board to review applications requesting support from the Global Fund and to make recommendations to the Board for approval. The Technical Review Panel guarantees the integrity and consistency of an open and transparent proposals review process.

Twenty-six members, who serve in an individual capacity, comprise the Technical Review Panel current as of July 31, 2003. Michel Kazatchkine serves as chair of the group, with Alex Godwin Coutinho as vice chair. Current and former members are listed below with their organizational affiliation and country of residence. Former members are noted with an asterisk (*).

HIV/AIDS EXPERTS

Alex Godwin Coutinho
Director
The AIDS Support Organization
Uganda

Peter Godfrey-Faussett
Senior Lecturer
London School of Hygiene and Tropical Medicine
United Kingdom

Hakima Himmich
President
Moroccan Association to Fight HIV/AIDS
Morocco

David Hoos
Assistant Professor of Epidemiology
Colombia University
Mailman School of Public Health
United States

Michel Kazatchkine
Director
National Agency for AIDS Research
France

Velosa Dos Santos *
Director of STD/AIDS Program
Rio de Janeiro State Health Department
Brazil

Kasia Malinowska-Sempruch
Director of International Harm Reduction Programme
Open Society Institute
Poland

Suniti Solomon
Director
Young People Care
India

Elhadj (As) Sy *
Director of United Nations Liaison Office
UNAIDS
United States

Kong-Lai Zhang *
Professor
Peking Union Medical College
China

TUBERCULOSIS EXPERTS

Rosmini Day
Manager
National Tuberculosis Programme
Indonesia

Paula Fujiwara
Deputy Executive General
International Union Against Tuberculosis and Lung Disease
United States

G. R. Khatri *
Deputy Director
General Tuberculosis Programme
India

Fabio Luelmo
Medical Officer, Global Tuberculosis Programme (retired)
World Health Organization
Switzerland

Toru Mori *
Director of Tuberculosis Programme
Ministry of Health
Japan

Pierre-Yves Norval
Public Health Medical Inspector
Ministry of Health
France

MALARIA EXPERTS

John Mulenga Chimumbwa
Malaria Programme Manager
Ministry of Health
Zambia

Mary Ettling
Malaria Team Leader,
Bureau of Global Health
United States Agency for International Development
United States

Peter Kazembe *
Pediatrician
Kazamu Central Hospital
Malawi

Tang Lin-Hua *
Director
Institute of Parasitic Diseases
China

Giancarlo Majori
Director of World Health Organization Collaborating Centre
Instituto Superiore di Sanità
Italy

Jane Elisabeth Miller
Manager of Malaria Programs
Population Services International
Tanzania

Hassan Mshinda *
Director of Ifkara Health Research and Development Center
Ministry of Health
Tanzania

CROSS-CUTTING EXPERTS

Jonathan Broomberg
Director
Praxis Capital
South Africa

Malcolm Clark
Principal Program Associate
Centre for Pharmaceutical Management
United States

Daniel Denolf
Managing Director and Technical Advisor
World Bank / BMZ
Democratic Republic of Congo

Usa Duangsaa *
Professor
Chiang Mai University
Thailand

Sarah Julia Gordon
Director of Health Sciences Education
Ministry of Health
Guyana

Wilfred Griekspoor
Vice chairman of the Board
Médecins Sans Frontières
Holland, The Netherlands

Ranieri Guerra *
Advisor
Instituto Superiore di Sanita
Italy

LeeNah Hsu
Manager of South East Asia Health and Development Programme
United Nations Development Programme
United States

Danguole Jankauskiene
Director
Independent Agency on Health
Lithuania

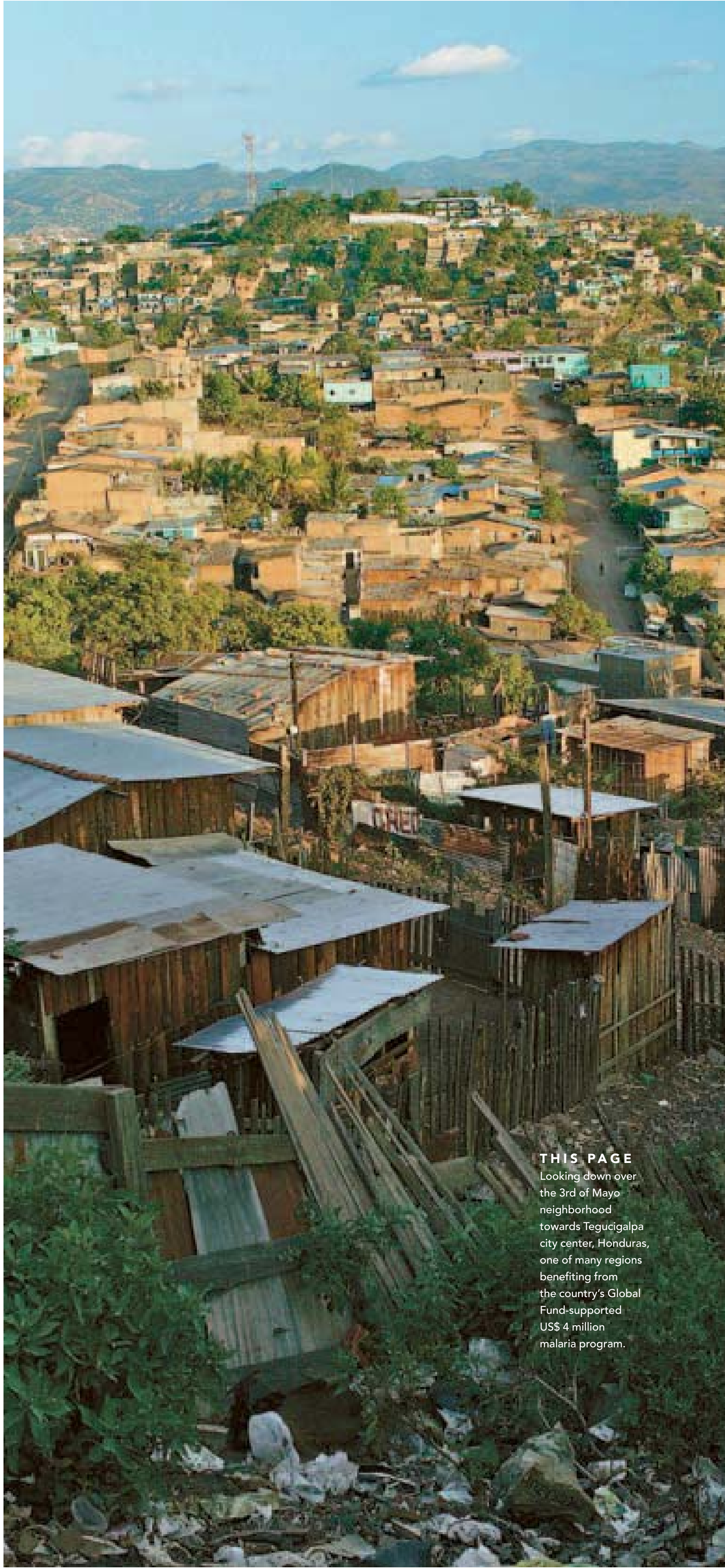
David Peters
Deputy Director of Health Systems Program
Johns Hopkins University
Bloomberg School of Public Health
United States

Peter Sandiford *
Medical Doctor
Instituto Centramericano e la Salud
Nicaragua

Rima Shretta
Consultant
Management Sciences for Health
Kenya

Richard Skolnik
Director of the Center for Global Health
George Washington University
United States

Phoolcharoen Wiput
Director of Health Systems Research Institute
Ministry of Public Health
Thailand



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Looking down over the 3rd of Mayo neighborhood towards Tegucigalpa city center, Honduras, one of many regions benefiting from the country's Global Fund-supported US$ 4 million malaria program.

FINANCIAL STATEMENTS 2003

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Ernst & Young Ltd
Assurance & Advisory
Business Services Industries
Route de Chancy 59
P.O. Box
CH-1213 Geneva

Phone +41 58 286 56 56
Fax +41 58 286 56 57
www.ey.com/ch

To the general meeting of the Board of

The Global Fund to Fight AIDS, Tuberculosis and Malaria, Geneva

Geneva, March 29, 2004

Report of the independent auditors

We have audited the accompanying statement of financial position of The Global Fund to Fight AIDS, Tuberculosis and Malaria (the "Fund") as of 31 December 2003, and the related statements of income and expenditure, changes in funds, and cash flows, and notes for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as of 31 December 2003, and of the results of its operations and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Ernst & Young Ltd

Mark Hawkins
(Auditor in charge)

Philippe Stöckli

Enclosures

- Financial statements (statement of financial position, statement of income and expenditure, statement of changes in funds, statement of cash flows, and notes)

Offices in Aarau, Baden, Basel, Berne, Geneva, Kreuzlingen, Lausanne, Lucerne, Lugano, Neuchâtel, St.Gallen, Zug, Zurich.
Member of the Swiss Chamber of Auditors.

The Global Fund to Fight AIDS, Tuberculosis and Malaria

Financial Statements

Statement of Financial Position at 31 December 2003

In thousands of US dollars	Notes	2003	2002
ASSETS			
Cash and bank balances	2.4, 3.1	225	542
Funds held in trust	2.4, 2.5, 3.1, 3.2	1'741'968	649'948
Promissory notes	2.6, 3.3, 3.4	72'147	54'756
Contributions receivable	2.6, 3.4	94'495	74'225
Prepayments and miscellaneous receivables		2'699	3'409
Total ASSETS		**1'911'534**	**782'880**
LIABILITIES and FUNDS			
Liabilities			
Undisbursed grants	2.7, 3.5		
Payable within one year		610'885	22'020
Payable after one year		272'340	29'101
Accrued expenses		303	4'651
		883'528	55'772
Funds		1'028'006	727'108
Total LIABILITIES and FUNDS		**1'911'534**	**782'880**

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The Global Fund to Fight AIDS, Tuberculosis and Malaria

Financial Statements

Statement of Income and Expenditure for the year ended 31 December 2003

In thousands of US dollars	Notes	2003 (12 months)	2002 (11 months)
INCOME			
Contributions	2.6, 3.4	1'368'522	781'816
Bank and trust fund income	2.9	28'235	10'078
Total INCOME		**1'396'757**	**791'894**
EXPENDITURE			
Grants	2.7, 3.5	1'063'304	52'019
Operating expenses	2.8, 3.6	32'555	12'767
Total EXPENDITURE		**1'095'859**	**64'786**
SURPLUS OF INCOME OVER EXPENDITURE			
for the year / period		**300'898**	**727'108**

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The Global Fund to Fight AIDS, Tuberculosis and Malaria

Financial Statements

Statement of Cash Flows
for the year ended 31 December 2003

In thousands of US dollars	Notes	2003 (12 months)	2002 (11 months)
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions received		1'330'862	652'835
Banks and trust fund income		28'930	8'873
		1'359'792	661'708
Grants disbursed		(231,200)	(898)
Payments to suppliers and personnel		(36,889)	(10,320)
		(268,089)	(11,218)
CASH FLOWS FROM OPERATING ACTIVITIES being the net increase in cash and cash equivalents		**1'091'703**	**650'490**
CASH AND CASH EQUIVALENTS			
at beginning of the year / period		**650'490**	**-**
CASH AND CASH EQUIVALENTS			
at end of the year / period	2.4, 3.1	**1'742'193**	**650'490**

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The Global Fund to Fight AIDS, Tuberculosis and Malaria

Financial Statements

Statement of Changes in Funds
at 31 December 2003

In thousands of US dollars	2003 (12 months)	2002 (11 months)
FUNDS at the beginning of the year	727'108	-
SURPLUS OF INCOME OVER EXPENDITURE		
for the year / period	300'898	727'108
FUNDS at the end of the year	**1'028'006**	**727'108**
Attributed as follows:		
Foundation capital	50	50
General Funds	1'027'956	727'058
	1'028'006	**727'108**

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The Global Fund to Fight AIDS, Tuberculosis and Malaria

Notes to the Financial Statements as at 31 December 2003

1. Activities and Organization

The Global Fund to Fight AIDS, Tuberculosis and Malaria (the "Global Fund") is an independent, non-profit foundation that was incorporated in Geneva on 22 January 2002. The purpose of the Global Fund is to attract and disburse additional resources to prevent and treat AIDS, tuberculosis and malaria. The Fund provides grants to locally-developed programs, working in close collaboration with governments, non-governmental organizations, the private sector, development agencies and the communities affected by these diseases.

The Global Fund has been founded on the following principles:

- Rely on local experts to implement programs directly;
- Make available and leverage additional financial resources to combat the three diseases;
- Support programs that reflect national ownership and respect country-led formulation and implementation processes;
- Operate in a balanced manner in terms of different regions, diseases and interventions;
- Pursue an integrated and balanced approach covering prevention, treatment and care, and support in dealing with the three diseases;
- Evaluate proposals through independent review processes based on the most appropriate scientific and technical standards that take into account local realities and priorities;
- Seek to establish a simplified, rapid, innovative grant-making process and operate in a transparent and accountable manner based on clearly defined responsibilities. One accountability mechanism is the use of Local Fund Agents to assess local capacity to administer and manage the implementation of funded programs.

Financial contributions to the Global Fund are held in the Trust Fund for the Global Fund to Fight AIDS, Tuberculosis and Malaria (the "Trust Fund") until disbursed as grants or for operating expenses. The Trust Fund is administered by the International Bank for Reconstruction and Development (the "World Bank"), as Trustee. The responsibilities of the Trustee include management of contributions and investment of resources according to its own investment strategy. The Trustee makes disbursements from the Trust Fund only upon written instruction of the Global Fund.

Most contributions are received directly in the Trust Fund. Some contributions for the benefit of Global Fund are also received by the United Nations Foundation and are held in trust for the Global Fund until subsequently transferred to the Trust Fund.

Personnel and administrative services to support the operations of the Global Fund are provided by the World Health Organization ("WHO") under an agreement between WHO and the Global Fund. The Global Fund bears in full the cost of these personnel and services. Funds remitted to WHO for this purpose are treated as funds held in trust by WHO for the benefit of the Global Fund until an expenditure obligation is incurred.

These financial statements were authorized for issuance by the Board on 19 March 2004.

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The Global Fund to Fight AIDS, Tuberculosis and Malaria

Notes to the Financial Statements as at 31 December 2003

2. Significant Accounting Policies

2.1 Statement of Compliance

The financial statements have been prepared in accordance with and comply with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These standards currently do not contain specific guidelines for non-profit organizations concerning the accounting treatment and presentation of the financial statements.

2.2 Basis of Presentation

The financial statements are presented in US dollars, the Global Fund's operating currency, rounded to the nearest thousand. Management elected not to operate and report in Swiss Francs, the domestic currency, as its cash flows are primarily in US dollars.

The financial statements are prepared under the historical cost convention.

The preparation of the financial statements requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified through the income statement as appropriate in the year in which the circumstances change.

2.3 Foreign Currency

All transactions in other currencies are translated into US dollars at the rate prevailing at the time of the transaction. Monetary assets and liabilities in other currencies are translated into US dollars at the year-end rate.

2.4 Cash and cash equivalents

The Global Fund considers that cash and cash equivalents include cash and bank balances and funds held in trust that are readily convertible to cash within three months.

The Global Fund to Fight AIDS, Tuberculosis and Malaria

Notes to the Financial Statements as at 31 December 2003

2. Significant Accounting Policies (continued)

2.5 Funds held in Trust

The financial statements include funds that are held in trust solely for the benefit of the Global Fund by the World Bank, the World Health Organization and the United Nations Foundation.

Assets held in trust by the World Bank are maintained in a commingled investment portfolio for all of the trust funds administered by the World Bank. These investments are actively managed and invested in high-grade instruments according to the risk management strategy adopted by the World Bank. The objectives of the investment portfolio strategy are to maintain adequate liquidity to meet foreseeable cash flow needs, preserve capital (low probability of negative total returns over the course of a fiscal year) and maximize investment returns.

Realized investment gains and losses, allocated to the Trust Fund for the Global Fund on the basis of its proportionate share of the total trust fund holdings of the World Bank, are accounted for on the accruals basis.

2.6 Contributions

Contributions governed by a written contribution agreement are recorded as income when the agreement is executed. Other contributions are recorded as income upon receipt of cash or cash equivalents, at the amount received.

Contributions are considered received when remitted in cash or cash equivalent, or deposited by a sovereign state as a promissory note, letter of credit or similar financial instrument.

Contributions receivable under written contribution agreements executed on or before the date of the statement of financial position but which have not been received at that date are recorded as an asset. Excluded are contributions receivable later than one year after the date of the statement of financial position.

Foreign currency exchange gains and losses realized between the date of the written contribution agreement and the date of the actual receipt of cash and those unrealized at the date of the statement of financial position are recorded as part of Contribution income.

Non-cash contributions donated in the form of goods or services (in-kind contributions) are not included in the financial statements as they are not material.

2.7 Grants

All grants are governed by a written grant agreement and are expensed in full when the agreement is executed.

Grants or portions of grants that have not been disbursed at the date of the statement of financial position are recorded as liabilities. The long-term portion of such liabilities represents amounts that are due to be disbursed later than one year after the date of the statement of financial position.

The Global Fund to Fight AIDS, Tuberculosis and Malaria

Notes to the Financial Statements as at 31 December 2003

2. Significant Accounting Policies (continued)

2.8 Local Fund Agent Fees

Fees to Local Fund Agents to assess local capacity prior to and during grant negotiation, and to manage and monitor implementation of funded programs as grants are disbursed, are expensed as the work is completed.

2.9 Bank and Trust Fund Income

Bank and trust fund income includes deposit interest on bank balances and realized gains and losses on investments and currencies on funds held in trust.

2.10 Employee Benefits

All personnel and related costs, including current and post employment benefits are managed by the WHO and charged in full to the Global Fund. There are no additional obligations for employee benefits outside of the Global Fund's obligations to the WHO.

3. Details relating to the financial statements

In thousands of US dollars

3.1 Cash and Cash Equivalents

	2003	2002
Cash and bank balances	225	542
Funds held in Trust	1'741'968	649'948
	1'742'193	**650'490**

3.2 Funds held in Trust

	2003	2002
World Bank	1'729'149	629'190
WHO	12'567	18'317
UNF	252	2'441
	1'741'968	**649'948**

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The Global Fund to Fight AIDS, Tuberculosis and Malaria

Notes to the Financial Statements as at 31 December 2003

3. Details relating to the financial statements (continued)

In thousands of US dollars

3.3 Promissory Notes

	2003	2002
Maturing in 2003	-	51'840
Maturing in 2004	62'460	-
Total promissory notes	**62'460**	**51'840**

3.4 Contributions and Contributions Receivable

	2003	2002
Governments	1'266'667	779'374
Private sector	101'855	2'442
Total contributions	**1'368'522**	**781'816**
Cash received including encashed promissory notes	1'188'790	651'880
Realized (losses)/gains on foreign currency contributions	13'090	955
	1'201'880	652'835
Promissory notes to be encashed	62'460	51'840
Unrealized gains on foreign currency promissory notes to be encashed	9'687	2'916
	72'147	54'756
Total contributions received	1'274'027	707'591
Contributions receivable*	88'856	71'028
Unrealized gains on foreign currency contributions receivable	5'639	3'197
Total contributions receivable	94'495	74'225
Total contributions	**1'368'522**	**781'816**

* Comprises amounts receivable under written contribution agreements executed on or before 31 December 2003 that had not been received at that date. In accordance with the accounting policy outlined in Note 2.6, contributions receivable after 31 December 2004 are not recognized.

3.5 Grants

	2003	2002
Disbursed	231'200	898
Undisbursed	832'104	51'121
	1'063'304	**52'019**

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The Global Fund to Fight AIDS, Tuberculosis and Malaria

Notes to the Financial Statements as at 31 December 2003

3. Details relating to the financial statements (continued)

In thousands of US dollars

3.6 Operating expenses

	2003	2002
Secretariat expenses		
Personnel	9'793	2'753
Trustee fee	1'870	2'320
Administrative services fee	900	863
Other professional services	2'078	3'330
Travel and meetings	3'750	1'027
Communication materials	966	135
Office rental	509	427
Office infrastructure costs	998	607
Other	1'572	632
	22'436	12'094
Local Fund Agent fees	10'119	673
	32'555	**12'767**

3.7 Personnel

As described in Note 1, personnel to support the operations of the Global Fund are provided by the WHO under an agreement between the WHO and the Global Fund. At 31 December 2003 there were 96 personnel assigned to the Global Fund (2002: 48). Of these, 55 (2002: 9) are assigned under fixed-term contracts, typically of two years duration. All other personnel are assigned under contracts of shorter duration.

3.8 Taxation

The Global Fund is exempt from tax on its activities in Switzerland.

3.9 Commitments

At 31 December 2003, the Global Fund has the following outstanding operating lease commitments:

Year	Office space	Office equipment	Vehicle
2004	527	12	9
2005	527	12	1
2006	527	12	-
2007	527	12	-
2008	527	8	-
Beyond 2008	1'802	-	-
	4'437	**56**	**10**

The Global Fund to Fight AIDS, Tuberculosis and Malaria

Notes to the Financial Statements as at 31 December 2003

4. Financial Instruments

As described in Note 2.5, those funds held in trust by the World Bank, acting as Trustee for the Global Fund, are actively managed and invested in a commingled investment portfolio in accordance with the investment strategy established for all trust funds administered by the World Bank.

Other than those funds held in trust by the World Bank, as mentioned above, the Global Fund employs the following risk management policies to financial instruments:

Currency risk: The risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Global Fund does not hedge its exposure risk on foreign exchange as it operates primarily in US dollars, thus there is no significant impact from foreign exchange movements.

Interest rate risk: The risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Global Fund does not use derivative financial instruments to reduce its exposure risk on interest from variable rate bank balances and funds held in trust.

Market risk: The risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Global Fund has assigned the management of market risk primarily to the Trustee, and does not use derivative financial instruments to reduce its market risk exposure on other financial instruments.

Credit risk exposures: Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. The Global Fund does not use derivative financial instruments to reduce its credit risk exposure.

The Global Fund's maximum exposure to credit risk in relation to cash and bank balances, funds held in trust, promissory notes and contributions receivable is the carrying amount of those assets as indicated in the statement of financial position. The Global Fund places its available funds with high quality financial institutions to mitigate the risk of material loss in this regard. With respect to the Global Fund's contributions receivable, management believes these will be collected as they result from mutually signed contribution agreements primarily with governments.

5. Events subsequent to year-end

There were no events subsequent to the date of statement of financial position which may have a material bearing on the understanding of these financial statements.

6. Comparative financial information

Certain comparative balances have been itemized for compliance with the current year presentation. There is no impact on the Statement of Changes in Funds.

“OUR RESPONSE SHOULD BE BASED on a global partnership. Multilateralism works. The threat we face transcends borders, and we must do the same.”

Dr Jan Peter Balkenende, *Prime Minister of the Kingdom of the Netherlands*

THE GLOBAL FUND
TO FIGHT AIDS, TUBERCULOSIS & MALARIA

53 Avenue Louis Casaï
1216 Cointrin
Geneva, Switzerland

+ 41 22 791 1700 (phone)
+ 41 22 791 1701 (fax)

www.theglobalfund.org
info@theglobalfund.org

Cover Photograph: John Rae, NYC

ON THE COVER

This mother and her child live in the Sonakasalampakkulam Refugee Camp near the no-go zone between the Government and the Tamil rebels in north-central Sri Lanka. Local NGO Sarvodaya supplied the mosquito net using funds granted by the Global Fund. The mosquito net is, in fact, pink and this is because in the first distribution of nets in Sri Lanka the nets were green — the color of one of the main political parties. This caused another main party to lodge a complaint. Savodaya ordered the next batch of nets in pink, believing no political party would lay claim to that color. There were no further complaints.

Inside cover front: On the road between Tacoa and Trujillo, Honduras
Inside cover back: A cart passes Cambodia's Pochentang train

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