

## THE GLOBAL FUND'S SECOND REPLENISHMENT (2008-2010) MID-TERM REVIEW

Cáceres, 30 March – 1 April 2009

### Chair's Summary

1. The mid-term review of the Second Replenishment of the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund) took place in Cáceres, Spain, on 31 March – 1 April 2009. Her Excellency, Dr. Soraya Rodriguez, Spain's Secretary of State for International Cooperation, welcomed the 28 participating delegations and opened the meeting by expressing Spain's strong commitment to international health and the Global Fund and announcing an increase in Spain's contribution to the Global Fund. The United Nations Secretary General, Mr. Ban Ki-moon, also welcomed the participants through a video message where he emphasized the achievements of the Global Fund and stressed that spending on HIV/AIDS, tuberculosis and malaria is a smart investment. He asked donors to honor past commitments by ensuring that all credible plans are fully funded. Ms. Elizabeth Mataka, Vice-Chair of the Board of the Global Fund, welcomed the participants on behalf of the Board and its Chair, Mr. Rajat Gupta, emphasizing the vital needs of people living in countries highly affected by the pandemics, particularly women. Prof. Michel Kazatchkine, Executive Director of the Global Fund, also welcomed the participants and highlighted the progress made in results, effectiveness and efficiencies, while stressing the collective effort still needed to achieve the MDG targets. In an opening statement, His Excellency, Mr. Alain Joyandet, France's Secretary of State for Development Cooperation and Francophony, reaffirmed France's strong support for the Global Fund. He noted that France's commitment to development cooperation would be reiterated by the President of France at the forthcoming G-20 Summit in London. He invited participants to the International Conference on Innovative Financing organized in Paris on 28 - 29 May 2009. Sven Sandström chaired the meeting.

2. Meeting participants reviewed the follow up on the agreements reached at the closing conference of the Second Replenishment in Berlin in September 2007. Four subject areas were covered: (1) performance and results, (2) demand estimates and financial resources, (3) progress on strategy and policy, and (4) long term funding and the Third Replenishment, for 2011 and beyond. Throughout the discussion, participants emphasized their satisfaction with the achievements since the Berlin meeting, noting that (a) the Global Fund has made extraordinary progress and, together with grant recipients and other development partners, is now having a significant and growing impact on the three diseases, (b) demand for Global Fund financing is rapidly increasing, and (c) donors are fulfilling the funding commitments

made in Berlin for 2008-2010 and also providing additional funding. Participants emphasized the challenges that come with success and the need to meet these in a responsible manner.

## **Performance and Results**

3. Their Excellencies, the Hon. Dr. Babatunde Osotimehin, Minister of Health of Nigeria, and the Hon. Mr. Seydou Bouda, Minister of Health of Burkina Faso, described the significant progress being made in preventing and treating HIV/AIDS, tuberculosis and malaria in their countries. They highlighted how resources from the Global Fund have enabled country partners to achieve major results in the fight against the three diseases while also increasing health systems capacity. Expanded access to effective health services has contributed to a reduction of cases of illness and death and, hence, further freed up capacities of the local health systems to provide better services, leading to a virtuous cycle of increasing capacity and improved health. They pledged their governments' full commitment to provide equitable access to prevention and treatment for all people and to allocate additional domestic resources for this purpose. They called for continued support from the international community and noted that they are preparing grant applications for Round 9. Participants congratulated them for their leadership in the fight against the three diseases and commended them for the results being achieved.

4. Participants expressed their appreciation for the Global Fund's Results Report 2008, "Scaling Up for Impact", and welcomed the good performance of implementing countries, the Global Fund itself and its technical partners, as reflected in this report. They welcomed the growing evidence of impact on the three diseases and noted that it provides powerful arguments for scaling up of ongoing programs.

5. They highlighted areas where all partners collectively should give greater emphasis, such as prevention. They asked the Global Fund to explore with all stakeholders how evidence-based prevention efforts can be scaled up, and how linkages between HIV/AIDS and sexual and reproductive health and rights can be further strengthened.

6. Participants emphasized the need for the Global Fund to improve its performance on alignment, harmonization and the Price Reporting Mechanism. They noted that country coordinating mechanisms (CCMs) have been very useful to build platforms for public private collaboration at country level but have in many cases been mostly a Global Fund coordinating mechanism and not a country coordinating mechanism. They asked that further thought be given to the position of CCMs for the future and suggested that they be reviewed in a broader national strategy context.

7. Participants recognized the Global Fund's good progress in adapting itself to the principles of the Paris declaration on Aid Effectiveness but noted that further efforts are needed to ensure that the Global Fund at the country level pursues a more strategic approach in harmonizing with partners and aligning with national plans and planning cycles. They felt that Global Fund monitoring of indicators in this area, including its transparency on strengths and weaknesses, sets a standard for other organizations to follow.

8. Donors observed that the increasing size of Global Fund supported programs raises important questions of long term sustainability. They emphasized several factors that need to be more fully addressed in order to ensure sustainability, including the need for increased domestic financing for health and the need to ensure that programs are cost effective. Longer term forecasting would be required.

### **Demand Estimates and Financial Resources**

9. Participants took note of the increasing quantity and quality of demand that has been manifested since donors last met in September 2007. They commended multilateral partners -- such as UNAIDS, WHO, World Bank, the Stop TB Partnership and Roll Back Malaria – as well as bilateral partners and civil society organizations for supporting affected countries and the Global Fund. They noted that total demand for 2008-2010 is now estimated to be in the range of USD 13.5 to 19.4 billion.

10. Donors confirmed that they expect to fully meet the funding commitments made in September 2007, with total donor contributions available for grant programs during 2008-2010 now expected to be at least USD 9.5 billion, using current exchange rates. It was observed that, in domestic currency terms, this is about 5% higher than in September 2007.

11. Participants noted that there is an urgent funding gap and extensively discussed ways in which the difference between available resources and expected demand can be bridged in the short term and how the Global Fund in the longer term can establish a sound basis for further growth. They emphasized the following six sets of actions.

12. **First**, and most urgent, participants emphasized the need for additional funding. Spain pledged an additional USD 13 million for 2009. Several donors indicated that they would consider in the near future additional contributions on the basis of the excellent results and emerging impact of Global Fund programs, as reflected in the helpful documents and presentations for the mid-term review and the understandings reached during the meeting. Participants also urged other donors to make additional and larger contributions, noting that much of the additional resources would have to come from donors who have committed to increasing their ODA budgets to meet Monterrey targets as well as from other major economies and new and emerging donors. Participants also emphasized the importance of increasing the support for the Global Fund and for prioritizing social sector spending in current times of economic downturn in order to protect human capital and mitigate the effects of the economic crisis.

13. Participants welcomed the effective work of the Global Fund to broaden the donor base including through innovative financing instruments. They urged the Fund to intensify further these efforts. They warmly acknowledged the growing contributions from innovative financing mechanisms such as UNITAID and Debt2Health as well as the contributions from the private sector. Product(RED) was praised for its contributions and its important support to the Global Fund. Participants welcomed the interest expressed by Australia, France, and Italy, in addition to Germany, to explore converting bilateral debt for health through the

Debt2Health initiative. Participants encouraged further work and partnerships in innovative financing.

14. **Second**, participants urged implementing countries to increase their financing for the health sector. They noted that, at their 2001 summit in Abuja, the Heads of States of the African Union committed to a target of allocating at least 15% of their annual budget to the improvement of the health sector. Participants requested for their next meeting a progress report on the fulfillment of this commitment and also of middle-income countries' counterpart contributions alongside Global Fund grants. The report should also include a broader review of counterpart financing requirements and options.

15. **Third**, participants asked the Global Fund to vigorously pursue cost effectiveness and efficiency measures in order to ensure that available resources yield maximum results. Efficiencies from voluntary pooled procurement and benchmarking of best prices should also be considered in this context.

16. **Fourth**, participants asked the Global Fund to make more extensive use of equity principles when prioritizing grant applications, particularly with regard to factors such as disease burden and income level. With regard to income level, both increased co-financing and graduation of wealthier countries should be considered, while recognizing that poverty continues to affect sizeable populations in middle-income countries.

17. **Fifth**, participants asked the Global Fund to review its role and place in the global health architecture, both to ensure harmonization with other actors in the sector and to ensure that the Global Fund remains focused on areas where it has a comparative advantage. Opportunities for other actors to pick up some of the demand now being faced by the Global Fund should be actively explored.

18. **Sixth**, and in no way detracting from efforts to mobilize additional funding, participants asked the Global Fund to organize the factors mentioned above, as well as other relevant factors, within an explicit framework for managing in a resource constrained environment. They stressed that the Global Fund, as a matter of responsible governance, must maintain a balance between ambition and realism and therefore must have an explicit framework for managing the tension between resource demand and supply. It was noted that elements of such a framework exist but need to be consolidated, strengthened and complemented. Participants suggested that the framework should cover both (1) the manner in which proposals are invited -- including timing, scope and criteria, and (2) the manner in which proposals are prioritized once they have been received -- particularly with regard to cost effectiveness, fit within national strategies and with programs supported by other donors, and equity across countries (e.g., in terms of disease burden, income level and cost sharing). Participants requested a document setting out such a management framework for their next meeting.

19. Participants concluded that the USD 9.5 billion in currently committed and projected resources for 2008-2010 would fund Round 8 fully but provide only USD 0.9 billion for Round 9 and subsequent rounds (including National Strategy Applications). Further, they

emphasized that, within the current 2008-2010 resource envelope, funds should be made available as early as possible in order to avoid the delays in grant approvals and signing that now affect Round 8. They reiterated the need for intensified efforts to mobilize additional resources to fund future rounds and to meet the growing demand. The emerging success in the fight against the three diseases should not be set back at this critical point in time.

### **Progress on strategy and policy**

20. Participants reviewed several key areas on which they had requested progress reports such as the implementation of Global Fund strategy, including gender equality and health systems strengthening. They welcomed the progress made with regard to health systems strengthening; they highlighted the importance of the Global Fund emphasizing its mandate and ensuring that its work in this area further improves the impact on the three diseases. With regard to gender equality, they noted that this is a good example of the Global Fund spearheading an initiative while staying within its mandate; they urged rapid implementation.

21. Participants received an update on the independent 5-Year Evaluation of the Global Fund that is being carried out. For their next meeting, they requested a full report on the findings of the evaluation and the Fund's response and follow-up.

### **Long term funding and the Third Replenishment, 2011 and beyond**

22. Participants discussed progress on long term funding. They expressed appreciation for the United Kingdom's 5-year funding commitment in Berlin for 2011 to 2015 and for the long term commitments already previously made by the Gates Foundation. The European Commission (EC) informed participants that the portion of the EC funding for 2008-2010 of 50 million Euros per year that is provided through the European Development Fund had been extended for the period 2011-2013 following agreement with the African, Caribbean and Pacific Group of States.

23. Participants emphasized the importance of a longer term perspective and of longer term commitments, particularly in view of the special character of the diseases. Participants asked the Fund to prepare a paper on this subject, with the objective of encouraging additional longer term donor commitments. This paper could also cover the longer term forecasting referred to in para 8 above.

24. The importance of wider use of promissory notes was highlighted. This would better align donor contributions with the cash flow needs of the Global Fund and, hence, reduce the Fund's cash balances.

25. Donors agreed to carry out a Third Replenishment in 2010 in order to provide funding for 2011 and beyond. They discussed plans for the replenishment and agreed that they would continue with a relatively light process, preferably with only two meetings – one preparatory meeting in early 2010 and one pledging meeting in the fall. As always, additional meetings could be held if required.

26. Most participants felt that the replenishment period should remain three years, for which all donors would pledge, but they stressed that donors also should be encouraged to provide longer term commitments in line with the examples provided by the UK, the Gates Foundation and the EC. The replenishment would in effect provide a menu of options where donors could pledge for three years or any longer time period. The Global Fund was asked to work with donors to help increase the number of donors providing such longer term commitments (see para 23 above).

27. In addition to the documents requested throughout this summary, participants asked that three resource scenarios be prepared for donors to consider at their first meeting. In addition, participants asked for an update on performance and results at their first meeting, with the full report on these subjects to be available well in advance of the closing meeting.

28. With regard to donor participation, it was agreed that a flexible and informal approach should be followed, essentially as has been done in the first two replenishments. In addition to larger donors, smaller donors and potential new donors should be invited to ensure a diversity of perspectives and to provide incentives for new donors to join the replenishment. A special effort should be made to introduce new donors to the Global Fund and its way of working in order to ensure that they can participate effectively in the replenishment.

29. Participants asked the Global Fund to arrange for recipients to be more consistently represented at the next replenishment. They noted that the participation of two ministers from implementing countries in this meeting had been extremely helpful. They suggested that the Fund work with implementing countries to ensure representation on a regional basis. To the extent possible, representatives should also be donors to the Fund. Participants asked that representation not duplicate the Global Fund's Board structure and membership.

30. Participants requested the Global Fund to provide information on donor burden sharing for their next meeting – including burden sharing patterns for the Fund and selected other international institutions as well as the Fund's analysis of these patterns.

## **In Conclusion**

31. Participants thanked the Government of Spain and the authorities of the Extremadura Region and Cáceres for their warm hospitality and the superb arrangements. They also thanked the Global Fund staff for a well prepared meeting with excellent documentation.

1 April 2009