



**FOURTH BOARD MEETING OF THE GLOBAL FUND
REPORT OF THE EXECUTIVE DIRECTOR
RICHARD G.A. FEACHEM
29 JANUARY 2003**

Ladies and gentlemen, friends and colleagues, may I add my warm welcome to you all and my thanks for your tireless efforts on behalf of the Global Fund since our last meeting in Geneva in October, 2002.

2002: FROM INCEPTION TO OPERATIONS

I want to start by saying a few words on 2002. This 4th Meeting of the Board marks, almost exactly, the first birthday of the Global Fund. We have come a long way in twelve months and there is much to be proud of. 2002 was the year in which the Global Fund moved from inception to operations; from plan to realization; from design to structure.

Let me review briefly with you some of the highlights of 2002.

1. Money is Moving

The first priority of the Global Fund is to get large financial resources to where they can be effectively used in the front line in the battle against AIDS, TB and malaria. A year ago this was not possible; six months ago this was not possible; today it is possible and it is happening.

A disbursement architecture has been put in place which combines lightness and respect for national frameworks, with the necessary degree of oversight and accountability. This architecture is now being put into practice. Last year, following the October Board Meeting, 9 Grant Agreements were signed in the 4 start-up countries. In the last *week*, an additional 21 agreements in 14 countries have been signed, or will be signed during the course of this Board meeting. I committed in December that we would have 20 agreements signed by this meeting. In fact, the number is over 30 – thanks to the efforts of CCMs, partners and our Portfolio Managers.

I would like to dwell for a moment on our Portfolio Managers. We have an incredible team. Many are in this room. They have worked night and day to get the grants signed and delivered. I would like all the Portfolio Managers to please stand up and be recognized. Many are in recipient countries continuing

work on grant agreements. I invite all Board delegates to get to know them and speak with them to learn first hand about the work they are doing in country.

While agreements are signed in Argentina, Cambodia, China, Ghana, Haiti, Honduras, India, Indonesia, Laos, Madagascar, Malawi, Morocco, Panama, Senegal, Sri Lanka, Tanzania Ukraine and Zimbabwe, nearly half the countries from Round 1 are still waiting for similar progress. They must be a priority. As must be moving from agreements to disbursements, and from disbursements to effective expenditure in the countries.

At the Secretariat we have no doubt that these initial disbursement arrangements are not perfect and will be subject to constant improvements. We have confidence from our early experience, however, that the arrangements are sound and provide a good basis for starting the central work of the Global Fund. We are also pleased that our disbursement arrangements have been designed in close collaboration with the World Bank and the Development Assistance Committee of the OECD. Through these collaborations we have ensured a high degree of synergy with the donor harmonization efforts which are under way.

And I want to pause to thank the World Bank for the two secondments that they have provided, and the great deal of assistance in the design of innovative disbursement arrangements.

One particular aspect of our disbursement arrangements that has proved contentious is the Local Fund Agent. Let me pause for a moment to update you on our experiences with LFAs. First, we have worked through the autumn to narrow and clarify the roles and responsibilities of the LFA. LFAs are now charged with a limited set of duties, primarily in the area of financial oversight. It is my belief that, without this financial oversight, it would be irresponsible for the Global Fund to disburse large sums of money to recipients of many shapes and sizes in countries in many different stages of development. We are emphasizing – I believe correctly – flexibility in our approach. One size does not fit all. We will have a lighter touch where a lighter touch is appropriate, and we will exercise greater due diligence where greater due diligence is warranted. We will also learn from experience. Principal Recipients that prove themselves to be rapid and effective implementers with good reporting systems, will find that the Global Fund leaves them alone to get on with their business and in no way tries to be intrusive or to micromanage their affairs.

Our choice of LFAs at the present time includes four organizations; two private, one not-for-profit, and one public. As you know, these are Price Waterhouse Coopers, KPMG, Crown Agents and UNOPS. In all cases, we deal with the local offices and manifestations of those organizations. Most adverse comments have surrounded the use of Price Waterhouse Coopers and KPMG. However, it is precisely these two organizations who have so far performed the best in their LFA role. They have the strongest local capacity,

they have been most responsive to the needs of the Global Fund, and they have not been more expensive than the not-for-profit or public alternatives.

Where we have found that our Local Fund Agent is not up to scratch, as has been the case in a few countries, we have vigorously intervened to improve performance. Where performance is not to our satisfaction, we will be aggressive in changing the Local Fund Agents. Moving forward we will pursue an open, competitive process to select LFAs. Do interact with our managers to find out how the LFA process works.

2. Systems and Staff are in Place

Since the last Board Meeting we have moved into our new offices, which some of you have been able to visit. I hope that all of you will visit our offices at the first opportunity. Our IT and other systems are settling down and performing better each week. Our Recruitment Task Force has worked very hard to attract to the Global Fund both longer term and shorter term staff at all levels, who provide the passion, the commitment, the talent and the energy that allows the Global Fund to do its work.

As of today there are 65 people working at the Secretariat. They come from 36 countries. Mireille will be delighted to hear that 63% percent of them are proficient in French, and many other languages are also spoken. They are 55% percent female. The blend of public and private experience is robust. Sexual preferences of staff members are varied and respected. People living with HIV/AIDS strengthen our team and keep us focused on our common goals.

I believe we are building a truly outstanding and diverse team. I encourage Board Members to get to know members of the Secretariat. I also encourage those Board Members who have been distrustful of the Secretariat to build personal relationships to see that there is no individual on our team who is not passionately committed to the cause of the Global Fund. If there are differences of view, they are honestly held differences of view. If there are breakdowns in communication, they are the product of the extraordinary hecticness of our lives and the pressures on the individuals and the systems. The culture of the Global Fund is openness, honesty and transparency. We will not play games with you the Board, with our partners such as WHO or UNAIDS, or with anyone else. Our mission is too important, and too many millions of people around the world depend on our effectiveness. We will not always be the most diplomatic, but we will always be honest and strive our utmost to serve the interests of those who are suffering so terribly from these pandemics.

3. Pioneering Policies are Agreed

A third area of progress is that pioneering policies have been agreed and put in place. During the past year we have put into place a number of policies that allow the Global Fund to continue its work with clarity and focus. Most

significant is our policy on drug procurement. As someone who has worked in this area for several years, and has been depressed by the unproductive rancor that persists between different interest groups, I am delighted by this breakthrough. Our drug procurement policies have taken a giant leap forward towards the best interest of our clients by assuring lowest prices and good quality. Other important policies, as you know, have been put in place and still more will be discussed at this Board meeting. Not least of these are the policies before you on the inclusion of civil society in CCMs. No government can fight these pandemics alone. Minimum standards for CCMs should not push countries into artificial relationships, but act as an incentive for enhanced and broadened cooperation at the local level.

4. The Global Fund Family is Working Together

The Global Fund is made up of its Secretariat, its Board, and its Technical Review Panel. I have mentioned progress made by the Secretariat in establishing itself over the past year. I would like to also make brief mention of the progress made by the Board and the TRP.

Concerning the Board, we have moved from some dysfunction and lack of trust to a more harmonious, professional and productive set of relationships. I applaud this on behalf of all those who depend on us to move quickly. The unsatisfactory and somewhat unfocused Working Groups have been replaced by a Committee structure. This has been a big step forward, but further work and improvement are still necessary. The Point Seven delegation at the October Board Meeting cogently warned against the Committees becoming a fence standing between the Secretariat and the Board. This is a matter that you are discussing on Friday, and I urge you to take the issues surrounding Committees seriously and help us arrive at a situation where Committees uniformly expedite and assist the work of the Global Fund, do not unduly distract the Secretariat from its core business, and avoid intruding on operational matters which are for the Secretariat to pursue and for the Board to watch over.

I applaud the excellent and dedicated work of the TRP, and I congratulate Michel and Alex for their leadership and commitment. The TRP has come a long way, like all of us. In renewing it, we must not lose the valuable experience, expertise and teamwork that has been built.

Another important organ of the Fund – not yet activated – is the Partnership Forum. Its role must be defined, and this is another topic of discussion for this Board Meeting. I hope that we can agree on a focused set of responsibilities and deliverables for this Forum, so that it can make a substantial contribution towards our mission.

5. Proposals and Partnerships have been Mobilized

A notable area of exciting and encouraging progress during 2002 has been the stimulation of several hundred proposals to the Global Fund in Rounds

One and Two. Many of these proposals are innovative, many of these proposals involve organizations who were previously less active in the fight against HIV/AIDS, TB and malaria. Some of these proposals incorporate new alliances among in-country partners. The idea of the CCM, previously untried, untested and unknown, is now gaining ground. While the CCM builds on existing coordinating mechanisms, it creates broader engagement of civil society and the private sector. The fact that the Global Fund has added the need for a CCM to a landscape of UN Theme Groups, National AIDS Committees, and other bodies has been a challenge. In some cases, the CCM has been set up as a parallel structure, and we must work together to ensure integration. In many other cases, in-country commentators are telling us about the benefits of the CCMs, and we are hearing stories about CCMs working well and stimulating new alliances.

CCMs have improved over 2002 and one of the results is, of course, better proposals. Round Two was a major improvement over Round 1. Better proposal guidelines, a more robust TRP process, more time for countries to prepare proposals, and a more participatory process have resulted in stronger proposals. The TRP is recommending a 40% larger approval for Round 2 than Round 1. Given the need in these countries, that is good news. The expected outcomes of these recommended proposals include 2 million more people on DOTS, with a third of TB proposals including treatment of MDR-TB – this is unprecedented in scale. For malaria, the nets purchased in 2 years will quadruple the 4 million purchased annually for Africa by UNICEF. The Fund will expand annual coverage of artemisinin-based therapy for malaria in Africa from the current situation of only 15,000 treatments to 4 million treatments in eight countries. Recommended HIV/AIDS proposals will reach 500,000 orphans and vulnerable children, with a particular focus on prevention efforts on youth and school children. And the number of people on antiretrovirals made possible by the recommended proposals, nearly 300,000 over the lifetime of the programs, is an important yet still modest step in the fight for access to treatment.

Partnerships have also been flourishing at the global level. Everyone recognizes that the Global Fund cannot fulfill its mandate alone or without very close collaborative relationships with its development partners. In 2002, those partnerships began to take shape and to develop. We are working increasingly with WHO on TB, malaria, HIV/AIDS and drug policy. Our relations with UNAIDS are strengthening all the time and are the subject of a Memorandum of Understanding. Numerous other partnership discussions are underway and many practical expressions of partnership are occurring. We are committed to continue to develop these important opportunities. The Global Fund is a financing mechanism. It will not become a development institution, a capacity strengthening institution, or a technical assistance agency. It will stick to its core business, despite repeated pressures from many quarters to lure it into other responsibilities and activities.

A final note on 2002. While the results of the last year are noteworthy and a credit to all of us, there is no room for complacency. Let us be clear that the

biggest mountains still lie ahead of us. In particular, we have only just begun to make disbursements. We have not fully tried and tested our quarterly disbursement arrangements or the performance criteria on which they will be based. Most of all we have not yet changed people's lives. More mothers and babies are not yet sleeping under impregnated nets; more poor people in remote rural areas and urban slums are not receiving DOTS; more teenagers are not receiving effective prevention messages concerning HIV; and more people in Africa and elsewhere are not yet on an anti-retroviral therapy. None of these fundamental goals of Global Fund has yet been achieved. 2003 is the year when these achievements must start.

2003: THE MAKE OR BREAK YEAR

Let me come then to 2003 which I have described previously as the make or break year of the Global Fund. 2003 is the year in which we must move from good intentions to real achievements. Our focus in 2003 must be on substantial and measured progress in the three domains which comprise the totality of the Global Fund: Raise it, Spend it, Prove it.

1. Spend It

Spending it will remain the primary focus of most Secretariat staff during 2003. We have to complete all the Round One Grant Agreements and initiate disbursement. We have to complete all the Round Two Grant Agreements and initiate disbursement. These tasks alone mean that, when this Board Meeting ends, the Secretariat will have to manage the administration of grants to 160 programs in 85 countries, twelve months after the initiation of the Global Fund. But that is not enough. We also have to prepare and present to the Board a high caliber set of programs for Round Three. We have to fine-tune our disbursement architecture. We have to further develop our performance-based funding approach, and demonstrate that it can work in practice. We have to have examples where progress is ahead of schedule and funding is accelerated. We will also benefit from examples where things have gone wrong and funding has been terminated. All this will show that the Global Fund means what it says, that it is a serious enterprise, and that it can deliver on its promise.

2. Prove It

The onus on the Fund to prove its effectiveness in 2003 is very great. Donors wish to know that their money is being used to turn the tide of malaria, TB and HIV. The Secretariat needs to know that the recipients of the funds are using them for the intended purposes and making the anticipated improvements in people's lives. The world needs to feel a new optimism and sense of hope based on evidence from the field; evidence that programs are scaling up, that prevention is working, and that access to treatment is expanding.

The focus on the Global Fund in 2003 must shift from global to local. We have discussed LFAs, but it is not LFAs that will prove it. They monitor; they do not implement. It is Principal Recipients that have the critical responsibility of receiving money and managing programs. It is CCMs that must harmonize aid flows and coordinate local responses across public and private sectors. And it is our development partners – including WHO, UNAIDS, the World Bank and bilaterals – which must build capacity, support monitoring & evaluation, and provide the technical and operational assistance necessary to effectively utilize the substantial sums of money that the Fund is making available. Only through these efforts – by PRs, CCMs and development partners – can the Fund achieve the results that matter: progress in the fight against AIDS, TB and malaria in communities living with and affected by these epidemics.

3. Raise It

As all Board Members are aware, the Global Fund is fully funded through Round Two and fully unfunded for Round Three. If we stick to our policy requiring that Board approvals are covered by pledges and that Grant Agreements are covered by cash in the bank, and if we also continue our policy that all this relates to the first two years of each five year program, then we run out of money as result of decisions that you will take at this meeting.

We have widely advertised our financing requirements: The Global Fund needs 6.3 billion dollars in 2003 and 2004; so far we have 1.2 billion pledged. 80% of our fundraising is ahead of us. The Global Fund needs to be refinanced. It would have been convenient if the call for refinancing could follow evidence of epidemiological impact. In practice, astute observers are well aware that this is not possible and never could have been possible. Refinancing the Global Fund must depend on credibility and confidence established through the quality of the proposals, the disbursement systems that are in place, the partnerships that have been built, and other evidence that the Global Fund is a credible new organization that is on track to have a major impact in the near future.

Inevitably, this refinancing must rely primarily, in the short term, on the G7 and other OECD nations. We will begin to expand the corporate and private contributions during 2003, but it is not conceivable that these sources will become large enough quickly enough to meet our refinancing requirements. They must, however, become a part of the solution in other ways as soon as possible, particularly, I believe, through parallel investments in countries that leverage the Fund's dollars to catalyze better and faster results. It is the G7 and the OECD, however, that must step forward and support the work of the Fund and its recipients – both current and future – by bold and generous new commitments of finance. In this context, we are pleased to hear President Bush's commitment last night to the fight against HIV/AIDS and to the undertaking to provide additional funds to the tune of \$1 billion to the Global Fund beginning in 2004.

VULNERABILITIES AND CHALLENGES

In each of the areas – raise it, spend it, prove it – the Global Fund faces substantial potential vulnerabilities and challenges. I will mention just some of these in the form of questions. The answer to each, I believe, must be yes.

- Will the resources be available to allow Round Three to be fully funded?
- Will the disbursement systems that we are using prove robust and up to the task of the massive scale up that is underway?
- Will we be able to turn performance-based funding from rhetoric into reality?
- Will the capacity of our recipients, together with the work of our partners, enable the Fund's money to be effectively absorbed and used for good purposes?
- Will our partnership efforts be vigorous and successful enough to allow the many inputs of the private sector and civil society necessary for success?
- Will our communications system be able to overcome the gulf of misunderstanding, misinformation, and mistrust that currently surrounds the work of the Global Fund and enable true transparency?
- Will the Global Fund be able to change its legal status to one which gives it the necessary basis to continue its work and which allows an administrative structure that is effective and cost-effective?

All these are matters on which much deliberation and action are already underway. Some of them are topics for detailed discussion at this Board Meeting. They are all topics on which I will keep the Board closely informed and for which I will frequently call on the Board for assistance and support as we go forward.

AND FINALLY

And finally some personal reflections and words of appreciation.

- I thank all my colleagues at the Secretariat for their dedication, energy and good humor through the long and challenging days of last year. We enter 2003 with a great team and this, more than anything else, gives me optimism for the future.

- I thank the NGO and activist communities. I did not know them well before taking this job. I have come to be their biggest fan. They are a major reason why the Global Fund exists. Their voice is clear, consistent and honest. They organize their delegations to this Board better than anyone else. And they have been a constant support to the work of the Global Fund. Constant support does not mean telling us things that we want to hear or patting us on the back. Constant support means honest and constructive comments and activity focused on getting the job done.
- I want to thank our partners. We work closely and productively with the World Health Organization. We work with the TB crowd, we work with the HIV/AIDS crowd, we work with the drug policy crowd, and we work with the malaria crowd. All these relationships are in good shape and improving daily. We look forward to further building these collaborations, initially with Gro Brundtland, and subsequently with our friend and colleague, J.W. Lee. As we get beyond territorial unease, we see productive and mature collaborations developing which are in the interest of those that we all exist to serve. Peter Piot has been a visionary leader of UNAIDS, and it is partly thanks to his global advocacy that the Fund exists. Working closely with him and UNAIDS in a way that affirms our complementary roles is a goal to which we are both committed.
- I thank the donor governments represented on the Board. I have visited many of your capitals and been treated with great courtesy and professionalism. I return from each of these visits feeling that we have strong friends and allies in the world. I also come back with insights, criticisms and perspectives that help us all to improve our work and increase our effectiveness.
- I thank the governments and people of the recipient countries. First and foremost for their forbearance. Money was promised at the end of April and very little money has so far flowed. This is frustrating and hard to tolerate when the catastrophe is unfolding around you every day. To these governments and their citizens, I undertake that we will do everything in our power to accelerate the flow of funds in 2003. I also undertake to dedicate more of my travel to visiting southern Board delegations and seeing first hand programs that the Global Fund is beginning to support.
- Allow me to also thank two individuals. Ten days ago I visited the UN Secretary General, Kofi Annan, in New York. I briefed him on behalf of Chrispus Kiyonga and all of us on the progress made by the Global Fund so far, and the challenges we faced. I recognized his role as a grandfather of the Global Fund and until recently its largest individual financial supporter until today. I welcomed his stronger engagement in the mission and work of the Global Fund and invited him to formalize his position as Patron of the Global Fund. The Secretary General responded with much warmth, enthusiasm, and commitment to these ideas. We will be following

up with him and his officials, and I hope to build a strong and productive bond with him that will give renewed impetus to our work.

- Because of the Global Fund, I have many new friends, none more important to me than Chrispus Kiyonga. I have come to respect him enormously. I want to pay tribute to his leadership of the Global Fund from its very earliest days. He is a great man with great dedication to global development and the people of Africa. I will miss his wise counsel as Chair of the Board, as I am sure we all will.
- Lastly, I thank the people who are living with and affected by the diseases we are here to fight. Even as the Fund works hard to get money to programs that will, in turn, improve your lives and the lives of those you love, you are fighting on with your own resources, and with incredible resolve and resilience. You have demanded that the world respond, and that is why we are here. You have challenged us to focus on decisions that will maximize our impact, and so we must. Joseph Scheich, to whom we earlier paid tribute, is one of 900,000 people who died since this Board last met. We must do more. And we must do it now.

To close, I would like to relate some heart-warming news from the recent World Economic Forum meeting in Davos. Some of you were also there. At the last meeting, the Global Fund did not exist. This time, the Global Fund was on everyone's lips. In forum after forum, leaders of government, civil society and the private sector committed themselves to do more – more for the fight against these diseases, and more specifically for the Global Fund. At the end of the last session, Ed Scott, an American entrepreneur who cares deeply about global issues, handed me this. It is a personal check to the Global Fund for 1 million US dollars. I was stunned – I have never been handed a check for a million dollars before. I have never even seen a check for 1 million dollars. We owe it to Ed and to the thousands of others who have placed their trust in us, and to the millions whose lives we can impact, to achieve great things in the 2003. Your wisdom and guidance over the next three days are essential for us to succeed.

Thank you.