

A STRATEGY FOR THE GLOBAL FUND

# Accelerating the Effort to Save Lives



Investing in our future

**The Global Fund**

To Fight AIDS, Tuberculosis and Malaria



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## List of Terms & Abbreviations Used

ARV	Antiretroviral
CCM	Country Coordinating Mechanism
DOTS	Directly Observed Treatment, Short-course
ITN	Insecticide-treated bed net
LFA	Local Fund Agent
MDGs	Millennium Development Goals
NGO	Nongovernmental organization
ODA	Official Development Assistance
PR	Principal Recipient
PRM	Price Reporting Mechanism
PSC	Policy and Strategy Committee (of the Global Fund Board)
RCC	Rolling Continuation Channel
TERG	Technical Evaluation Reference Group
TRP	Technical Review Panel
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNGASS	United Nations General Assembly Special Session
WHO	World Health Organization

# Executive Summary

The Global Fund to Fight AIDS, Tuberculosis and Malaria was created in 2001 to provide major new financial resources for countries in need to scale up proven interventions against these three diseases. Five years on, the basic model of the Global Fund is working well. As of mid-2007, the Global Fund Board has approved more than US\$ 7.7 billion for programs in 136 countries. And together with the efforts of many implementing partners, Global Fund-supported programs have already saved 1.8 million lives.

Nevertheless, because much more remains to be done to sustain and further expand the coverage of interventions against the three diseases in the years ahead, the Global Fund is now moving into a new phase of its development. This strategy, agreed upon by the Board in early 2007, represents the organization's commitment to building upon its strengths and drawing upon the lessons learned since its creation. It brings together a number of strategic initiatives designed to ensure that the Global Fund responds effectively both to the diverse needs of grant recipients and to emerging challenges in the global health environment.

The aim of this strategy for the Global Fund is to accelerate the global effort to save lives over the timeframe of 2010 and beyond. The strategic initiatives are organized around **three strategic objectives**:

- **GROW** to meet demand;
- **ADAPT** to country realities; and
- **INNOVATE** for greater impact.

## **GROW TO MEET DEMAND**

The Board of the Global Fund has agreed on a strategic vision for the organization's financial growth, including a target size and a resource mobilization strategy to meet anticipated, concrete expressions of demand.

### • **Strategic Initiative 1.1: Target size for the Global Fund**

Based on projections, the Board of the Global Fund has recognized that demand for Global Fund financing could increase to US\$ 6 billion per year in 2010 – representing a tripling in size compared to 2006 – and potentially reach US\$ 8 billion per year by 2010 if this demand is strengthened and its quality is improved.

### • **Strategic Initiative 1.2: Strategy for mobilizing resources**

Considerable additional efforts will be required to mobilize US\$ 6 billion to US\$ 8 billion per year by 2010. The Global Fund will optimize existing methods of resource mobilization, intensify efforts to generate funding from public and private sources, and make further use of innovative approaches to financing. A detailed set of strategic priorities has been identified for each source of funds:

- *Public donors:*
  - Encourage increasing, multi-year pledges to the Global Fund through its “voluntary replenishment process”;
  - Promote the engagement of the Global Fund Board in resource mobilization;
  - Continue mobilization efforts with existing donors; and
  - Mobilize new contributors.
  
- *Investment income:*
  - Optimize investment returns in a manner consistent with best practices of publicly-funded institutions.
  
- *Private sector:*
  - Ensure that private foundations see the Global Fund as a strategic partner;
  - Support the growth of consumer-focused fundraising and awareness-raising activities such as (PRODUCT)<sup>RED</sup>;
  - Create a Global Fund Corporate Champions Program; and
  - Mobilize the support of wealthy and influential individuals.
  
- *Innovative financing mechanisms:*
  - Maximize the opportunities presented by the recent creation of UNITAID; and
  - Develop the potential of debt conversion to finance Global Fund grants.

## ADAPT TO COUNTRY REALITIES

Given the urgency of scaling up responses to the diseases, the Global Fund developed an approach to financing focused on the swift disbursement of a large volume of funds. Experience to date – from the diverse set of over 130 countries financed by the Global Fund – has shown that aspects of the Global Fund’s approach could now be adapted to better support the needs and realities of recipient countries.

This strategic objective consists of three areas, each with a number of strategic initiatives:

- *Adjusting Global Fund approaches to better align with country cycles and procedures, through:*
  - **Strategic Initiative 2.1: Grant consolidation**, which is being explored via a pilot project for subsequent roll-out across the Global Fund portfolio. Consolidation will enable more streamlined and transparent grant management through combining multiple, related Global Fund grants into a single grant;
  
  - **Strategic Initiative 2.2: Fixed dates for rounds**, which will be announced well in advance and held at approximately the same time each year to increase predictability of Global Fund financing; and

- **Strategic Initiative 2.3: Flexibility in the timing of the Phase 2 review** when needed to enable alignment of Global Fund financing with national cycles.
- *Helping to address procurement-related bottlenecks to program implementation, through:*
  - **Strategic Initiative 2.4: Measures to strengthen the Price Reporting Mechanism (PRM)**, to improve the completeness, quality, and use of procurement data shared among Global Fund recipients;
  - **Strategic Initiative 2.5: Voluntary pooled procurement**, a service administered by one or more procurement agents, which will combine the purchases of many grantees to achieve improved supply, assured quality and lower prices; and
  - **Strategic Initiative 2.6: Capacity-building services for procurement**, offered by relevant providers, to improve the capabilities of recipients to effectively conduct procurement and supply management.
- *Providing appropriate support for the strengthening of countries' health systems to maximize effective delivery of services, via:*
  - **Strategic Initiative 2.7:**
    - Clarification that the Global Fund will **support health systems** by investing in **activities that help overcome the constraints to improving outcomes for AIDS, tuberculosis and malaria**; and
    - **Further elaboration of the Global Fund's approach** to the funding of health systems strengthening activities, including the modality for such financing.

## **INNOVATE FOR GREATER IMPACT**

In addition to drawing on the accumulated lessons of 40 years of development finance, the creation of the Global Fund introduced a number of innovations – such as a participatory governance structure and Country Coordinating Mechanisms (CCMs) – which have contributed to its effectiveness. Further opportunities for innovation must now be pursued if the effort to save lives is to be accelerated and the Global Fund's impact is to be increased.

The Global Fund will introduce strategic innovations to address two of the major challenges in global health: ensuring sustainable funding in countries in need and improving participatory ownership of national health programs. The strategic initiatives under this heading are:



- **Strategic Initiative 3.1: National strategy applications**, an approach that enables funding requests to the Global Fund in the form of a national strategy – which has been “validated” by an independent review mechanism using broadly-agreed, international standards – and some minimal additional information. This approach will create an incentive for country stakeholders to develop robust national strategies and eliminate parallel planning efforts and it will contribute to improving harmonization among donors;
- **Strategic Initiative 3.2: The Rolling Continuation Channel (RCC)**, which will allow applications to continue funding to existing, high-performing grants for up to six years through a streamlined process operating on a quarterly schedule – rather than annually as for funding rounds; and
- *Measures to strengthen the role of civil society and the private sector in the Global Fund’s work*, specifically:
  - **Strategic Initiative 3.3:** The recommended, routine use of “**dual-track financing**”, whereby proposals to the Global Fund include Principal Recipients (PRs) from both the government and nongovernment sectors;
  - **Strategic Initiative 3.4:** The routine inclusion in proposals to the Global Fund of relevant requests for **the strengthening of community systems** necessary for the effective implementation of Global Fund grants;
  - **Strategic Initiative 3.5:** The **increased representation of vulnerable groups** in CCMs; and
  - **Strategic Initiative 3.6:** Improved access to **funding for CCM administration and increased transparency** about civil society access to such funding.

## IMPLEMENTING AND UPDATING THE STRATEGY

The process of implementing the initiatives presented in this strategy has already begun. Some initiatives are already in place. Others will take more time to roll out as they involve significantly different approaches from those used currently.

The Global Fund Board will play a significant role in guiding implementation, providing additional policy direction where needed, monitoring the progress of all of the initiatives on a periodic basis and deciding on any adjustments that might be needed. Additional formal processes to guide the implementation of the strategy will include incorporation of follow-up on the strategic objectives into the Global Fund’s key performance indicators and a mid-term review of the strategy in 2009. This review will benefit from inputs generated by the Five-Year Evaluation of the Global Fund and the 2008 Partnership Forum.



# Introduction

Together, AIDS, tuberculosis and malaria take the lives of six million people in the developing world every year. Yet they are both preventable and treatable. The Global Fund to Fight AIDS, Tuberculosis and Malaria was created in 2001 to provide major new financial resources for countries in need to scale up proven interventions against these three diseases.

The Global Fund is guided by a number of fundamental principles (Figure 1): it is a financial instrument, not an implementing entity, and abides by principles of country ownership, multi-stakeholder involvement, and performance-based funding, among others. The Global Fund's organizational architecture and its way of functioning strongly embody these core principles (Figures 2 and 3).

In five years, generous financial support from donor countries, charitable

foundations and the private sector has enabled the Global Fund Board to approve grants worth more than US\$ 7.7 billion to programs in 136 countries. The Global Fund represents about two-thirds of international financing for tuberculosis and malaria and more than one-fifth of international resources for AIDS. Together with the efforts of many implementing partners, Global Fund-supported programs have already saved 1.8 million lives. Overall, the basic model of the Global Fund is working well. Five years on, the Global Fund is making a difference.

## THE PATH AHEAD

Much more remains to be done, however, to sustain and further expand the coverage of interventions against the three diseases in the years ahead. Significant, additional financial resources beyond those currently available will be needed to help meet the

FIGURE 1

**THE PURPOSE AND PRINCIPLES OF THE GLOBAL FUND**

The Global Fund's purpose, principles and operating processes are outlined in its founding charter, the **Framework Document**. This document has guided the organization since its inception.

It also provided overarching guidance to the development of the Global Fund's strategy, the objectives of which were inspired by, and designed to be consistent with, the purpose and principles laid out in the Framework Document.

According to the Framework Document, the **purpose of the Global Fund** is: *"to attract, manage and disburse additional resources through a new public/private partnership that will make a sustainable and significant contribution to the reduction of infections, illness and death, thereby mitigating the impact caused by HIV/AIDS, tuberculosis and malaria in countries in need and contributing to poverty reduction as part of the Millennium Development Goals."*

The Framework Document contains a number of **guiding principles** for the Global Fund, which include the following:

- The Global Fund is a financial instrument, not an implementing entity.
  - The Global Fund will base its work on programs that reflect national ownership, and respect country-led formulation and implementation processes.
  - The Global Fund will evaluate proposals through independent review processes based on the most appropriate scientific and technical standards that take into account local realities and priorities.
  - The Global Fund will seek to establish a simplified, rapid, innovative process with efficient and effective disbursement mechanisms, minimizing transaction costs and operating in a transparent and accountable manner based on clearly defined responsibilities.
- In making its funding decisions, the Global Fund will support proposals which:
    - Support the substantial scaling up and increased coverage of proven and effective interventions [...] against the three diseases for the prevention, treatment, care and support of the infected and directly affected.
    - Build on, complement, and coordinate with existing regional and national programs in support of national policies, priorities and partnerships.
    - Focus on performance by linking resources to the achievement of clear, measurable and sustainable results.
    - Focus on the creation, development and expansion of country government/ private/non-governmental organization partnerships, building on existing coordination mechanisms, and promoting new and innovative partnerships where none exist.
    - Strengthen the participation of communities and people, particularly those infected with and directly affected by the three diseases, in the development of proposals.
  - The Global Fund will support programs that address the three diseases in ways that will contribute to strengthening health systems.

goal of coming as close as possible to universal access to AIDS prevention and treatment by 2010, to stop tuberculosis and to roll back malaria. In addition, there is a growing recognition that more concerted efforts are needed to better harmonize the work of donors and technical partners working to fight the three diseases, and to more effectively align the resources and support they provide with the needs of countries. Bottlenecks to program implementation such as the often-slow procurement of drugs and other health products need to be addressed.

Contributions from civil society and the private sector to efforts to fight AIDS, tuberculosis and malaria must be further harnessed. Underlying weaknesses in health systems need to be urgently tackled if the interventions against the three diseases are to have the maximum impact.

This strategy for the Global Fund, agreed upon by the Board in early 2007, brings together a number of strategic initiatives to address these challenges over the timeframe of 2010 and beyond. Doing so will accelerate the effort to save lives and help the Global Fund attain its founding purpose – to make a significant and lasting impact on AIDS, tuberculosis and malaria, while contributing to poverty reduction as part of the Millennium Development Goals (MDGs). This strategy also reconfirms and moves the Global Fund further toward realizing its core principles, which have successfully served it since its creation.

In endorsing the strategy, the Board of the Global Fund has recognized that, as a learning organization, the Global Fund must continually reflect upon the

lessons learned to date and adjust to changing circumstances and country priorities. As a financial instrument, the Global Fund must also ensure that its work complements the efforts of its key partners and is consistent with the division of labor among them. Such partners include country stakeholders (public, civil society and private), bilateral and multilateral donors, and technical agencies, such as the Joint United Nations Programme on HIV/AIDS (UNAIDS), the World Health Organization (WHO), other United Nations agencies, and the Stop TB and Roll Back Malaria partnerships.

With the help of these valuable partners, the strategy will guide the Global Fund as it embarks on the path ahead – a new and challenging phase of growth, adaptation and innovation, to accelerate the effort to save lives.

## THE STRATEGY DEVELOPMENT PROCESS

The first steps to develop the Global Fund's strategy were taken in 2005. The objective was to develop a set of high-level priorities that would allow the organization to increase its impact dramatically.

Several important guidelines shaped the approach to developing the strategy: the Board would play a strong role in leading the strategy development and making key decisions. The process would be inclusive and all key stakeholders would have the opportunity to contribute. Finally, the principles in the Global Fund Framework Document, having stood the test of time, would guide the strategic reflection; but the existing Global Fund architecture could be modified if needed.

FIGURE 2

### THE ARCHITECTURE OF THE GLOBAL FUND

The Global Fund's overall architecture includes both the structures set up or contracted by the Global Fund itself (shown in **red** in Figure 3), and those (shown in **yellow**) set up by countries that receive Global Fund financing. The architecture functions as part of a broader network that includes the various partners at both the country and the global levels which play critical roles in supporting proposal development and grant implementation.

At country level, the **Country Coordinating Mechanism (CCM)** is a partnership composed of all key stakeholders in a country's response to the three diseases. The CCM does not handle Global Fund financing itself, but is responsible for submitting proposals to the Global Fund (step 1 in Figure 3), nominating the entities accountable for administering the funding, and overseeing grant implementation (step 10). The CCM should preferably be an already-existing body, but a country can instead decide to create a new entity to serve as CCM.

The Global Fund **Secretariat** manages the grant portfolio, including screening proposals submitted (step 2), issuing instructions to disburse money to grant recipients (step 6) and implementing performance-based funding of grants. More generally, the Secretariat is tasked with executing Board policies; resource mobilization; providing strategic, policy, financial, legal and administrative support; and overseeing monitoring and evaluation. It is based in Geneva and has no staff located outside its headquarters.

The **Technical Review Panel (TRP)** is an independent group of international experts in the three diseases and cross-cutting issues such as health systems. It meets regularly to review proposals based on technical criteria and provide funding recommendations to the Board (step 3).

The Global Fund **Board** is composed of representatives from donor and recipient governments, civil society, the private sector, private foundations, and communities living with and affected by the diseases. The Board is responsible for the organization's governance, including establishing strategies and policies, making funding decisions (step 4) and setting budgets. The Board also works to advocate and mobilize resources for the organization.

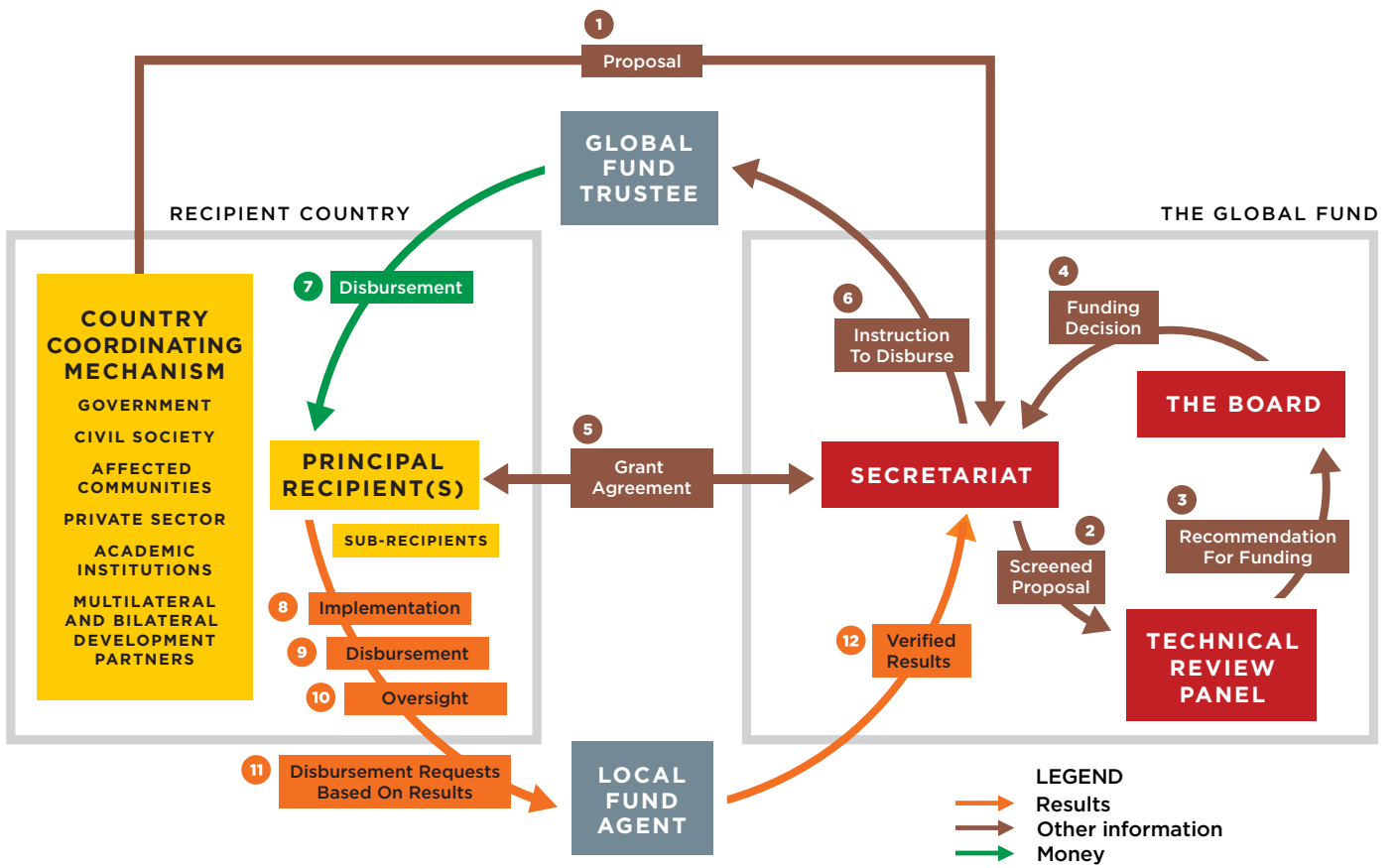
The Global Fund signs a legal grant agreement (step 5) with a **Principal Recipient (PR)**, which is designated by the CCM. The PR receives Global Fund financing directly, and then uses it to implement prevention, care and treatment programs (step 8) or passes it on (step 9) to other organizations (**sub-recipients**) who provide those services. Many PRs both implement and make sub-grants. There can be multiple PRs in one country. The PR also makes regular requests for additional disbursements from the Global Fund based on demonstrated progress towards the intended results (step 11).

The Global Fund's **Trustee** manages the organization's money, which includes making payments to recipients (step 7) at the instruction of the Secretariat. The Trustee is currently the World Bank.

Since the Global Fund does not have staff at country level, it contracts firms to act as "**Local Fund Agents**" (LFAs) to monitor implementation. LFAs are responsible for providing recommendations to the Secretariat on the capacity of the entities chosen to manage Global Fund financing and on the soundness of regular requests for the disbursement of funds and result reports (step 12) submitted by PRs.

A STRATEGY FOR THE GLOBAL FUND

FIGURE 3 THE GLOBAL FUND PROPOSAL AND GRANT PROCESSES



**FIGURE 4**

**THE INCLUSIVE COMPOSITION OF  
THE POLICY AND STRATEGY COMMITTEE  
OF THE GLOBAL FUND BOARD**

**Donor constituencies of the Board**

Canada/Germany/Switzerland  
European Commission/Belgium/Finland/Portugal  
France/Spain  
Italy  
Japan  
“Point Seven” (Denmark/Ireland/Luxembourg/  
Netherlands/Norway/Sweden)  
Private Foundations  
Private Sector  
United Kingdom/Australia  
United States of America

**Recipient constituencies of the Board**

Communities (nongovernmental organizations  
(NGOs) representative of communities of  
people living with the diseases)  
Developed Country NGOs  
Developing Country NGOs  
Eastern Europe  
Eastern Mediterranean Region  
Eastern and Southern Africa  
Latin America and the Caribbean  
South East Asia  
West and Central Africa  
Western Pacific Region

**Non-voting, ex-officio members of the Board**

UNAIDS  
WHO  
The World Bank



The Board tasked its Policy and Strategy Committee (PSC), supported by extensive analysis from the Secretariat, with steering the strategy process and making recommendations to the Board. To ensure inclusive deliberations, the PSC was constituted as a “committee of the whole,” with representation from every constituency holding a seat on the Board (Figure 4). A broad range of stakeholders were consulted at the Second Partnership Forum in Durban in 2006, as well as through an online eForum in the five months leading up to it.

Early thinking on the strategy was informed by a situation analysis. It identified three major issues, and corresponding questions, that the strategy should address:

- The global need for additional financing for AIDS, tuberculosis and malaria is growing rapidly as the three epidemics continue to spread. Demand for financing looks set to continue to grow, given the wide range of epidemiological and technological challenges being faced by countries for each disease. Given this, **what role should the Global Fund play in financing the rising demand for services to fight AIDS, tuberculosis and malaria?**
- The Global Fund’s experience in funding partnerships in a diverse set of countries has shown that some aspects of its model could better reflect the needs and realities of countries. This includes adapting Global Fund procedures to more closely fit those of countries and helping to respond to implementation bottlenecks. **How, then, should the Global Fund adapt its model to better respond to country realities?**

- Although the Global Fund incorporated a number of innovations in its original design, there are now unexploited avenues for further innovation that could increase its impact. **What novel approaches would help the Global Fund improve its effectiveness?**

#### AREAS REVIEWED BUT IN WHICH STRATEGIC MODIFICATIONS WERE NOT MADE

In developing the strategy, the Board assessed the important aspects of the Global Fund’s model and determined that the present strategic approach in a number of key areas did not require major alteration.<sup>1</sup> These areas include:

#### MEASURING IMPACT AND ENSURING ACCOUNTABILITY

The Global Fund employs a multi-tiered system for measuring the impact of its financing. The Secretariat and Board regularly review indicators of the organization’s operational efficiency. The Global Fund’s performance-based funding philosophy ensures that grant recipients continuously track the number of people reached with Global Fund-financed interventions. The longer-term impact of the Global Fund is being evaluated through periodic studies carried out under the auspices of the independent Technical Evaluation Reference Group (TERG).

Additionally, the Global Fund has developed systems to ensure accountability. CCMs play a key oversight role, while Global Fund-contracted LFAs regularly scrutinize financial and programmatic reports from recipients. An independent Inspector General reviews the Global Fund’s operations and accounts.

In the areas of measuring impact and ensuring accountability, the Board was satisfied with the current approaches and saw no need to modify them.

#### **PORTFOLIO COMPOSITION**

The Global Fund is demand-driven, with CCMs determining the diseases, priorities and approaches that they would like the Global Fund to finance.<sup>2</sup> As the collection of technically-sound proposals formulated by CCMs, the Global Fund's portfolio has arrived at its current composition organically.

However, because the founding principles of the Global Fund commit the organization to operating in a balanced manner with respect to different diseases, regions and interventions, a review was undertaken to evaluate the composition of the Global Fund grant portfolio. It found that the current approach to funding has resulted in a portfolio that is balanced regionally and by disease. Limitations of the data prevented any conclusions from being drawn about balance by type of intervention. Based on this assessment, there is currently no reason to attempt to rebalance the portfolio. A process has been established to monitor the portfolio on a regular basis, including the quality and value for money of Global Fund-financed interventions, the balance of interventions within each disease, the integration of relevant scientific innovations, and gender.

#### **THE SYSTEM OF "ROUNDS"**

The Global Fund solicits funding proposals on a periodic basis and reviews all of them simultaneously, a process referred to as a funding "round." Concerns raised about the use of this rounds system include the unpre-

dictability of their timing; the need to complete a Global Fund-specific application form, rather than just submit existing documentation and the potential that rounds could encourage discrete "projects" instead of contributing to the financing of broader national programs.

On balance, the rounds system is seen as offering significant benefits and will be retained. A number of initiatives to mitigate the concerns and supplement the rounds with other ways to access Global Fund financing are included in the strategy (see pages 29, 35 and 37).

#### **SUPPORT TO POOR PERFORMERS**

Global Fund financing is tied to performance. Grants that have not been able to show measurable impact over time have been discontinued. However, given the Global Fund's aim of expanding access to treatment, prevention, care and support services, there has been a desire to identify and assist grants before they fail. The Global Fund has already taken a number of steps to this effect: CCMs and PRs can apply for funding for technical and managerial support as part of their overall grant application. Tools have been developed to mitigate problems in areas where delays often occur, such as procurement and supply management, and monitoring and evaluation. A system has been created to identify at-risk grants early in the course of their implementation, with a view to mobilizing assistance for them. Partnerships have been developed with a number of organizations that can provide on-the-ground support to recipients.

While these efforts should be continually improved, no major strategic changes in the overall approach to

poor performers are contemplated in this document. However, because procurement is a chronic cause of poor performance in many countries, the strategy includes a new approach to provide assistance in this area to poor performers, as well as to others who wish to adopt it (see page 32).

### **CCMs**

CCMs represent a significant innovation in development financing by promoting partnerships between a broad range of stakeholders. Not all countries have embraced this vision of collaboration and further efforts are necessary to strengthen the participation of civil society – including people affected by the diseases – and the private sector.

Progress has been made in response to earlier Global Fund measures related to CCMs and in many countries, operational improvements to CCMs are currently occurring. The strategy reaffirms the centrality of CCMs in ensuring country-level partnership and makes incremental changes to improve their composition and financing (see page 39).

### **LFAs AND THE LOCATION OF GLOBAL FUND STAFF**

The Global Fund moves large sums of money without staff based in the field. Instead, the organization contracts LFAs<sup>3</sup> to verify and report on grant progress. This approach permits the Global Fund Secretariat to remain lean and flexible yet still have access to local knowledge. The Global Fund also relies on its technical partners, particularly those with a country presence, to support and monitor implementation.

The Board of the Global Fund has recognized that certain refinements are needed in the skill sets of LFAs and in the Secretariat's management of LFAs. However, it does not feel there is a need to fundamentally change the existing strategic approach to grant oversight. Nor does it feel a need to locate Secretariat staff in recipient countries. The Global Fund is currently re-tendering LFA services across the entire portfolio to meet its growing needs over the coming years and to make enhancements to the LFA model based on its experience to date.



# The Strategy: Accelerating the Effort to Save Lives

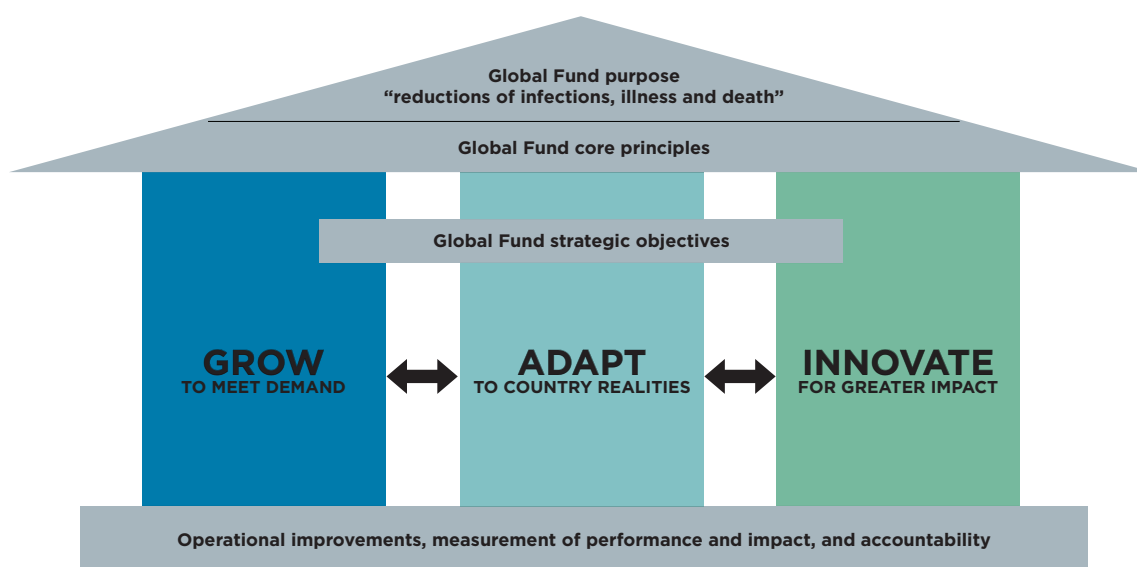


FIGURE 5 STRATEGIC FRAMEWORK OF THE GLOBAL FUND

This strategy for the Global Fund aims to accelerate the global effort to save lives. It is organized around three strategic objectives which the Global Fund will simultaneously pursue:

- **GROW** to meet demand;
- **ADAPT** to country realities; and
- **INNOVATE** for greater impact.

These three strategic objectives can be depicted graphically as the three pillars of a structure (Figure 5). They support the roof of the structure – the realization of the founding purpose and principles of the Global Fund (Figure 1) – and rest on a solid base: continuous operational improvements, the measurement of performance and impact, and accountability.



## STRATEGIC OBJECTIVE 1

# GROW

## to Meet Demand

Over the past several years, considerable progress has been made in expanding the availability of key treatment and prevention services to people with HIV/AIDS, tuberculosis and malaria. However, the scale of the response is still insufficient in many countries and the epidemics are growing faster than services can be provided. Globally, new HIV infections outpace the number of people starting treatment by a factor of five. A highly drug-resistant form of tuberculosis has been spreading rapidly in recent years, creating a looming public health crisis. Malaria is making a resurgence in areas thought to be free of the epidemic.

An analysis done in collaboration with UNAIDS, the Stop TB Partnership and Roll Back Malaria showed that global resource needs for the three diseases

are approximately US\$ 28 billion to US\$ 31 billion per year for the period 2008 to 2010. AIDS financing constitutes the bulk of this – around 70 to 75 percent – while tuberculosis and malaria account for approximately 15 percent and 12 percent, respectively.

Despite dramatic growth in resources for the three diseases in recent years, a considerable gap remains to meet these financing needs. For example, while available resources for HIV/AIDS increased 28-fold between 1996 and 2005, UNAIDS estimates that in 2007, available resources will total US\$ 10 billion compared to a need of US\$ 18 billion.

Countries from across the world have pledged to redouble efforts to address the three diseases. For example, in

2006, the United Nations General Assembly Special Session (UNGASS) on HIV/AIDS adopted a commitment to “pursu[e] all necessary efforts...towards the goal of universal access for prevention programmes, treatment, and care and support by 2010.”

Domestic resources in developing countries play an important role, but the bulk of additional funds needed will have to come from international sources. As a major international financier of the fight against the three diseases, the Global Fund has a significant role to play in helping to meet growing demand for financing.

### STRATEGIC INITIATIVES TO GROW TO MEET THE DEMAND FOR GLOBAL FUND FINANCING

Five factors highlight the Global Fund’s comparative advantage and suggest it is well positioned to continue its leading role as a financier for the three diseases:

- The Global Fund’s unique mandate as a financing instrument for the fight against AIDS, tuberculosis and malaria requires it to focus on raising and making available large sums of money to help meet demand;
- The Global Fund has shown that it can move money quickly. After five years, about two-thirds of international resources for tuberculosis and malaria now flow through the Global Fund. More players are involved in financing AIDS activities, however the Global Fund now provides about one-fifth of all international AIDS assistance;

- The Global Fund directs its resources where they can make a difference. It funds evidence-based interventions that work and the amount of funding recipients receive is directly tied to their performance;
- The Global Fund has the flexibility to respond to local needs because it is demand-driven, providing financing to locally-identified priorities; and
- The Global Fund has demonstrated an ability to pool financing at the global level from a range of different sources and make it available to eligible applicants purely on the basis of the technical merit of their proposals.

If the Global Fund is to continue to play a leading role in financing the fight against the three diseases, the rising global demand for funding raises a number of questions for its future: How large should the Global Fund become to help respond to the demand? And how will it raise sufficient money?

The Board of the Global Fund has considered these questions and agreed on a strategic vision for the organization’s financial growth, including a target size for the Global Fund and a resource mobilization strategy to meet anticipated, concrete expressions of demand.

#### Strategic Initiative 1.1: A Target Size for the Global Fund

Based on projections, the Board of the Global Fund has recognized that demand for Global Fund financing could increase to **US\$ 6 billion per year in 2010**, which would represent a tripling in its size compared to 2006.<sup>4</sup> Further, if partners and stakeholders in both developed and developing countries



expand their efforts to strengthen and improve the quality of demand from countries, demand could potentially reach **US\$ 8 billion per year by 2010**.

Mobilizing US\$ 6 billion to US\$ 8 billion per year by 2010 requires considerable additional efforts to generate funding from public and private sources and from innovative financing mechanisms. The Board of the Global Fund has called on key stakeholders in the fight against AIDS, tuberculosis and malaria to take concrete steps both to encourage this level of demand and to work to mobilize resources to meet it so that the Global Fund continues to be able to finance all quality proposals it receives from country partnerships. Since donors to the Global Fund are regularly assessing how to maximize the impact of their investments, reaching this target size will also require continued good performance by the Global Fund and the recipients of its funding.

### Strategic Initiative 1.2: A Strategy for Mobilizing Resources

Mobilizing US\$ 6 billion to US\$ 8 billion per year by 2010 means that existing methods of resource mobilization must be optimized, that additional efforts must be made to generate funding from public and private sources and that innovative approaches must be employed.

The Global Fund's financing comes from four major sources (listed in the current order of greatest to lowest percentage of Global Fund revenue, which may change over time):

- **Donor governments**, who typically contribute from their Official Development Assistance (ODA) budgets;

FIGURE 6

#### THE POTENTIAL OF GROWTH

Increasing the size of the Global Fund to US\$ 6 billion to US\$ 8 billion per year in 2010 will allow the Global Fund to finance interventions that make important contributions to meeting international goals by 2015.

Broadly indicative estimates suggest that, along with other partners, this level of funding by the Global Fund could support:

- Treatment for 18.5 million people under the Directly Observed Treatment, Short-course (DOTS) approach for tuberculosis, an approximate 40 percent contribution to global DOTS targets in support of the MDGs;
- The procurement and distribution of 195 million insecticide-treated bed nets (ITNs) to protect against malaria, an approximate 50 percent contribution to global ITN targets in support of the MDGs; and
- Antiretroviral (ARV) therapy for at least 2.5 million people with HIV/AIDS, an approximate 25 percent contribution towards the international target to get as close as possible to universal access. This might be achieved sooner depending on the speed of scale-up of finances.

- **Investment income**, coming from the return on contributed funds waiting to be disbursed, which are managed by the Global Fund's Trustee;
- **The private sector**, in the form of cash and non-cash contributions from foundations, corporations, and individuals; and
- **Innovative financing mechanisms**, such as UNITAID and the Debt2Health debt conversion initiative.

A range of strategic priorities has been identified for each of these sources.

### DONOR GOVERNMENTS

The ten largest donor governments contribute nearly 90 percent of the Global Fund's annual resources. There are four strategic priorities related to this group of contributors:

**1. Encourage increasing, multi-year pledges to the Global Fund through its “voluntary replenishment process”.** This approach allows the Global Fund to plan more accurately and increases long-term predictability for recipients. The voluntary replenishment process will be expanded to include new partners and will be used as a forum to build consensus among donors on Global Fund performance and funding targets.

**2. Promote the engagement of the Global Fund Board in resource mobilization.** All Board members have an important role to play in maximizing contributions from their own countries and constituencies and in expanding the donor base, taking into account other bilateral and multi-lateral funding commitments. The Chair and Vice-Chair of the Board have particular leadership roles to play in this regard. The Global Fund will ensure that there is adequate Secretariat support for these efforts.

**3. Continue mobilization efforts with existing donors.** The Secretariat will develop new approaches for communicating more extensively and more effectively with donor governments, civil society advocates and other influential voices. The Secretariat will also strengthen its

capacity to respond quickly and comprehensively to specific information requests from donors and advocates.

**4. Mobilize new contributors.** This strategy will aim to mobilize new donors – particularly from oil-rich states – which have not yet played a sizeable role in supporting the Global Fund and emerging economies that have benefited from Global Fund financing and now have the resources to become significant donors.

### INVESTMENT INCOME

Investment income is a significant source of financing because the Global Fund has a conservative fiscal policy that requires it to hold the full amount of funds committed to grantees from the moment of commitment until they are disbursed throughout the grant cycle. As a result, the Global Fund's cash holdings have increased steadily as its grant portfolio has grown.<sup>5</sup> The strategic priority in this area is to **optimize investment returns in a manner consistent with best practices of publicly-funded institutions.** The Global Fund Board will examine a range of options to ensure that the organization is benefiting from the appropriate risk and return levels from its investment holdings.

### PRIVATE SECTOR

Direct financial contributions from the private sector have been modest to date, but could represent up to ten percent<sup>6</sup> of the Global Fund's resources in the long term – a sizeable absolute amount for an institution the size of the Global Fund. Foundations – notably the Bill and Melinda Gates Foundation – have provided the bulk of private sector contributions. The fol-

lowing five strategic priorities focus on significant opportunities in this area:

**1. Ensure that private foundations see the Global Fund as a strategic partner.** This will include identifying future opportunities for contributions by foundations currently engaged with the Global Fund, and involving foundations not currently engaged.

**2. Support the growth of consumer-focused fundraising and awareness-raising activities.** (PRODUCT)<sup>RED</sup> – an initiative that relies on socially-responsible consumption and the brand recognition of leading consumer-products companies – will be a major focus of these efforts.

**3. Create a Global Fund Corporate Champions Program.** This new platform for partnership with corporations will build on significant financial commitments from a select group of companies and develop collaborations in areas including in-country co-investments, joint marketing and advocacy initiatives and employee engagement.

**4. Mobilize the support of wealthy and influential individuals.** These two categories of individuals have not been targeted previously, but could represent considerable opportunity. A formal approach to involving them will be developed, which could include a program of major gifts and engagement in advocacy.

**5. Develop policies, processes and attitudes** at all levels of the Global Fund’s architecture **that support the full engagement of the private sector.**

## INNOVATIVE FINANCING MECHANISMS

The global community has considered a number of innovative financing mechanisms to tap into unexploited pools of resources. The Global Fund has two immediate strategic priorities around innovative financing mechanisms:

**1. Maximize the opportunities presented by the recent creation of UNITAID.** UNITAID is an international drug purchase facility, launched in 2006 and financed primarily through levies imposed on airline travel that uses these resources to improve the availability of key medicines for AIDS, tuberculosis and malaria. The Global Fund has already received initial commitments from UNITAID and will examine ways to ensure that it is able to benefit fully from UNITAID’s potential contributions over the long term.

**2. Develop the potential of debt conversion to finance Global Fund grants.** Under this mechanism, called “Debt2Health”, a creditor or group of creditors agrees to cancel a portion of a country’s debt on the condition that the beneficiary invests an agreed-upon amount in a Global Fund-approved program to fight AIDS, tuberculosis or malaria. The Global Fund will carry out a two-year pilot of Debt2Health in up to four countries.



## STRATEGIC OBJECTIVE 2

# ADAPT to Country Realities

The Global Fund's financing model was developed over a short period in late 2001 and 2002. During this time, a number of the approaches used by other international organizations, government bodies, NGOs and the private sector were reviewed and effective practices were adopted by the Global Fund.

Given the urgency of scaling up responses to AIDS, tuberculosis and malaria, the Global Fund's approach to financing focused on the swift disbursement of a large volume of funds. During its first five years, the Global Fund Board has approved funding of US\$ 7.7 billion for more than 450 grants in 136 countries. Experience to date in this diverse set of countries has shown that aspects of the Global Fund's approach could now be adapted to better support the needs and realities of recipient countries, while remaining consistent with the Global Fund's core principles.

The strategic objective "adapt to country realities" consists of three areas:

- Adjusting Global Fund approaches to better align with country cycles and procedures;
- Helping to address procurement-related bottlenecks to program implementation; and
- Providing appropriate support for the strengthening of countries' health systems to maximize effective delivery of services for HIV/AIDS, tuberculosis and malaria.

### STRATEGIC INITIATIVES TO BETTER ALIGN THE GLOBAL FUND WITH COUNTRY CYCLES AND PROCEDURES

Over the past few years, the international community has become increasingly focused on ways of improving

development assistance. This culminated in the Paris Declaration on Aid Effectiveness, adopted in March 2005 by more than 100 countries and organizations, including the Global Fund. The declaration and its accompanying process detail commitments and measurable targets to which both donors and recipients agreed. These span topics such as “ownership” (countries exercising leadership in setting their own development priorities), “alignment” (donors basing their support on countries’ national development strategies, institutions, and procedures), “harmonization” (donors using common, simplified, and more transparent arrangements and procedures, and better dividing labor), and “accountability” (measuring results against targets and evaluating effectiveness based on these results).<sup>7</sup>

Increased resources for AIDS, tuberculosis and malaria have led to a proliferation of initiatives and stakeholders in recent years, particularly for AIDS. Accordingly, the international community has supported the “Three Ones” principles<sup>8</sup> to improve partner coordination at country level. These principles were subsequently translated into concrete recommendations by the Global Task Team on Improving AIDS Coordination Among Multilateral Institutions and International Donors (“the Global Task Team”), a high-level forum whose proposals were endorsed by the United Nations General Assembly and the boards of the Global Fund, UNAIDS, the World Bank and WHO, among others.<sup>9</sup>

Taken together, these international commitments have established new expectations for the manner in which

funders work with recipient countries. The Global Fund’s original design anticipated these developments in a number of ways. For example, its founding Framework Document included principles relating to ownership, alignment, harmonization and, most importantly, accountability. The Global Fund’s support is systematically based on priorities defined by the country partnerships that request financing, rather than by the Global Fund. All Global Fund financing is untied (i.e., its use is not restricted by requirements that it be spent procuring goods or services from a particular country) and disbursements are made based on a results framework developed in agreement with the recipient of the funds.

This strategy proposes several initiatives to better align the Global Fund’s procedures to country realities by making Global Fund financing simpler, more predictable and more flexible for countries. These are:

- Grant consolidation;
- Fixed round dates; and
- Flexibility in the timing of Phase 2 reviews.

### Strategic Initiative 2.1: Grant Consolidation

#### CONTEXT

The Global Fund currently signs a separate grant agreement each time a CCM successfully applies for funding, regardless of whether the Global Fund is already providing grants for the same disease in that country. This

means that one PR may be managing multiple, concurrent streams of financing from the Global Fund, each with its own set of procedures, reporting requirements and contractual obligations. These complexities are becoming more acute as each new round of funding is approved. For example, in the sixth round, 62 proposals were approved from CCMs in countries that already had Global Fund financing for the same disease, while only 25 proposals related to countries that had not previously received Global Fund financing for that disease.

Administering multiple grants for the same disease in the same country adds unnecessary transaction costs to the workload of both recipients and the Global Fund Secretariat. Additionally, having multiple, overlapping but discrete grant agreements makes it difficult to get a full picture of the overall impact of Global Fund financing on the country's disease burden and of the way in which Global Fund support fits into the overall national response. The current approach also makes it difficult to detect any double-counting of programmatic results.

#### STRATEGIC INITIATIVE

Consolidating multiple grants for a given disease in a particular country will help to remedy these problems. Grant consolidation will replace multiple grant agreements with a single agreement covering all existing Global Fund financing for a given disease that is going to a specified PR.<sup>10</sup> Each consolidated grant will have the management burden of only a single grant, with one budget and one set of results, which will be assessed on a periodic basis.

**The Global Fund Board has supported in principle the concept of grant consolidation and has authorized a pilot project** which is now underway. The grant consolidation pilot will allow an assessment of the practical benefits and feasibility of grant consolidation, and the identification of specific policy changes that are needed to roll out grant consolidation across the entire portfolio.

#### Strategic Initiative 2.2: Fixed Round Dates

##### CONTEXT

The Global Fund's Comprehensive Funding Policy includes the principle that the Global Fund should call for a new proposal round at least once a year. Until now, rounds have occurred on an ad hoc basis, at times depending largely on the availability of resources. This unpredictability has created difficulties for applicants and partners in planning for proposal preparation, especially in making adequate human and financial resources available. CCMs have often had to rely on external consultants to develop national proposals, some of whom are unfamiliar with country realities. Uncertainty about the timing of the next round has also contributed to the practice of CCMs submitting multiple proposals for the same disease in consecutive rounds or applying for very large sums of money as they hedge their bets against the possibility of a lengthy gap between rounds.

At the same time as these concerns have emerged, the broader development finance community has become more attuned to the importance of predictability in the delivery of aid. For example,

the Paris Declaration included a target on making development assistance more predictable, while research from the World Bank and the International Monetary Fund has demonstrated the costs of unpredictability.

#### STRATEGIC INITIATIVE

To improve the predictability of Global Fund financing, **the dates of future rounds will be announced well in advance** of the launch of their formal “calls for proposals.” Additionally, the call will be issued **at approximately the same time each year, and allow an extended period of time** for CCMs to prepare submissions.

This initiative will enable CCMs and other key stakeholders to plan and better organize their involvement in proposal development. For example, it will help applicants to engage more appropriate consultant support than they might be able to secure at short notice. Countries that have multi-year budgetary frameworks will be able to make more accurate projections about when Global Fund financing might come on line, thereby enhancing the alignment of Global Fund resources with national systems and cycles.

This decision was implemented as soon as it was made, with the announcement that the calls for proposals for Rounds Seven and Eight have been set to take place in March 2007 and March 2008, respectively.

### Strategic Initiative 2.3: Flexibility in the Timing of Phase 2 Reviews

#### CONTEXT

The “Phase 2 review” is the process in which the performance of the first two years of Global Fund financing – Phase 1 – is evaluated to determine whether additional resources should be committed for the remaining term (typically three years) of a proposal (Phase 2). It is an important moment of self-assessment for CCMs and PRs and a key component of the Global Fund’s performance-based funding system.

The Phase 2 review involves a number of steps being carried out in the country seeking additional financing and by the Global Fund Secretariat and Board. While the Phase 2 review was designed to allow some flexibility, its timing has essentially been fixed. This has resulted in missed opportunities to align the review with country processes such as existing program assessments.

#### STRATEGIC INITIATIVE

The Global Fund will provide CCMs with the **ability to request reasonable additional flexibility in the timing of the Phase 2 review when needed to enable alignment** of Global Fund financing with national cycles. In such cases, the Global Fund Board may approve additional financing to avoid an interruption in services while the Phase 2 review takes place.



## STRATEGIC INITIATIVES TO ADDRESS PROCUREMENT-RELATED IMPLEMENTATION BOTTLENECKS

The past five years have shown that procurement is one of the most significant bottlenecks to the scale-up of interventions against AIDS, tuberculosis and malaria. As a consequence, nine to 16 months can pass after the start of some Global Fund-financed programs before products arrive. Given the two-year duration of the initial phase of a Global Fund grant, such delays have acutely hampered several programs.

A separate, important procurement-related issue relates to the sometimes-large variability in prices paid for products. This can result from a number of factors, including lack of price transparency and limited bargaining power. Such pricing issues contrast with the need to ensure that Global Fund resources are used efficiently.

Global Fund grants can be used to strengthen in-country procurement systems. However, this may take some time to yield results, so short- to medium-term bridging solutions may need to be found. In addition, in some circumstances (such as in the case of products with considerable global supply issues) national procurement might not be the optimal approach, even when there is robust local procurement capacity.

Furthermore, smaller economies, such as island states, might always be limited in the procurement capacity and clout they can hope to develop.

To address these challenges, the Global Fund will take three steps to help address current procurement bottlenecks. These are:

- Measures to strengthen the Price Reporting Mechanism;
- Voluntary pooled procurement; and
- Capacity-building services for procurement.

The benefits of these three strategic initiatives are expected to include a faster and more reliable supply of key products, assurances about the quality of the products procured, and lower prices. More generally, the Global Fund will seek other strategic approaches which make use of its market power as a major funder of health product purchases to obtain improved terms for recipients of Global Fund financing.<sup>11</sup>

### Strategic Initiative 2.4: Strengthening the Price Reporting Mechanism

The Global Fund has developed a “Price Reporting Mechanism” that requires PRs to report procurement data (such as the quantities purchased and prices paid) and allows them to review data reported by other PRs. This allows PRs to become more informed negotiators and purchasers. Although this tool has been in existence for some time, it has suffered from some shortcomings and has not been used as widely as anticipated.

The Secretariat will **strengthen the PRM**. It will **more strictly enforce compliance** with the requirement

that recipients report procurement data and **ensure that the quality of the data is periodically audited**. As the PRM becomes a more comprehensive and reliable record of the transactions of Global Fund-supported programs, it will help PRs to negotiate improved procurement terms.

### Strategic Initiative 2.5: Voluntary Pooled Procurement

**A voluntary pooled procurement service will be established** to enable purchases by grant recipients in multiple countries to be combined. This service will involve one or more procurement agents contracted by the Global Fund conducting the tendering and negotiations with suppliers on behalf of all participating grant recipients. The procurement agent will also handle key parts of the procurement process such as payment of suppliers and shipping to central warehouses.

Participation in the pooled procurement service will be voluntary, except for PRs that have inadequate procurement systems or a sustained record of delayed or failed procurements. The service will initially concentrate on a limited number of products (to be determined, taking into account the actions of other agencies) and will be expanded in a phased manner based on lessons learned.

### Strategic Initiative 2.6: Capacity-Building Services for Procurement

To improve the capabilities of PRs to effectively conduct procurement and supply management, the Global Fund

Secretariat will enter into agreements with entities that can **provide procurement-related capacity-building services**. These services will be available to recipients at their own cost, by using grant funds or other resources.

### STRATEGIC INITIATIVE TO APPROPRIATELY SUPPORT THE STRENGTHENING OF HEALTH SYSTEMS

Interventions against AIDS, tuberculosis and malaria are only as effective as the health systems through which they are delivered. A shortage of doctors, nurses, counselors, pharmacists and laboratory staff; inadequate supply and distribution systems; weak administrative and financial management; and poorly-equipped district and village health centers are all major constraints on the further scale-up of effective prevention and treatment programs. Robust public and private health systems are critical to the effective implementation of Global Fund grants.

Large disease-focused investments can put pressure on the staff and administrative resources of other programs, or inadvertently lead to the creation of disease “silos” within the health system. Conversely, disease-focused resources, used wisely, can enable system strengthening, with benefits far beyond the diseases targeted. The challenge for the Global Fund is, within its mandate, to allow its financing to take optimal advantage of opportunities to create such system-wide benefits.

A number of funders provide financing and other support for health systems

strengthening activities. The Global Fund’s Framework Document notes that Global Fund resources also can be used for this purpose. From its inception, the Global Fund has provided significant financial support to a broad range of activities to strengthen health systems, using different approaches in different rounds. For example, in Round 5, the Global Fund accepted the submission of proposals specifically focused on health systems strengthening separate from disease-focused proposals (though applicants were required to articulate a link to the three diseases). In Round 6, this “standalone” health systems strengthening component was removed, and applicants were able to seek resources for health systems strengthening activities as part of proposals focused on one of the three diseases.

The result of these policy changes is that a number of applicants have been confused as to what is or is not permissible and how to formulate robust requests for strengthening health systems.<sup>12</sup> The Global Fund needs to develop a clearer policy for supporting health systems strengthening activities.

### Strategic Initiative 2.7: Clarification of the Approach to Financing Health Systems Strengthening

To clarify the situation, the Board addressed the issue in two stages. First, it assessed three options for financing health systems strengthening:

- *Option 1:* Not to support health systems strengthening at all;
- *Option 2:* To support health systems strengthening where it is directly related to AIDS, tuberculosis or malaria; or
- *Option 3:* To support health systems strengthening broadly, regardless of its direct relation to the three diseases.

Choosing to essentially continue the practice to date, the Board decided on option 2. It further spelled out explicitly that **the Global Fund’s role in supporting health systems is to invest in activities that help health systems overcome the constraints to improving outcomes for AIDS, tuberculosis and malaria.**

Second, a process has been established to **further elaborate the Global Fund’s approach to the funding of health systems strengthening activities.** Foremost within this approach is the modality for financing, specifically whether to fund these activities as a separate component or only as part of disease-focused proposals. Other issues to be elaborated relate to which health systems strengthening activities would be allowable for funding, and the possible use of funding ceilings and conditionality. Once complete, this process will allow appropriate guidance to be given to applicants.

The Board also considered the related topic of how to strengthen the community systems necessary for the effective implementation of Global Fund grants; this is covered on page 39.

- *Option 1:* Not to support health systems strengthening at all;



# INNOVATE

## for Greater Impact

The Global Fund's model draws upon the accumulated lessons of 40 years of development finance. In addition, a number of innovations were introduced at the creation of the Global Fund, including a participatory governance structure, CCMs, LFAs, and the Phase 2 review process.

Five years since they were devised, these innovations – while requiring some adjustment over time – have become well-accepted features of the Global Fund's model and have contributed to the Global Fund's effectiveness. Further opportunities for innovation must now be pursued if the effort to save lives is to be accelerated and the Global Fund's impact is to be increased.

### STRATEGIC INITIATIVES TO INNOVATE FOR GREATER IMPACT

The strategic innovations in this section address two of the major chal-

lenges in global health: how to ensure sustainable funding in countries in need and how to further improve participatory ownership of national health programs. The strategic initiatives are:

- National strategy applications;
- The Rolling Continuation Channel; and
- Measures to strengthen the role of civil society and the private sector in the Global Fund's work.

### Strategic Initiative 3.1: National Strategy Applications

#### CONTEXT

Although resources for health, especially HIV/AIDS, have grown dramatically in recent years, countries have faced difficulties integrating them into a coherent national response in line with the "Three Ones" principles. These state, in particular, that countries should have a single national strategic framework to respond

to the disease, and that financing should be based on it. Despite universal agreement, this principle has proven difficult to achieve, notably because many countries have not yet developed sufficiently robust, fundable strategies.

Many Global Fund grants already finance parts of larger national programs, sometimes through joint funding approaches involving several donors. Experience has shown that robust national strategies can improve the success of grants. They provide an effective framework within which donors can harmonize their financing of national disease or broader health programs. National strategies also enable all stakeholders to agree on national priorities and be held accountable for results. Having strongly endorsed the “Three Ones,” the Board of the Global Fund wanted to ensure that the Global Fund’s architecture fully supports the financing of a single, national strategic framework.

To date, while the Global Fund has encouraged applicants to base funding proposals on national strategies and to attach these to their proposal, it has still required CCMs to complete a long Global Fund proposal form.

Furthermore, even when national strategies have been attached to the proposal, the review of the TRP does not provide an assessment that could be useful to other potential funders. This is because the review’s prime focus is on the contents of the proposal to the Global Fund, rather than on the national strategy itself.

National strategies attached to Global Fund proposals have in any case tended to lack detailed budgets, information

about financial contributions to national efforts by all funding sources, sufficient inclusion of civil society or the private sector, or appropriate mechanisms to ensure accountability. These elements are all necessary if national strategies are to serve as the primary basis of a rigorous funding decision.

### STRATEGIC INITIATIVE

To create an incentive for countries to develop strong national frameworks, the Global Fund will accept “**national strategy applications**”. Applications in this form will represent the most significant innovation in the process of applying to the Global Fund since the organization was created.

Once implemented, the national strategy application process will require that, as a first step, a country has its strategy “validated” through a rigorous evaluation by an independent review mechanism. The strategy will need to satisfy certain criteria, such as being inclusive and comprehensive and including an appropriate workplan and budget. After the strategy is validated, **an applicant will only need to provide the Global Fund with the validated national strategy and some minimal additional information** (such as the existing financial contributions to the strategy, the amount sought from the Global Fund, and the results to which the funding sought is expected to contribute).

It is anticipated that the national strategy applications mechanism will increase impact in several ways. The new mechanism will strengthen national planning by creating an incentive for countries to develop a robust strategy and eliminate the

necessity of undertaking parallel planning processes. It will also improve coordination among donors because the validation process will not be specific to the Global Fund but rather will be based on international standards upon which other funders can also base their funding decisions. In addition, once a robust national strategy has been developed, it will considerably ease the burden of applying to the Global Fund.

A number of implementation steps will need to be carried out before the Global Fund can accept national strategy applications. The Global Fund will work with partners to develop generally-agreed criteria for the review of national strategies and to ensure that a suitable independent review mechanism is put in place (this could involve either a single mechanism or separate mechanisms for each disease). The Global Fund will also need to clarify the roles of existing components of the Global Fund architecture – such as CCMs and the TRP – in the case of national strategy applications, and the approach to adequately involve non-governmental partners in the process. The possibility of accepting national strategy applications more frequently than once a year is seen as beneficial and will also be explored.

### Strategic Initiative 3.2: The Rolling Continuation Channel

#### CONTEXT

Proposals to the Global Fund have until now been limited to a maximum of five years, even though many interventions will need Global Fund financing beyond this period. The challenge of continuing funding in a predictable

and coherent manner has become more apparent as the first Global Fund grants approach their five-year completion dates.

The Global Fund Board originally made no provision for continued financing of grants after they expired, except through reapplying in the same way as new applicants. But this approach has some important drawbacks:

- There are presently somewhat weaker incentives for strong performance over the last years of a grant than over the first two years, where the Phase 2 review is a strong motivator;
- Requiring recipients to reapply at the end of five years on an annual schedule like a new applicant increases the risk that a gap will occur between the end of the grant and the start of the next. This is because grants expire on a continuous basis throughout the year, whereas new rounds of financing typically only happen once a year; and
- The requirement to apply like a completely new applicant at the end of five years means that a long proposal document has to be completed and reviewed, despite the fact that the application is for a program that is already being funded and whose record is well known.

#### STRATEGIC INITIATIVE

To address these concerns, a “**Rolling Continuation Channel**” (RCC) has been created to allow **applications to continue funding to existing,**

**high-performing grants for up to six years through a streamlined process.** Applications for RCC funding will be accepted and reviewed by the TRP **on a quarterly schedule**, rather than annually as for each funding round.

Towards the end of the five-year life of a grant, a Secretariat review will determine whether the grant qualifies to apply for funding through the RCC. The qualification decision will be based on the grant's performance, its current or likely impact on the burden of disease, and the sustainability of interventions. The Board expects that between a quarter and a third of the expiring grants will qualify.

Qualified applicants will be able to submit a slimmed-down version of the proposal form used for new applications. The technical review will be as rigorous as for proposals submitted through the rounds mechanism. RCC applicants will also have the flexibility to increase the scope and scale of the interventions for which they are seeking additional financing.

There are multiple benefits to this procedure:

- The RCC creates a strong incentive for performance in the last years of the life of a grant, encourages sustainability and facilitates the expansion of successful programs;
- It reduces the risk of gaps in funding between the end of one grant and the beginning of a subsequent one, and increases the predictability of renewed funding for successful programs; and
- It reduces the transaction costs associated with receiving financing from the Global Fund.

### Strategic Initiatives on Strengthening the Role of Civil Society and the Private Sector in the Global Fund's Work

The Global Fund has pioneered the concept of public/private partnership both in its founding principles and in governance structures at national and global levels. While many countries have fully embraced this new way of doing business, this has not been the case everywhere. As a result, the promise of this approach has yet to be fully realized.

To increase the impact of the Global Fund's investments, four strategic initiatives to strengthen civil society and private sector involvement at the country level are included in this strategy. These are:

- Recommending the routine use of "dual-track financing" (i.e. having PRs from both government and non-government sectors in each proposal);
- Encouraging funding for the strengthening of community systems necessary for the effective implementation of Global Fund grants;
- Increasing the participation of vulnerable groups in decision-making processes; and
- Improving access to funding for CCM administration and increasing transparency about civil society access to such funding.



**STRATEGIC INITIATIVE 3.3:  
DUAL-TRACK FINANCING**

The increased use of multiple PRs has the potential to improve absorptive capacity (i.e., the amount of financial resources that a country can handle at one time), leading to accelerated implementation and expanding the reach of Global Fund financing. Moreover, there is considerable evidence, generated both by the Global Fund and by independent researchers, that PRs from civil society or the private sector are, on average, more effective than governmental PRs, moving money more rapidly and achieving higher rates of programmatic success<sup>13</sup>.

The Global Fund will recommend that **new proposals for funding routinely include both government and nongovernment PRs**. CCMs will have to provide an explanation when they do not wish to make use of this “**dual-track financing**”. Dual-track financing will need to be implemented in a manner that contributes to alignment and harmonization of efforts to fight the three diseases and that is consistent with national strategic frameworks.

**STRATEGIC INITIATIVE 3.4:  
COMMUNITY SYSTEMS  
STRENGTHENING**

Local communities play a critical role in responding to the three epidemics, providing a range of prevention, care and support services. Some services, such as orphan care, home-based care, and community-based prevention, are delivered primarily via community structures. Nevertheless, to date CCMs have often not sought adequate funding to strengthen community efforts in their proposals to the Global

Fund. Increased investment at the community level is necessary to ensure a sustainable, long-term response.

From Round 8 onward, **proposals to the Global Fund should routinely include relevant requests for community systems strengthening** measures for the effective implementation of Global Fund grants. Proposal forms and guidelines will be adapted to encourage such funding requests.

**STRATEGIC INITIATIVE 3.5:  
VULNERABLE POPULATIONS**

Populations which are particularly vulnerable to the three diseases are often underrepresented on CCMs. This can contribute to the further marginalization of these populations. In addition, CCMs may not benefit from the insights of those most affected, with the result that proposals do not adequately reflect their needs.

Though the Global Fund does allow for proposals to be submitted outside the CCM process in particular cases, CCMs must now work to **increase the representation and participation of vulnerable groups on CCMs**. The Global Fund will explore means to achieve this, including the possibility of revising current guidelines on the composition of CCMs.

**STRATEGIC INITIATIVE 3.6:  
CCM ADMINISTRATION**

Lack of resources to cover the costs of participating in CCM meetings has hindered the involvement of civil society in some countries. One existing way to address this is through funding that can be provided to CCMs for administrative purposes. So far, the duration of such funding has been quite limited

and resources might not always reach civil society groups. Increasing the duration of such funding and the transparency around how funds are provided to civil society groups should promote more effective participation.

The Global Fund will therefore **simplify the way in which CCMs can access financial support for administration**, so this support lasts for the duration of any grant that the CCM oversees. It will also help ensure that such funding benefits civil society by implementing measures to **increase transparency around the use of such financial support**.

## Next Steps: Implementing and Updating the Strategy

The process of implementing the initiatives in this strategy has already begun. Where possible (such as the fixing of round dates), measures were instituted immediately following the relevant decision by the Board of the Global Fund. For others (such as resource mobilization), implementation is well under way. Some initiatives, such as the acceptance of national strategy applications, will take more time to roll out, as they involve significantly different approaches from those used currently and will require extensive collaboration with countries and partners and the development of new modalities.

The Board will play a significant role in guiding implementation, providing additional policy direction where needed (such as for health systems

strengthening and national strategy applications) or reviewing early experiences to decide how to proceed with a full-scale expansion (such as for grant consolidation). The Board will also monitor the progress of all of the initiatives on a periodic basis and decide on any adjustments that might be needed.

Two additional formal processes will guide implementation of this strategy.

### Progress Indicators

Follow-up on the strategic objectives will be incorporated into the Global Fund's key performance indicators. These are measures of the organization's progress that are tracked on an annual basis and used as a management and accountability tool by both the Board and the Secretariat to ensure that the organization's

priorities are being adequately addressed.

### Mid-Term Review

The strategy will undergo a mid-term review in 2009. The aim will be to assess progress in implementation, reflect on any significant changes in circumstances or knowledge and make necessary adjustments. This review will benefit from inputs generated by the Five-Year Evaluation of the Global Fund and the 2008 Partnership Forum (Figure 7).

### Conclusion

In five short years, the Global Fund has become a major actor in the world of development finance and is making a significant contribution to the lives of people affected by AIDS, tuberculosis and malaria. In adopting this strategy, the Global Fund is moving into a new phase of its development. The strategy represents the commitment of the Global Fund to learning from the successes and challenges to date, refining its procedures to better meet the needs of its grant recipients and other partners and accelerating the global effort to save lives.

FIGURE 7

#### HOW THE GLOBAL FUND LISTENS & LEARNS

Several mechanisms reflective of the Global Fund's commitment to being a learning organization and working in partnership will influence the implementation and updating of this strategy;

- **The Five-Year Evaluation** is the first systematic external assessment of the Global Fund, and is due to be completed by the end of 2008. It will examine a number of questions relevant to this strategy:
  - the extent to which the Global Fund reflects its founding principles (particularly around acting as a financing instrument rather than as an implementing agency, and furthering country ownership);
  - how effective and efficient the Global Fund's partnership approach has been at both global and national levels; and
  - the Global Fund's contribution to reducing the overall burden of the three diseases.
 The Five-Year Evaluation will provide invaluable data for reviewing the strategy both in terms of validating or challenging the definition of the strategic objectives and initiatives, and in terms of their effective implementation.
- **The 2008 Partnership Forum** will bring together thousands of stakeholders in the Global Fund, including many country-level implementers, to discuss progress and provide feedback. The last Partnership Forum, held in 2006, made important contributions to the development of this strategy. The 2008 Partnership Forum will occur at a time when the impact of some of the initiatives in the strategy has begun to be felt.
- The Global Fund regularly pays attention to **lessons learned** in the course of its work. Some of these come from formal assessments it specially commissions, others from the numerous external studies that are carried out on the organization. The Global Fund also continuously receives informal feedback from countries and partners.

The findings from these mechanisms will allow the Global Fund Secretariat to make operational adjustments to implementation and it will also guide the development of the next strategy for the organization.

## Notes

1. This is because the Board believes that the basic strategic approach in these areas is correct. Adjustments within these areas might still be desirable but they are of an operational rather than a strategic nature: adjustments within the existing strategic direction rather than changes in direction.
2. Most upper-middle income and richer countries are not eligible for financing from the Global Fund unless they have a very high burden of disease from AIDS, tuberculosis or malaria. Proposals from countries with higher income levels must demonstrate a level of co-financing.
3. LFAs are typically local entities with a mixture of expertise including finance, monitoring and evaluation and procurement and supply management in the health sector.
4. However, compared to anticipated income for 2007, which is expected to be about US\$ 2.7 billion, this represents an increase by a factor of about 2.2 in the Global Fund's size.
5. As of July 2007, the Global Fund's investment holdings were approximately US\$ 3.2 billion.
6. The Secretariat of the Global Fund has set a target of increasing the percentage of total resource needs covered by the private sector by one percent per year to reach ten percent by 2015.
7. See [www.aidharmonization.org](http://www.aidharmonization.org) for more information.
8. The "Three Ones" principles state that each country should have **one** national AIDS coordinating authority, **one** national AIDS action framework, and **one** monitoring and evaluation system.
9. See [www.unaids.org/en/Coordination/Initiatives/default.asp](http://www.unaids.org/en/Coordination/Initiatives/default.asp) for more on the Three Ones, the Global Task Team and efforts to improve coordination on HIV/AIDS.
10. In a country with multiple PRs, the grants administered by each would be consolidated separately, with no consolidation occurring across PRs.
11. This is sometimes referred to as influencing the dynamics of markets for these products.
12. A complicating factor independent of the Global Fund is the lack of robust health plans in many countries, the lack of accepted tools and standards to help develop such plans and the lack of agreement on effective strategies to sustainably strengthen health systems.
13. Radelet, S., Siddiqi, B., *The Lancet*, Vol. 369, Issue 9575, 26 May 2007, pp. 1807-1813. The same result has been seen in analyses by the Global Fund since the organization's first annual report (for recent evidence, see Global Fund, *Partners in Impact: Results Report*, Geneva, 2007).

## Captions

**Cover (Niger)** From 19 to 24 December 2005, more than two million long-lasting insecticide-treated mosquito nets were distributed with Global Fund support to all mothers with children under five in Niger, protecting more than 3.5 million children against malaria.

**Inside front cover (Eritrea)** Setting up free voluntary counseling and testing centers in six of the Eritrea's nine regions and scaling up existing counseling and testing activities are part of the aggressive strategy against HIV/AIDS put in place by the government of Eritrea with a US\$ 8.1 million grant from the Global Fund.

**Pg. 2 (Rwanda)** Rwanda is one of four countries benefiting from the Global Fund's (PRODUCT)<sup>RED</sup> initiative, which makes free antiretroviral drugs available to people living with AIDS. This initiative transfers parts of profits from the sale of certain brands of cell phones, clothes, shoes and credit cards, among others, to support AIDS treatment programs in selected countries.

**Pg. 8 (Ethiopia)** In Ethiopia the Global Fund has become the major donor in training and allocating 30,000 community health workers, together with the World Bank, PEPFAR, and, recently, the GAVI Alliance. These were necessary steps to rollout AIDS, TB and malaria services to rural areas. They also have the potential to significantly strengthen the health sector for AIDS, TB, malaria, maternal health and immunization.

**Pg. 18 (Cambodia)** The Global Fund in collaboration with other donors is supporting an effort by the Cambodian Ministry of Health to boost the salaries of health workers through a Performance-Based Salary Incentives scheme. This scheme pools funds to provide a living salary to staff providing core functions, contributing to improved service delivery and paving the way for better use of donor financing.

**Pg. 20 (Rwanda)** Malaria kills more than one million people a year, with 90 percent of these deaths occurring in Africa, mostly in children under five years of age. By mid-2007, programs supported by the Global Fund had distributed 30 million insecticide-treated bed nets worldwide for the prevention of malaria.

**Pg. 26 (Viet Nam)** Each year, nearly two million people die of TB, despite the availability of inexpensive treatments that are effective in up to 95 percent of cases. Global Fund-supported programs provided lifesaving treatment to 2.8 million TB patients worldwide by mid-2007.

**Pg. 34 (India)** Around 40 million people worldwide are infected with HIV, 95 percent of whom live in developing countries. As of mid-2007, Global Fund support had provided antiretroviral treatment to 1.1 million AIDS patients worldwide.

**Inside back cover (South Africa)** Seventy percent of all people infected with HIV live in sub-Saharan Africa, even though it is home to only 11 percent of the world's population.

## Glossary of Terms

(Terms shown in italics are also defined in this glossary.)

**Affected Communities** : Communities of people living with or affected by AIDS, tuberculosis or malaria.

**Alignment** : The principle of *donors* basing their support on countries' *national strategies*, institutions, and procedures, rather than creating parallel mechanisms for the channeling of aid.

**Bilateral Donor (or Development Partner or Agency)** : The term used to describe a developed-country government (or its specialized agency) that provides *official development assistance*. This may be done through a ministry of foreign affairs, a ministry of development cooperation, a sectoral ministry such as health or education or an independent agency that receives government funding.

**Board** : The supreme governing body of the Global Fund. This international group is currently made up of 20 voting members and four non-voting members. The voting members are representatives of *donor* and *recipient* governments; *civil society* (including NGOs and *affected communities*); and the *private sector* (including businesses and private foundations). The four non-voting members include three key *multilateral development partners*, namely WHO, UNAIDS, and the World Bank and a Swiss citizen, on account of the Global Fund's status as a Swiss foundation. The Board's responsibilities include defining strategies and policies; advocating and mobilizing resources for the Global Fund; setting budgets; making funding decisions and establishing the framework for monitoring and evaluation, and for financial accountability of activities supported by the Global Fund.

**Civil Society** : Associations of citizens (outside their families, friends and businesses) entered into voluntarily to advance their interests, ideas and ideologies. The term typically encompasses NGOs, faith-based organizations, and *affected communities*, but does not include profit-making activity (the *private sector*) or elected or appointed governments (the public sector).

**Constituency** : A group of countries or organizations which is represented by one member on the Global Fund *Board*. Constituencies can be based on geographic regions (e.g., Eastern and Southern Africa), function (e.g., Developing Countries NGOs) or a like-minded approach to issues (e.g., the "Point Seven" grouping of Denmark, Ireland, Luxembourg, the Netherlands, Norway, and Sweden, who each are committed to the goal of donating 0.7 percent of their gross domestic product to development aid).

**Country Coordinating Mechanism (CCM)** : A country-level partnership that includes representatives from government, *multilateral* and *bilateral development partners*, nongovernmental and faith-based organizations, *affected communities*, academic institutions and the *private sector*. The CCM develops and submits *proposals* based on the country's needs to the Global Fund. It nominates the *PR*. It is also responsible for overseeing implementation of all programs in the country financed by Global Fund *grants* and for submitting grant renewal requests.

**Country Ownership (or just Ownership)** : A core principle of the Global Fund that stakeholders at the national level (including government, *multilateral* and *bilateral development partners*, nongovernmental and faith-based organizations, *affected communities*, academic institutions and the *private sector*) should be responsible and accountable for the development and implementation of the activities that the Global Fund supports.

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**Demand** : In the context of discussions about Global Fund financing, this term refers to concrete requests for Global Fund financing, as articulated in *CCM proposals* deemed technically sound by the *Technical Review Panel*.

**Directly Observed Treatment, Short-course (DOTS)** : The standard approach internationally to treating tuberculosis, in which a healthcare worker or another trained person observes patients as they take their medication for tuberculosis to ensure treatment compliance. Interrupted treatment presents certain risks, such as the spread of drug-resistant tuberculosis.

**Disbursement** : A periodic payment of grant funds to a *Principal Recipient*.

**Donor** : Government, private business, foundation, or individual that makes contributions to the Global Fund.

**Financial Instrument** : A description of the Global Fund's role, as an organization whose purpose is to attract, manage and disburse financial resources. The organization does not directly implement programs, nor does it get directly involved in identifying programmatic priorities or providing technical support.

**Framework Document** : The founding document of the Global Fund, developed by the Transitional Working Group who worked to design the Global Fund in late 2000. The document codifies the organization's purpose, principles, scope and some of its key processes.

**Global Task Team** (the "Global Task Team on Improving AIDS Coordination Among Multilateral Institutions and International Donors") : A group comprised of representatives from *donor* and developing-country governments, *civil society*, United Nations agencies and other multilateral and international institutions, formed in 2005. Its objective was to improve coordination among *multilateral institutions* and international donors to further strengthen the AIDS response in countries, with a particular focus on how the multilateral system can streamline, simplify and further *harmonize* procedures and practices to improve the effectiveness of country-led responses and reduce the burden placed on countries. The group's recommendations were endorsed by the U.N. General Assembly; the boards of the organizations that co-sponsor UNAIDS, such as the World Health Organization and the World Bank; and the Board of the Global Fund.

**Grant (or grant agreement)** : A written agreement between the Global Fund and a PR that outlines the terms and conditions of Global Fund financing and the targets to be achieved. In most cases, the initial term lasts for two years (Phase 1), which can be extended for up to a further three years if the Board decides to commit additional resources for Phase 2.

**Grant Consolidation** : The process of creating a single legal *grant agreement* to cover all Global Fund financing to a given *PR* for a disease, as opposed to having separate agreements each time a new *proposal* for that disease is approved. This allows the implementation, reporting, and monitoring and evaluation work involved in grant management to be streamlined.

**Harmonization** : The principle of *donors* using common, simplified, and more transparent arrangements and procedures and better dividing labor. Using common systems reduces the *transaction costs* for *recipients* of managing aid.

**Health Systems** : As defined by WHO, all organizations, people and actions whose primary intent is to promote, restore or maintain health. It comprises the following six core building blocks: service delivery; information and monitoring systems; medical products and technologies; health workforce; financing and leadership and governance.

**Health Systems Strengthening** : As defined by WHO, the action of improving the six *health system* building blocks and managing their interactions in ways that achieve more equitable and sustained improvements across health services and health outcomes. It requires both technical and political knowledge and action.

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**Innovative Financing Mechanism** : Approaches to fundraising that tap new sources of financing for development, such as levies on airline travel, conversion of debt, or raising money through bond offerings on international capital markets. Examples include UNITAID, Debt2Health and the International Finance Facility.

**Investment Income** : The Global Fund's fiduciary policies require it to hold the full amount of funds committed to grantees from the moment of commitment until they are disbursed throughout the grant cycle, which results in the organization having considerable monetary reserves. The income earned on this money is considered investment income.

**Local Fund Agent (LFA)** : A local, independent body contracted by the Global Fund to provide oversight of a PR on behalf of the Global Fund. Prior to the Global Fund signing a *grant agreement*, the LFA assesses the capacity of the nominated PR in the areas of financial management, programmatic management, monitoring and evaluation, and *procurement and supply management*. On an ongoing basis, it verifies the PR's periodic *disbursement* requests and progress updates, and undertakes any other ad hoc monitoring activities.

**Millennium Development Goals (MDGs)** : The list of eight international development goals (including combating HIV, malaria and other major diseases) with a target date of 2015 adopted by the United Nations General Assembly in 2000. The MDGs commit the international community to an expanded vision of development, and have been commonly accepted as a framework for measuring development progress.

**Multilateral Organization (or Development Partner or Institution)** : An institution that brings together multiple countries working in concert on a given issue, such as the United Nations, the World Bank, or WHO.

**National Strategy (or Plan)** : Document outlining country-specific priorities, goals and approaches for improving health and/or fighting AIDS, tuberculosis or malaria. A national strategy is typically developed by the national government (usually led by the ministry of health or the national AIDS coordinating authority) but often also involves other stakeholders.

**Need** : In the context of discussions about health financing, this term refers to the resources required to respond adequately to the epidemics of AIDS, tuberculosis or malaria.

**Official Development Assistance (ODA)** : Grants and concessional loans that *donor* governments provide to developing countries for the purpose of promoting economic development and welfare. The United Nations has established a goal of donor governments contributing 0.7 percent of their gross national income to ODA.

**Paris Declaration on Aid Effectiveness** : An international agreement endorsed on 2 March 2005 by more than 100 ministers, heads of agencies and other senior officials that creates a framework for improving the effectiveness of development assistance. It commits countries and organizations to improve the ownership, *harmonization*, *alignment*, results management and mutual accountability of aid. It includes a set of monitorable actions and indicators.

**Partnership Forum** : An event convened periodically in order to provide persons and entities concerned about the prevention, care and eventual eradication of HIV/AIDS, tuberculosis and malaria to express their views on the Global Fund's policies and strategies.

**Performance-Based Funding** : The allocation of resources based on the demonstration of performance. This principle is at the heart of the Global Fund's model, with only those PRs who can demonstrate results from the monies received able to receive additional funding after the initial *disbursement*. The amount of additional funding is typically commensurate to the results achieved.

**Phase 1** : The first two years in the term of a *grant agreement*.



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**Phase 2** : Towards the end of *Phase 1* of a *grant*, an assessment (called the “Phase 2 review”) is performed by the *Secretariat*. Based on the recommendation of the Secretariat, the *Board* decides whether to commit additional resources and extend the grant agreement for up to an additional three years, which is called “Phase 2”.

**Policy and Strategy Committee (PSC)** : A sub-committee of the Global Fund *Board* tasked with providing advice to the Board on Global Fund overall strategic planning. To ensure inclusive deliberations, the PSC was constituted as a “committee of the whole,” with representation from each *constituency* holding a seat on the Board.

**Portfolio** : The collection of *grants* financed by the Global Fund.

**Principal Recipient (PR)** : The entity legally responsible for implementation and management of a grant, as set out in a grant agreement between the entity and the Global Fund. The PR is nominated by the *CCM* and works with the Global Fund *Secretariat* to develop the *grant agreement* that sets out the budget and program results to be achieved over time. The PR receives *disbursements* from the Global Fund, and either uses this money to implement programmatic activities directly and/or passes the funding on to *sub-recipients* for them to use to implement. The PR is responsible for monitoring the program and reporting on progress to both the *CCM* and the Global Fund. Over the term of the grant agreement, the PR requests additional disbursements from the Global Fund based on demonstrated progress towards the intended results.

**Private Sector** : Businesses, business associations and individuals. These can be involved in the Global Fund in a number of possible ways: In countries receiving Global Fund financing, these groups may participate in *CCMs* and/or as implementers of programs receiving Global Fund financing. In donor countries, the private sector has supported the work of the Global Fund through marketing campaigns and through contributions of cash, pro bono services, products, and in-country co-investments and operational services.

**Procurement and Supply (Chain) Management** : The management activities required to get sufficient health products of assured quality purchased at the lowest price and in accordance with national and international laws to the end users in a reliable and timely fashion. (Colloquially, this is sometimes shortened to “procurement”, although technically that term refers solely to the process of selecting a product, forecasting the quantities needed, ordering it in line with standards of national drug regulatory authorities and international agreements, and monitoring the quality of suppliers.)

**(PRODUCT)<sup>RED</sup>** : A corporate initiative to raise funds for and awareness of the Global Fund and the fight against HIV/AIDS in Africa. Founded by Bono, lead singer of the rock band U2, and Bobby Shriver, Chairman of DATA, (PRODUCT)<sup>RED</sup> aims to make socially-responsible consumption appealing by branding popular products from some of the world’s leading companies with the (RED) logo.

**Program** : This term can be used either colloquially or formally. Colloquially, it refers to the set of activities (such as for prevention, treatment, or care and support) undertaken by either a single stakeholder or a group of them to respond to AIDS, tuberculosis or malaria. Formally (in which case the word is often qualified as a “sector program” or a “programmatic approach”), the term refers to an agreement between key stakeholders (including the government and *multilateral* and *bilateral development partners*) on a comprehensive national response to an issue (e.g., AIDS, tuberculosis, malaria, or health more generally). Such a program usually specifies key priorities, targets, financing modalities, and means for regular review.

**Proposal** : A written document that serves as the basis of an application for a Global Fund *grant* and specifies, among other things, the beneficiaries, objectives, and activities to be supported by the funding requested.

**Recipients** : Governments, NGOs and others that receive funding from the Global Fund.

**Replenishment (also Voluntary Replenishment Process or Mechanism)** : The forum in which, on a periodic basis (every two to three years), *donors* gather voluntarily to discuss the Global Fund’s progress and to voluntarily make multi-year pledges to the organization.

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**Resource Mobilization** : Activities geared toward generating financial and non-financial contributions to the Global Fund from a variety of sources (e.g., public sector *donors*, private businesses and foundations, investment income, and *innovative finance mechanisms*).

**Rolling Continuation Channel (RCC)** : A new mechanism through which well-performing grants can seek continuing funding at the end of Phase 2. This process is more streamlined and flexible than a normal application through a new proposal.

**Rounds** : The Global Fund solicits funding *proposals* on a periodic basis and reviews all of them simultaneously, a process referred to as a funding “round.” The *Board* has decided that “calls for proposals” should be issued at least annually.

**Secretariat** : The body responsible for day-to-day operations of the Global Fund, including mobilizing resources from the public and private sectors; managing *grants*; providing strategic, policy, financial, legal and administrative support; and reporting information on the Global Fund’s activities to the *Board* and the public. With a staff in 2007 of approximately 250 employees, the Global Fund Secretariat is located in Geneva.

**Sub-recipient** : An organization that receives Global Fund financing through a *PR* in order to carry out activities that are part of a *grant agreement*.

**Technical Evaluation Reference Group (TERG)** : An advisory body providing independent assessment and advice to the *Board* on monitoring and evaluation. The Board also directs the TERG to examine specific programmatic aspects of the Global Fund and to advise the *Secretariat* on evaluation approaches and practices, reporting procedures and other technical and managerial aspects of monitoring and evaluation at all levels.

**Technical Partners** : *Multilateral development partners, bilateral agencies, NGOs and private firms* that provide *technical support* to *CCMs, PRs and sub-recipients*. (See the entry “technical support” for more information.)

**Technical Review Panel (TRP)** : An independent, impartial team of international experts in HIV/AIDS, tuberculosis, malaria, and general issues such as health systems appointed by the Global Fund *Board*. Its mandate is to review *proposals* submitted by *CCMs*, based on technical criteria, in a way that ensures integrity and consistency and to provide funding recommendations to the Board.

**Technical Support** : Assistance provided to *CCMs, PRs and sub-recipients* by the Global Fund’s *technical partners*. Support is provided for a range of issues, including *proposal development, governance, monitoring and evaluation, procurement and supply management, programmatic and financial management, human resources development, and the dissemination of good practices*. The Global Fund encourages *CCMs* to include requests for funds for technical support in their proposals.

**The Three Ones** : A set of principles, adopted in 2004, intended to improve the coordination of national HIV/AIDS responses. They are: **One** agreed HIV/AIDS action framework that provides the basis for coordinating the work of all partners; **one** national AIDS coordinating authority, with a broad-based multi-sectoral mandate; and **one** agreed country-level monitoring and evaluation system.

**Transaction Costs** : The costs – both financial and non-financial, such as in the form of staff time – incurred during the process of completing a transaction. In the context of development assistance, this refers specifically to the time and expense required to manage the process of administering a grant or loan.

**Trustee** : A person or institution that holds title to assets for the benefit of someone else. The World Bank is the Global Fund’s trustee and holds in trust all of the contributions made to the Global Fund.

**UNITAID** : The International Drug Purchase Facility established by Brazil, France, Chile, Norway and the United Kingdom to accelerate access to high-quality drugs and diagnostics for AIDS, malaria and tuberculosis in countries with a high burden of disease.



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Bill Steiger and Jairo Pedraza served as chair and vice-chair, respectively, of the Policy and Strategy Committee, which devoted many meetings to establishing consensus and crafting recommendations to the Board on the strategic initiatives in this document. The strategy development work was led, and this document was written, by David Salinas. Helen Evans provided guidance to the overall strategy work. Current and past members of the Global Fund Secretariat's Strategy Team and numerous staff members from all Secretariat units played a crucial role in developing the strategic initiatives presented in this document – contributing much time, knowledge, expertise, enthusiasm and a profound belief in the mission and core principles of the Global Fund. Document production assistance was provided by the External Relations' Communications team.