



The Global Fund to Fight AIDS, Tuberculosis and Malaria
Fourth Board Meeting
Geneva, 29 - 31 January 2003

GF/B4/6b

RESOURCE MOBILIZATION FRAMEWORK

A Report by the Secretariat

Outline:

This paper provides a framework that outlines issues relevant to resource mobilization by the Global Fund and captures the Secretariat's progress to date in pursuing new pledges and contributions. It is presented to the full Board as a report from the Secretariat as the Resource Mobilization Committee will discuss it only briefly in the day prior to the Fourth Board Meeting.

Summary of Decision Points:

1. The Board is request to instruct the Secretariat to pursue a resource mobilization strategy to achieve the fundraising targets for 2003 and 2004 identified in the Financial Prospectus (GF/B4/6a).
2. The Board is requested to instruct the Resource Mobilization Committee to work with the Secretariat in the pursuit of these targets, particularly by identifying specific ways that Board Members can support the Fund's resource mobilization efforts.
3. The Board is requested to encourage the Private Sector Board Delegation to prepare for the Resource Mobilization Committee a framework for options and processes by which the Fund can accept and/or channel in-kind donations in support of efforts to mobilize resources for its grantees.

RESOURCE MOBILIZATION FRAMEWORK

I. CONTEXT AND HISTORY

Resource mobilization at the Global Fund has been characterized unusually by sizeable upfront pledges prior to the creation of an operational business and subsequently by substantial and consistent dialogue on how to raise additional resources on an ongoing basis to support this business.

A. Initial pledges to a “Global Fund”

Considerable upfront support to the idea of a global AIDS (and/or health) fund came from UN Secretary General Kofi Annan, who called formally for its establishment at the Abuja meeting of the Organization for African Unity summit in April 2001. He requested commitments by the G8, which came beginning in May 2001 and continued over the course of following months, with substantial contributions made during and around the UN General Assembly Special Session on HIV/AIDS and the G8 meeting in Genoa. This initial round of pledges totaled USD 1.5 billion, just less than 70% of the total resources pledged to date. These pledges were made in advance of the creation of the Global Fund or even the convening of the Transitional Working Group (TWG); of note, the pledges made initially were to the idea of a global fund that could act as a “war chest” for substantial new resources to fight the diseases of poverty.

B. Resource mobilization and the TWG

The TWG was charged with the task of designing the structure and basic processes of the Fund, on the basis of broad stakeholder consultations. One of the topics discussed during this period, from October 2001 through January 2002, was resource mobilization. At the request of the TWG, two sets of recommendations on resource mobilization were submitted for consideration, by the Center for Strategic and International Studies and DCA (a Boston-based consulting firm). A number of recommendations were adopted by the TWG, which are referenced throughout this framework. In addition to these commissioned papers, a number of external organizations, drawing from academic and advocacy communities, published analyses and commentaries on the resource mobilization needs of the Fund.

The Fund’s Framework Document, which serves as a basis for its principles and procedures, makes little mention of resource mobilization, other than to note that it is a core function of the Fund (“to attract, manage and disburse additional resources through a new public-private partnership”) and that it should be the responsibility of Board Members.

Following a request from the First Board Meeting, a draft resource mobilization strategy (GF/B2/9f) was presented at the Second Board Meeting, which emphasized the need to strategically pursue donors on the basis of the size of their potential contributions and their contribution to a public-private mix. It was agreed that specific targets were needed.

C. Current status of funding

As reviewed in the Fund's Financial Prospectus, first published in October 2002 for the Third Board Meeting (GF/B3/5) and newly revised in January 2003 for the Fourth Board Meeting (GF/B4/6a), USD 2.2 billion is pledged to the Global Fund through 2006. Of the 946 million in pledges designated for 2002, 856 million was received (including holding accounts and amounts pending final transfer agreements with donors) as of 15 January 2003. Outstanding pledges include 62 million (€ 60 million) from the European Commission, 25 million from the United States, 1 million from Austria and 1 million from Luxembourg. 605 million is designated for receipt in 2003; of this, 28 million has been transferred to a holding account.

II. DEFINING RESOURCE MOBILIZATION TARGETS

The focus of the analytical work done to date on resource mobilization has been defining fundraising targets and associated messages.

A. Methodology

To define resource mobilization targets, to serve as the basis of dedicated fundraising efforts, the Secretariat devised a methodology relying on a few principles. These are specified in the Financial Prospectus and reviewed again below.

1. *Guarantee Two Year Grant Agreements.* A core question facing the Fund vis-à-vis resource mobilization is against what commitments are cash resources required. To best answer this, the Secretariat consulted with its external legal counsel, Tavernier Tschanz, who offered the conclusion that, "the Board should not commit the Foundation in an extent which would exceed the Foundation [sic] financial abilities." Given that the Board chose in its Second Meeting to approve proposals on the basis of two-year commitments, the consequence to the Fund is that cash resources are required to guarantee these commitments at the signing of Grant Agreements.

As requested by the Board at its Third Meeting, the Secretariat also consulted the Global Alliance for Vaccines and Immunization (GAVI) to compare this principle with that of another major new financing

instrument. GAVI reviewed the Financial Prospectus and endorsed its principles, noting that the approach is identical to the one taken by it and the Vaccine Fund. Both base commitments to recipients on available resources.

2. *Bottom-up and Short-term.* The principle above underlies a “bottom-up” approach to estimating resource mobilization targets. This contrasts with the efforts of technical agencies to estimate the overall need for aggregate HIV/AIDS, TB or malaria expenditure – which must assume certain associated outcomes to investments and often distinguish between internal and donor financing. Some advocates initially specified targets for Global Fund resource mobilization as a portion of this overall need, using the size of this portion as an indication of the role the Fund should play in the fight against these diseases. The Secretariat has preferred to specify the Fund’s needs on the basis of the core business of the Fund: soliciting, reviewing and funding country proposals. The relevant variables to this approach are the frequency of proposal rounds; the size of proposal requests; and the rate of TRP review and Board approval. Given the uncertainty associated with estimating the value of these variables, particularly after only one proposal round, the Secretariat also chose to focus on short-term needs, with a two-year horizon for targets.
3. *Not donor targeted.* A precedent to date has been to set overall targets for resource mobilization, but not to detail donor specific requests. Doing so risks alienating some donors, to the extent that they are not included in the estimate or that they wish to give less than the amount specified. It also risks undercutting donors who may wish to give more than the amount specified. Nonetheless, external commentary on a donor-specific contributions framework may be helpful as a guide to discourse and dialogue about the Fund. Internally, threshold amounts may be relevant, insofar as the “donor seats” of the Board are associated with amounts pledged or contributed to the Global Fund. This matter is not subject to formal policy, however, but constituency consultation and agreement.
4. *Interest and Inflation.* The model of resource needs could be made sufficiently robust to account for the impact of interest accumulated on managed capital (see Annex I for information from the Trustee of investment income) and the inflationary pressure on the dollar value of applicant requests. However, given the marginal and countervailing impact of these forces on the resources required, the Secretariat has chosen to ignore them in the calculation of targets.

B. Outcomes

As agreed by the Board, the Secretariat has developed targets for resource mobilization on the basis of these principles and available data to inform necessary estimates for future proposal rounds. As additional and improved data become available, the targets can and should be revised, to maintain the credibility of this approach and to be as specific as possible about actual needs versus aspirations.

1. *2003 and 2004 resource needs.* Presuming that 96% of the funds designated for receipt through 2003 are received, the Global Fund is financed to guarantee two-year commitments to proposals approved in Round 1 and recommended for approval in Round 2, totaling 1,482 million. The Fund is not sufficiently financed for a third proposals round based on the resources available through 2003. According to estimates of proposals expected in 2003 and 2004, as detailed in the Financial Prospectus, the identified targets for necessary new resources in each year are 1.6 billion and 3.5 billion respectively. Actual needs will vary based on what is received by the Fund and the outcomes of TRP review and Board deliberation.
2. *Implications for 2005 and beyond.* Annual resource needs beginning in 2005, while not specified publicly, are expected to be significantly larger – in addition to ongoing proposal rounds, assets will be required to finance renewed Grant Agreements for previously approved proposals. For example, grants to Round One and Two recipients are expected to be extended following a two-year review in 2005 (as most Grant Agreements for these proposals will be signed in early 2003). If all programs originally approved are extended, this will require USD 2.2 billion (value of approved proposals is USD 3.7 billion, with 1.5 billion committed to initial two years), which is in addition to the resource needs for that year to finance new programs. If these new programs are submitted to the Fund in proposal rounds of similar magnitude to those estimated for 2004, the need in 2005 would be 6.0 billion (net pledges for that year).

However, as mentioned earlier, it is difficult to make this claim so early in the life of the Global Fund. Counterbalancing the forces of greater need could be reduced requests from countries, as the full set of eligible recipients receives a first set of approved funds for HIV/AIDS, TB and malaria programs. Given the scale of the global need, however, the Secretariat suspects that needs will rise beyond the magnitude specified for 2004, and it must discuss the implications of this pace of increased need with its Board.

C. Messages

Subsequent to the methodology and outcomes specified by the Secretariat, it is necessary to communicate appropriately with donors and recipients not only the amount of the resource mobilization targets for the Fund, but also the manner in which they have been calculated, the needs they meet, and the forces which affect these targets.

1. *To donors.* The Fund's needs are not based on the threat of fiscal bankruptcy. It is inaccurate and misleading to claim to donors that the Global Fund is "out of money", as this language suggests a lack of capital and contributes to an untenable expectation that the Fund's grants will be immediately followed by 100% disbursement. This is inconsistent with the practice and experience of any other foundation or financing mechanism. Rather than propagate misconception, the Fund's staff and partners should convey that additional resources are needed to keep the "door open" to high-quality proposals and to maintain the quid pro quo established between donors and recipients, whereby donors have committed to make available resources so long as recipient countries can design and operate effective programs. Indeed, the Fund must be constituted as a "war chest" that can nurture a "pipeline" of proposals, so that those not approved in any given round can be resubmitted for consideration in subsequent rounds with adequate financing.
2. *To recipients.* Ultimately, the needs of the Global Fund are dictated directly by what potential recipients request. Country Coordinating Mechanisms (CCMs) should be encouraged to submit high-quality proposals and be made aware that the greater the number and amount of requests from technically strong proposals, the greater the needs of the Fund will be. The targets of the Fund should not set a "ceiling" on the formulation of requests. Indeed, it would be more accurate to explain them to countries as a "floor" so that proposals can be developed and submitted without delay.

III. PURSUING PLEDGES

The ability for the Fund to pursue the resource mobilization targets it sets depends on understanding its possible donors and its value proposition to them, on identifying ways to access those donors (or channels) and on specifying the process and associated responsibilities for doing so. While some of the strategies relevant are donor-specific, others enable the Fund's efforts across the breadth of possible funding sources.

A. Chief Targets

Currently, the Fund's pledges draw from typical donor and other governments, the private sector (specifically for-profit companies), foundations and individuals. It is expected that most of what the Fund raises will continue to draw from these chief targets.

1. *G8 & OECD Donors.*

- a. *Context.* International donor governments are the current driver of international public health financing. For HIV/AIDS alone, they account for two-thirds of budgeted 2002 spending in low and middle-income countries. Of the average annual commitments of overall Development Assistance for Health (DAH) from 1997 to 1999, which totaled USD 7.0 billion, 2.6 billion was from bilateral agencies and the European Community. An additional 3.5 billion was from development banks and UN agencies, where most internal funding draws from G8 and OECD donors.

While most of the value of this funding is presumably for programmatic interventions and service delivery, some is also for technical assistance to build local capacity, to develop normative policies and standards, and to assist in implementation and monitoring and evaluation (M&E). Despite the variety of uses of donor financing, the channels are limited. Most money is channeled through bilateral programs, multilateral agencies and development banks.

- b. *GF value proposition.* The Global Fund offers a unique value proposition to donors who have substantial pressures for the use of limited public resources. Among targets for AIDS, TB and malaria financing, the Fund is unique in *what it funds* – national scale programs that integrate prevention and treatment components with infrastructure development and that draw on public and non-public organizations for implementation; in *how it funds* – based on a country-driven proposals process that is centrally accountable to upfront technical standards and ongoing results-based disbursements and requiring relatively light reporting from grantees; and in *how it is managed* – through a public-private partnership that allows for dialogue and consensus among diverse stakeholders, with a lean operational structure, and in a manner that retains sufficient independence to enable significant innovation and risk-tolerance.

Though the model of the Fund remains unproven, this unique nature has already been a major source of appeal to donors who

have not had such a sizable alternative to other Official Development Assistance (ODA) channels in over 50 years. While the Fund must not undermine those other channels or strategies, and indeed should complement and build from them whenever possible, it is by leveraging its value-added to the development paradigm that the Fund can best appeal to donors.

- c. *Strategies & priorities.* The G8 played a special role in the creation of the Global Fund, from the adoption of new HIV/AIDS, TB and malaria reduction targets in Okinawa in 2000 to the endorsement of the idea of a global fund in Genoa in 2001, at which time much of the Fund's current resources were pledged. Of overall pledges to the Global Fund to date, those from the G8 represent 73% of the total value; when expanding the analysis to all members of the Organization for Economic Cooperation and Development, the portion rises to 93% (Annex II). While the Fund must pursue other sources of financing, these donor governments represent the greatest source of potential resources and should be the focus of the Fund's resource mobilization efforts.

The Global Fund could pursue the full breadth of the G8 simultaneously, to reaffirm the global nature of the Fund and its commitment to working without geographic or political bias. Alternatively, the efforts could be sequenced in a manner that coincides with national budget cycles; this approach is constrained, though, by the unpredictability of these cycles and the need to maintain momentum in the time around them. Also an alternative, the Fund could pursue an anchor-donor approach, whereby one significant contribution is used to attract other large donors. Of course, this risks alienating others. If capacity for resource mobilization efforts is not a limiting factor, an approach that sustains pressure across the breadth of donors is preferred.

- d. *Activities & responsibilities.* To maximize capacity, the Fund must specify responsibilities for resource mobilization to the Board as well as to the Secretariat. (Given the independence of the TRP and its need to maintain the highest standards of objective technical review, it is recommended that its members not be actively engaged in resource mobilization efforts, though they can be leveraged to share information to donor communities as representatives of and advocates for the Fund). With these donors, as with all potential sources of resources, one of the chief spokespersons of the Fund should be the Chair of the Board, as initially asserted by the TWG. Other Board Members and delegations should play a critical role by providing access to

their governments and acting in a significant local capacity to move resource mobilization forward (for example, by ensuring that the Fund's needs are well known and by asserting its value proposition and success to parties responsible for budget authorization and appropriation, including parliaments).

Another chief spokesperson must be the Fund's Executive Director. A recommendation made to the TWG was that 40 to 60% of the Executive Director's time be spent on fundraising. While this portion may not be sustainable relative to the requirements of the core business of the Fund, the time and skills required are nonetheless substantial. The Executive Director is regarded as a primary representative and symbol of the Global Fund. Given the Fund's profile, s/he should be obligated to represent the Fund to wide set of communities among donor nations, including finance as well as health ministries, parliaments and offices of prime ministers or presidents. Given that these bodies are representative of and beholden to the populations of these countries, the Executive Director must also represent the Fund to the general public, to build up general recognition and support for the Global Fund among voters.

Thirdly, the Board and the Executive Director should encourage the efforts of independent advocacy and activist groups, who maintain aggressive and sustained efforts for increased financing of donor assistance to fight diseases of poverty and to support development. Their efforts mobilize national and local authorities as well as civil society more broadly by relying on greater capacity than, for example, the Fund's own Secretariat. Given the real limitations of the latter, efforts by advocates who maintain an honest and objective perspective about the Global Fund should be supported, whether formally or informally.

- e. *Progress.* The activities of Board Members have been critical in ensuring that pledges have been transformed into contributions in a timely manner. This will be even more critical in 2003, when contributions will be needed earlier in the year relative to 2002 to guarantee Grant Agreements for Round 2. The Board has also facilitated engagement with donor governments by the Executive Director, who has visited over a dozen donor capitals. These visits have been focused on providing an update on the Global Fund and clarifying its need for additional resources in the short-term. Though "good will" exists and is palpable during these visits, it has not yet resulted in substantial increases in commitments despite suggestions by some donors, approaching processes of budgetary allocation in early 2003, that new funds

may be available within the calendar year. These possibilities should be thoroughly explored and highlighted among other donors, to create a pull factor for them to also contribute.

2. *Non-OECD Donors.*

- a. *Context.* Non-OECD donors are substantial contributors to the fight against HIV/AIDS, TB and malaria, but not through the channel of bi- or multilateral financing mechanisms. Their resources are most often focused internally, particularly for those developing countries where the Fund is making investments. Increased domestic financing is consistent with the framework agreed by these countries themselves as well as international initiatives such as the Commission on Macroeconomics and Health (CMH). For African nations, for example, the endorsement of a global fund in Abuja was accompanied in a Summit Communiqué by a commitment to raise domestic health spending to 15 percent of national budgets. Such spending is central to African ownership of its development, a core principle of such frameworks as the New Partnership for African Development (NEPAD). Nonetheless, modest financial support to the Fund from non-OECD and recipient countries – additional to and not competing with spending in country – has been possible and should continue to be pursued.
- b. *GF value proposition.* Contributions to the Global Fund by non-OECD countries represent “buy in” to the concept and operation of the Fund. Because the Fund treats all donors equally, in terms of formal public acknowledgement and designation on the website and in the Financial Prospectus, small contributions can nonetheless enhance a sense of ownership of the Fund. Moreover, the Fund represents a unique target for contributions by non-OECD countries given that its first priority is to serve and to benefit communities living with and affected by the diseases. This type of accountability differentiates the Fund from initiatives that are accountable first and foremost to governments.
- c. *Strategies & priorities.* Given the number of non-OECD countries, pursuing them for fundraising can be quite resource intensive, particularly relative to the total amount of contributions that can be expected. To date, of the USD 2,106 million pledged to the Fund by governments, 51 million (2%) has been pledged from non-OECD countries. Half of this draws from three nations – Nigeria (10 million), Saudi Arabia (10 million) and Thailand (5 million). This portion is significantly less than what the TWG suggested should come from recipient countries (10% of funds

raised). While this share can represent an aspiration, pursuit of the TWG goal should be prioritized relative to the magnitude of other sources of funds. Moreover, pursuit of non-OECD countries should be structured appropriately to balance pledges representing “buy in” from those that could offer greater financial value. Countries that have the capacity for the latter, such as the Gulf States, should be identified and their interest tested.

- d. *Activities & responsibilities.* It may be best for non-OECD resource mobilization to be pursued more passively by the Secretariat, which has limited capacity to dedicate to fundraising, and instead based on the passive influence of cross-donor media campaigns (see below) as well as efforts by Board Members who represent these constituencies. In any case, the possibility of contributions can always be suggested during visits to non-OECD countries by, for example, members of the Secretariat or the Board on the occasion of grant signing. Such requests should always be secondary to a sustained emphasis on the need for substantially greater domestic funding to fight HIV/AIDS, TB and malaria and other diseases of poverty.
- e. *Progress.* Contributions by non-OECD donors represent a small share of overall resources available to the Fund for the approval of proposals and the signing of Grant Agreements. Those resources pledged for 2002 have been received. Additional contributions from non-OECD countries have not, to date, been a priority of the Secretariat.

3. *Private Sector [For-Profit Companies].*

- a. *Context.* For-profit companies (referred to commonly as the “Private Sector”, though the latter terms refers to a broader set of organizations and stakeholders) contribute to the fight against HIV/AIDS, TB and malaria in a number of ways. The research and development of new tools to fight these diseases, including medicines and vaccines, is significant and valued at hundreds of millions of US dollars annually. Companies outside the pharmaceutical and biotechnology sectors contribute by offering their expertise and unique capacity, e.g. the recent agreement by Viacom to include in its media programming substantial HIV/AIDS components (MTV Networks has also maintained a strong commitment to this). Organizations also contribute by implementing workplace programs, focusing on prevention and increasingly including treatment, which are consistently shown to be consistent with “good business sense” as it protects workforces from lost productivity and higher healthcare costs.

The Private Sector also makes philanthropic contributions to the fight against disease of poverty. Beyond product price discounts and voluntary licenses, they also make direct financial contributions. Abbott, Bristol-Myers Squibb, Merck and Pfizer are primary examples of pharmaceutical companies which have provided cash contributions to the fight against AIDS, as much as USD 275 million, directed towards specific projects, e.g. Pfizer's support for an HIV/AIDS clinical training center in Uganda, or channeled through local initiatives that can make ongoing decisions regarding expenditures, e.g. the African Comprehensive HIV/AIDS Partnership with Merck in Botswana. Companies, when they do make cash contributions, prefer to make them directly into projects, in order to maximize consistency with their own goals and objectives; sizable cash contributions to multilateral channels are seen by some corporations to be inconsistent with their obligation to shareholders. Thus when providing resources to multilateral channels, the Private Sector sometimes prefers to make in-kind, rather than cash contributions. For example, the US Fund for UNICEF raised USD 150 million in 2000, of which 60% consisted of in-kind contributions from corporations (mostly medicines).

- b. *GF value proposition.* The Global Fund has been conceived and structured as a public-private partnership and, indeed, the private sector has been closely integrated in its operations and has contributed to its success. Private Sector representatives on the Board and TRP have added distinctive skill and expertise; Secretariat staff with Private Sector experience have contributed substantially to the Fund Portfolio Management design and process; Private Sector firms have been included in the disbursement architecture of the Fund as Local Fund Agents (LFAs); and the Private Sector is widely represented on CCMs (74% of all CCMs that submitted proposals in Round 2). In addition to these contributions, it was anticipated and is still expected that the Private Sector will contribute to the Fund's resource mobilization efforts.

The Fund's offers a more compelling value proposition to the Private Sector than any other multilateral channel of resources to fight these diseases. The Fund's technical review and results based disbursement processes use rigorous standards to assure quality of program implementation. The Private Sector's role on the Board ensures shared ownership of the Fund. And the Global Fund has a growing "brand" (see below), the association with which can act as a symbol of a company's "good citizenship"

and social responsibility, which is ultimately supportive of that company's own public relations efforts. These are all pull factors to leverage in order to engage companies at the global level.

In addition, companies must be engaged in resource mobilization at the local level. The contribution of companies to CCMs and to programs designed by CCMs, particularly if this involves new financial contributions to local efforts, is a legitimate component of the Fund's overall commitment to resource mobilization. Such in-country engagement can be encouraged by the opportunity for CCMs to rationalize overall national efforts to fight disease and to improve public health, across both the public sector and civil society. Moreover, the Fund can be viewed as a co-financing tool, such that additional efforts by Private Sector companies in country, in cooperation with CCMs, can be extended by grants from the Global Fund, as part of overall CCM programs.

- c. *Strategies & priorities.* The umbrella of the Private Sector captures an enormous number of independent companies. It is therefore critical for the Fund to approach possible contributors in a prioritized way and through focal points, if they exist. Targeted efforts should be made for major global companies with substantial assets and some history of commitment to or interest in global health. Engagements with these companies should include an open dialogue about different forms of resource contribution, including cash contributions. Companies which can provide other resources, in a manner that is consistent with the Fund's mandate and operations, should not be ignored if they are unable to provide cash donations.

In addition, targeted efforts should be made with companies that have significant operations in affected developing countries, e.g. Coca-Cola and Anglo American, to encourage participation in the CCM process. In some cases, it may be possible and advisable to develop framework agreements whereby the Fund agrees to the principle of extending programs developed by these companies, when submitted through the CCM and subject to favorable TRP and Board review. For example, a mining or oil company could agree to extend the infrastructure of an HIV/AIDS or malaria workplace treatment program to the surrounding community, if the Fund agrees to provide resources to cover the non-fixed costs involved in enrolling and sustaining additional persons in the program. This could facilitate strong engagement with local CCMs and would contribute to overall resource mobilization efforts – though this would not contribute to the cash needs required by the Fund to maintain proposal rounds.

Finally, the Fund should enable Private Sector engagement in CCMs and in local program development through other, more passive and decentralized mechanisms. Foremost, CCMs themselves should be responsible for reaching out to and working with the Private Sector. The Fund can facilitate this with minimum standards of CCMs in this regard (as are being recommended to the Fourth Board Meeting).

- d. *Activities & responsibilities.* Engaging a limited number of major global companies or ones with significant presence in developing countries should be the responsibility of the Executive Director and Secretariat, the Chair of the Board, as well as the Private Sector Board Member. Other Board Members should be responsible for encouraging resource mobilization and CCM participation by the Private Sector in the relevant regions of their constituencies. Beyond these conduits, the Fund should rely on initiatives and organizations that act as focal points for Private Sector engagement to reach out to a broader number of companies. The World Economic Forum, with over 1,000 member companies (a third of which are from developing countries), acts as the Focal Point to the Private Sector Board Member. The Forum's Global Health Initiative is actively engaged with 50 companies, and it can therefore assist the Fund by making appropriate connections and by independently seeking resource mobilization contributions from members. The Global Business Coalition on HIV/AIDS has about 100 companies as members and can also facilitate engagement. The International Labour Organization (ILO) is a UN body that is managing programs to encourage greater workplace responses to diseases of poverty, including care and treatment. The ILO is another partner available to the Fund to assist in Private Sector resource mobilization and partnership.
- e. *Progress.* There have been relatively few cash contributions by the Private Sector. Three companies have pledged USD 100,000 or more – Winterthur (1 million), Eni S.p.A. (500,000) and Statoil (100,000). Less than 20 additional companies have contributed a total of 17,680. In total, commitments from the Private Sector amount to 0.1% of all pledges to the Global Fund.

Other forms of resource mobilization have been more successful. A number of the companies with which the Fund has or is engaged in service contracts, including McKinsey, KPMG, and PriceWaterhouseCoopers, have offered deep discounts in their fees. Novartis has offered to provide to Global Fund recipients

up to 100,000 DOTS treatments on an annual basis, and the Secretariat is working to facilitate this through the Global Drug Facility. GlaxoSmithKline has made an indirect contribution to Global Fund programs by offering its discounted prices on antiretrovirals and antimalarials to all recipients of Global Fund grants; this represents a dramatic expansion of the scope of such price discounts beyond the practice of any other pharmaceutical company. And, at the country level, multiple proposals approved by the Fund include substantial engagement with the Private Sector. For example, in Ghana, a quarter of DOTS provision through the Fund-supported program will be through private health units, and strengthening private sector capacity to deliver such services is a core goal of the grant. In Tanzania, beneficiaries of a Fund grant will be given vouchers to purchase insecticide treated nets (ITNs) from local Private Sector vendors.

The Secretariat, since its establishment in 2002, has had a number of limited engagements with major global companies to explore the possibility of partnership and resource mobilization. These discussions are ongoing, but have not resulted in any formal commitments to date.

4. *Foundations.*

- a. *Context.* Private foundations are organizations endowed with substantial sums of money provided by a wealthy individual or family to be used for philanthropic or charitable purposes. Most foundations seek to maintain the real value of their asset base to enable perpetual grant making. As such, expenditure by foundations is typically about five percent of overall assets. Spending by foundations is driven by a strategic direction that is set by the vision of the donor or trustee. Though foundations, unlike corporations, are therefore in the business of making cash contributions, their value added derives from making these investments directly into projects, as opposed to through a multilateral channel such as the Global Fund. Direct investment allows foundations to demonstrate to their directors or trustees specific and tangible examples of their impact. They commonly seek catalytic targets of funding where the return on investment is high, e.g. the development of new tools and technologies.

Health is not an area of interest for all foundations. Because many have a local or domestic orientation, fewer still give to global health. For example, of the 25 largest US foundations, about a third make grants to global health programs. Of these, very few have sufficient assets (greater than USD 10 billion) or a

strong enough focus on this area to make contributions to global health of over 25 million. Still, evidence suggests that the HIV/AIDS in particular is drawing larger investments – according to one estimate, HIV/AIDS funding from US foundations rose from 76 million in 1999 to 312 million in 2000. 60% of the latter figure owes to the Bill & Melinda Gates Foundation, which gives, on average, 600 million to global health annually. Only the Soros Foundations and the Wellcome Trust, in the UK, can also claim annual giving to global health of 100 million or more. Globally, estimates of overall DAH flows suggest that 900 million draws from foundations (of which the Gates Foundation is two-thirds).

- b. *GF value proposition.* The Fund is modeled after a foundation, and its consistency with the approach of foundations should be appealing in approaching them for support in mobilizing resources. Because it subjects applications to a technical review process, chooses to make investments where grantees are showing evidence of achieving outcomes and promises to sustain funding only on the basis of results, the Fund demonstrates accountability. The Fund also makes grants at scale, and contributions of individual donors are leveraged by the resources available from others. Finally, the growing brand of the Fund is a pull factor to foundations, as to the private sector more broadly, for contributions and partnership.

The scale of the Fund's resources and investments also acts to erode its value proposition vis-à-vis foundations, as the value of a foundation's investment in the Fund can be lost relative to the magnitude of other contributions. A foundation donor loses the ability to own the outcome of spending. Moreover, it lacks ownership of the decision making process that decides where the Fund makes its investment. This is the greatest challenge of appealing to foundations for direct financial contributions – by channeling funds through a multilateral mechanism, foundations compromise their greatest asset, the choice of exactly where and to whom they make investments.

- c. *Strategies & priorities.* The Fund should simultaneously appeal to a large number of foundations by highlighting the value and importance of investments in global health (in particular, AIDS, TB and malaria) while it targets a few large foundations for particular resource mobilization opportunities. While the Fund should encourage large cash contributions, it should also explore the possibility of parallel and synergistic investments whereby the specific value proposition and strategic priorities of a foundation can be coupled with the needs of Global Fund grantee. For

example, a grant from the Fund to a recipient country, which provides substantial resources for programmatic activities, may need to be supplemented with focused investments in capacity building or in monitoring and evaluation. These could be provided by a foundation to that country, or to specific partners in the country, in such a way that each dollar invested by the foundation enables the effective use of many dollars provided by the Fund. The Fund and the foundation could co-brand their investment to the country, thereby highlighting the value added of the foundation vis-à-vis the scale of the Fund. This type of investment would also enable both sustainability and local ownership, which isolated efforts by a foundation often lack. If the Fund pursues this strategy with foundations, it should do so for some of its more prominent and sizable grants.

- d. *Activities & responsibilities.* The Foundations Board Member and delegation should work closely with the Executive Director and Secretariat to pursue a mutually agreed strategy towards greater resource mobilization from foundations. The Board Member and Focal Point can ensure the dissemination of messages to a broader constituency of foundations and can also facilitate connections between the Executive Director and the senior leadership of foundations that express interest in contributing to and working with the Global Fund. In support of these activities, the Secretariat should be responsible for mapping the landscape of foundations to identify relevant opportunities to pursue.
- e. *Progress.* The Gates Foundation made a USD 100 million pledge to the Fund, half of which was contributed in 2002. This pledge represents 5% of the total resources pledged to the Fund to date. An additional 25 foundations, non-profit organizations and NGOs have contributed a total of 120,124 to the Fund, representing 0.01% of total pledges. The Secretariat has engaged in discussions with the senior leadership of a number of foundations to pursue partnership and resource mobilization opportunities; these include the Gates Foundation, the Wellcome Trust and the Soros Foundations. In addition, one foundation, the Kaiser Family Foundation, has made an in-kind contribution of staff time and expertise, physical and web-based resources to support the Fund's communications needs.

5. *Individuals.*

- a. *Context.* Pledges from individuals and groups of individuals can provide not only a direct financial contribution to the Global Fund but also enable greater resource mobilization from other sources,

including donor governments and the private sector, by demonstrating public commitment to the Fund. For this latter reason, even contributions that are relatively modest relative to the overall cash requirements of the Fund are extremely important. Contributions from individuals include those from the general public as well as very wealthy individuals. The general public often contributes on the basis of mass media appeals or fundraising campaigns (for example, a national telethon to benefit a specific charity). Wealthy individuals, on the other hand, are more likely to contribute large sums of money on the basis of targeted cultivation of relationships.

Aggregate contributions from individuals can be quite sizeable. Of the USD 100 billion in 1999 United States philanthropic giving, 70% was from wealthy individuals and the general public, compared to 20% from private foundations and 10% from corporations. Individual organizations reflect that this overall trend can apply to specific fundraising efforts. The US Fund for UNICEF raised USD 151 million in 2000, of which 32 million was from individuals while only 3 million was cash from corporations (as noted above, corporations contributed more in-kind). There is strong evidence of interest from individuals to contribute to efforts to improve global health. Médecins Sans Frontières, for example, has raised increasing sums from individuals – in 1997 (with no staff responsible for soliciting such donations), the amount raised from individuals in the United States was USD 8 million; this grew to 17 million in 1998 and 35 million in 1999.

- b. *GF value proposition.* The Global Fund is uniquely positioned to appeal to individuals. There are very few sizable channels to fight AIDS, TB and malaria that are open for individual contributions. Multilateral banks and bilateral aid organizations are publicly funded. While individuals can give to NGOs, it is extremely difficult to identify ones in developing countries and such contributions sometimes have high transaction costs, particularly relative to targets of donations that have tax-exempt status in the country of the individual contributor. Donations to larger organizations, including international NGOs, cannot typically be dedicated to programmatic activities. The Fund, due to its lean nature, channels the vast majority – well over 90% – of funds to recipients, with little overhead and few transactions. Moreover, it represents a way in which individuals can contribute directly to a well-branded, at-scale effort to fight these diseases in a comprehensive way. The accountability of the Fund's approach will appeal to otherwise conservative investors. And,

increasingly, transparent information on what is funded will be available publicly.

- c. *Strategies & priorities.* In order for the Fund to appeal to individuals, it must increase the penetration of its brand to the general public through mass media campaigns and close associations with famous individuals. Well-organized national efforts (to appeal to local cultures, as opposed to monochromatic international petitions) can position the Fund as a premier global charity for health to which individuals should be encouraged to make an annual tithe. The TWG suggested that such efforts could encourage a veritable “global citizens movement to fight diseases of poverty” where the Fund is recognized as a “signature initiative on behalf of the world’s poor”. These efforts, while they can be led by the Fund, must be supported by recognized individuals, including national and international leaders and media icons, and enabled by measures such as tax-exemption (see below).
- d. *Activities & responsibilities.* The Secretariat should be responsible for organizing media campaigns to support the Fund, at first in targeted countries where individual contributions are likely to be of sufficient magnitude to represent an acceptable return on the cost of the necessary activities. These campaigns should be pursued in cooperation with partners such as advertising firms and media networks, to minimize costs and to increase the effectiveness of the messages and the breadth of their dissemination. These campaigns should emphasize the unique nature of the Fund and its distinctive value proposition to individual donors. This should be reinforced by supportive messages from celebrities, with whom the Secretariat should develop relationships. In addition, the NGO Board Members and delegations (North, South and Communities) should work with the Secretariat to leverage these efforts through their own constituencies, which include highly visible and connected networks of local organizations. On the basis of a strengthened brand, the Secretariat should identify a number of wealthy individuals who could make sizable individual donations to the Fund and pursue these relationships, relying on Board Members and partners as possible and appropriate.
- e. *Progress.* Individual commitments to the Global Fund total USD 1.6 million, including 112,487 from proceeds of a Real Madrid soccer match; 100,000 from UN Secretary General Kofi Annan; and 100,000 from Ambassador D. Fernandez. An additional 245,617 has been received from 1,020 individuals and groups,

over 400 of whom made contributions totaling over 42,000 in December 2002 and January 2003, a holiday period in many Western countries during which individual philanthropic contributions are popular.

The only mass media campaign involving the Fund is a US-based effort by the United Nations Foundations named “Apathy is Lethal”, for which individual contributions are shared between the Fund and UNAIDS. A number of individuals have supported the branding and name recognition of the Fund, notably Kofi Annan and the recording artist Bono, with whom the Secretariat has already developed a strong ongoing relationship.

B. Innovative Opportunities

1. Tax channels.

- a. *Background.* A number of tax-related mechanisms to supplement official development assistance have been explored over the past two decades. Most of these are in the form of international taxes, which could be used to finance development, including the provision of global public goods, while mitigating and discouraging certain negative global externalities. A key principle to these schemes is that tax revenues are not earmarked. A number of different options have been explored such as a currency-transaction tax, a tax on carbon dioxide emissions, a tax on aviation fuel (as an indirect tax on emissions from aviation) or a tax on arms trade. Inherent in the discussion on all of these options has been persistent difficulty in reaching broad political agreement in principle and in designing the appropriate legal and administrative infrastructure to effectively implement an international tax.
- b. *Examples.* The Italian “De-Tax” is a related mechanism that presents an alternative to proposals for compulsory financing through taxation. Under this scheme, consumers are invited to allocate a 1% rebate, granted by vendors, on the value of their purchases to an international development project that the vendor has chosen to support. The government would then exempt this contribution (“de-tax” it) from VAT and company income tax. While this model is attractive because it is voluntary and because it has the potential for large revenues, it is challenged by the fundamental assumption that private companies are prepared to forgo over long periods 1% of their turnover (and an even greater share of actual profit margins). Advocates of this tax argue that the additional turnover

generated by introducing this scheme – largely through public interest and support – would compensate for the discount. The De-Tax has been approved by the Italian Parliament, and the Ministries of Foreign Affairs, Health and Treasury are now detailing the relevant operational modalities.

- c. *Advantages & disadvantages for the Fund.* As a financing mechanism, the Fund is not in a position to advocate for compulsory international taxes. However, the Fund should position itself to benefit from appropriate tax mechanisms as they are developed and implemented. The De-Tax is moving forward in Italy, and the Italian Board Member and delegation is working with the Secretariat to position the Fund as a primary beneficiary of the mechanism. To do so, Italian vendors will need to adopt the Fund when they subscribe to the scheme. Ensuring appropriate recognition and branding of the Fund, for this purpose, should be integrated with a general media campaign to increase the Fund's profile in Italy.

2. *Debt relief.*

- a. *Background.* The burden of external debt in a number of low-income countries, mostly in Africa, has led to situations where some spend 30-300 percent more on debt repayments than on health. In these settings, even full use of traditional mechanisms of rescheduling and debt reduction may not be sufficient to attain sustainable external debt levels within a reasonable period of time and without additional external support. The International Monetary Fund (IMF) and the World Bank have designed a framework to provide special assistance for heavily indebted poor countries that pursue IMF- and World Bank-supported adjustment and reform programs. The Heavily-Indebted Poor Countries (HIPC) initiative entails coordinated action by the international financial community, including multilateral institutions, to reduce to sustainable levels the external debt burden of these countries. The total cost of providing assistance to 34 countries under the enhanced HIPC initiative has been estimated to be over \$30 billion in 2001 net present value terms, freeing countries from over \$50 billion in payments. A number of technical partners, including UNAIDS, provide support to qualifying countries to integrate HIV/AIDS and other diseases of poverty into their poverty reduction strategies.
- b. *Examples.* The National Action Committee on AIDS (NACA) in Nigeria has suggested that the resources mobilized by debt relief should not only be utilized to support an expanded and

comprehensive response to HIV/AIDS but also that they can be linked to the mechanisms of the Global Fund. The financial flow mechanism being developed by the NACA-CCM, it is argued, can also be used to program the debt conversion resources. The accountability assured by this mechanism may appeal to donors and original lenders, as Nigeria attempts to free debt – 53% of which is arrears on principal and interest – to mobilize efforts to fight the epidemic. While these resources would not be direct contributions to the Fund's overall efforts to raise sufficient capital to guarantee its grant commitments, they do represent additional resources leveraged by the model of the Fund and channeled through Fund mechanisms, achieving economies of scale at the local level and ensuring harmonization of different efforts to fight disease and poverty in Nigeria.

- c. *Advantages & disadvantages for the Fund.* The Fund has not, as an independent voice, contributed to discussions on debt relief. As a financing mechanism and distinct from a development agency with a broader mandate over poverty-relief initiatives, the Fund is not positioned to enter this debate, though it can and should be generally supportive of efforts aimed to mobilize additional resources to fight HIV/AIDS, TB and malaria. As with tax channels, the Fund may be best positioned to benefit from developments in debt relief by being reactive to such developments, ensuring that the Fund and its local mechanisms can be responsive to efforts to channel debt relief. With Nigeria, for example, the Fund should support the inflow of additional resources into the programs it has approved and ensure harmonization of processes and reporting requirements to enable such efforts by national partners.

3. *ODA initiatives.*

- a. *Background.* The Global Fund is one of a number of initiatives being pursued to expand overall aid flows to developing countries and to improve their effectiveness. Overall ODA includes health programs as well as funds to improve water quality, education, etc. New funding schemes are increasingly being tied to factors seen to be correlative or causally linked to sound fiscal management and efficient use of resources, including good governance and liberal trade policies. While few programs other than the Fund have been broadly endorsed and/or implemented, a number are in development and present the potential for adding significantly to development assistance in the coming years.

- b. *Examples.* ODA initiatives include both unilateral efforts by single donors as well as multilateral programs leveraging pooled funding. An example of the former is the Millennium Challenge Account announced by the US, which will make available an additional USD 5 billion on an annual basis (representing a 50% increase in current foreign aid from the US). Eligibility for accessing these funds will be based on country classification against three sets of a total of 12 indicators, covering three broad topics: “ruling justly”, “economic freedom” and “investing in people”. Health, water and education are the agreed priorities for these funds, which will be made available on the basis of applications to an administrative body independent of existing bilateral or multilateral programs. In the UK, a separate initiative is being pursued by the Treasury, which hopes to draw in additional countries. An international financing facility, capitalized to provide up to USD 50 billion annually in additional aid, has been suggested by Gordon Brown to support the attainment of the Millennium Development Goals. Western governments would mobilize these resources, it is suggested by issuing 15-year bonds guaranteed against future aid flows after 2015. This front-end loading of aid is based on analyses which assert that by investing more money now, donors will save later; nonetheless, it is unclear what will happen to aid budgets following 2015, according to the current design of the program.
- c. *Advantages & disadvantages for the Fund.* The Global Fund, according to the same reasoning outlined above vis-à-vis debt relief and tax channels, should not formally engage in the debate regarding or the development of new ODA initiatives. It should, however, support their design in so far as requests are made of the Fund on the opportunities and challenges associated with its own operationalization. In terms of resource mobilization, the Fund should advocate for maximum additionality vis-à-vis these new mechanisms and try to complement the resources that they make available. It is unclear whether the Fund would be eligible to receive any of the new resources that these initiatives mobilize. In terms of the examples cited, this seems unlikely for the MCA but possible with the UK initiative. The Secretariat should work to identify if such opportunities exist, and to pursue them if they are viable options.

4. *In-kind contributions.*

- a. *Background.* There are numerous examples of programs to fight diseases of poverty in which in-kind donations have played a critical role. In many cases, this has involved non-

pharmaceutical contributions, e.g. the donation of filter cloth (for water purification) by DuPont to the Guinea Worm eradication efforts of the Carter Center, WHO and UNICEF. Pharmaceutical corporations, for their part, view donation programs to be suitable when medicines are highly effective over short treatment courses. Many examples exist of companies providing antibiotics with infrequent treatment protocols, i.e. once yearly, but none exist for lifelong HIV/AIDS therapy. Instead, companies have sought to sustain their contributions in this regard by deep discounts to prices. Corporations will agree to provide in-kind donations only if their provision does not represent a substantial cost to companies. In the case of pharmaceuticals, donations are possible because Africa, the Indian subcontinent and poorer nations in Asia total only 1.2%, 1.3% and 2.6% of the global market, respectively (the amounts are still lower when looking only at patented products).

- b. *Examples.* On the basis of the approach described above, the following pharmaceutical donations programs (not a complete list) have been made possible: ivermectin donation by Merck for efforts to eradicate river blindness; albendazole donation by GlaxoSmithKline for programs to prevent and treat lymphatic filariasis, azithromycin donation by Pfizer for trachoma treatment; nevirapine donation by Boehringer-Ingelheim for prevention of mother to child transmission of HIV (PMTCT). In-kind contributions from corporations could range, however, from pharmaceutical and medical-instrument donations to the provision of technical expertise and staffing of public health personnel. Other possibilities include the donation of information technology (IT) equipment or software.
- c. *Advantages & disadvantages for the Fund.* The TWG rightly noted that to enable in-kind contributions, standards would need to be developed. In fact, because the Fund is not a technical agency, it may be difficult to develop such standards itself. Perhaps more appropriate will be to identify partners who can channel in-kind contributions on behalf of the Fund, thereby endorsing the standards of those partners without developing its own. This would circumvent a number of the challenges associated with in-kind contributions, including the need to assure the quality of donated products and to maintain appropriate stock management to provide sufficient quantities of product as needed. Also, in-kind contributions may not be ideally suited for all local settings. The Fund should support contributions that are consistent with, for example, nationally adopted treatment regimens. Therefore, accessing in-kind

contributions should be a choice to grantees that does not bias against purchasing alternative products with financial grants. In any case, a number of practicalities will need to be addressed before such donations, at a large scale, are even possible (for example, how will such donations be “credited” against grants made by the Fund and its prospective resource mobilization targets). Given that few “channeling mechanisms” exist (a notable exception is the Global Drug Facility of the Stop TB Partnership), the Fund should prioritize if and how it will pursue in-kind donations in the short-term.

5. *Loan softening.*

- a. *Background.* Development assistance is often provided through loans, whether bilaterally or through multilateral institutions. As described vis-à-vis debt relief, the burden of paying back loans has become a significant impediment to some developing countries, and initiatives are underway to relieve this burden. In addition to outright debt relief, programs are being pursued that would soften loan terms, and focus possible grant windows on spending for health, specifically HIV/AIDS.
- b. *Examples.* A number of examples are available of innovative loan proposals, loan guarantees, debt swaps, rescheduling and reduction of loan terms. Underlying all of them is the affirmation that such mechanisms are particularly pertinent to infrastructure finance, where mini-investment can easily buy over 10 times what could be purchased with immediate concessional non-grant financing. Like the discussion of the international financing facility proposed by the UK Treasury, this discourse emphasizes that the payment involved in such programs is cheaper in real dollars several years from the point of the loan, when – if the collective effort is successful -- the economic effects of the three diseases will have abated. Regional development banks have expressed particular interest in pursuing a partnership with the Fund whereby its resources can enable concessional loans from them to finance infrastructure programs in the short term.
- c. *Advantages & disadvantages for the Fund.* Because applicants and grantees to the Fund are eligible for support to finance infrastructure scale-up, mechanisms to leverage the ability of the Fund to support such investments should be seriously considered. However, as expressed in the discussion above on tax channels and debt relief, the Fund is not in a position to pursue distinct development mechanisms beyond its own mandate. It should nonetheless consider, with partners, whether

“light” processes exist whereby its resources could effectively be used at the local level – according to proposals developed by CCMs – to enable larger loans as part of overall programs to fight HIV/AIDS, TB and malaria. Such processes, if possible, should only be pursued in the medium-term and should not detract the Fund from its overall efforts to raise cash resources to meet the identified targets for 2003 and 2004.

C. Enabling Strategies

1. *Resource mobilization strategy.*

The framework for resource mobilization by the Global Fund, presented in this paper, serves as a starting-point for a more detailed strategy that specifies near-term actions and timeframes for resource mobilization activities, on the basis of a consistent process, outlined below. This will be applied across the range of potential donors.

- a. *Define the need.* As detailed in section IIA and IIB of this paper, the Global Fund must define its needs and ensure that it can defend these needs with a robust analytical approach and commensurate humanitarian urgency. The necessity for a mobilized response to AIDS, TB and malaria is clear; the specific targets for resources to the Fund have now been identified.
- b. *Research.* The Fund must understand the landscape of prospective donors to best prioritize how to pursue its resource mobilization targets. For each donor, specifying its history and motivations will allow the Fund to craft a particular strategy and value proposition to appeal to it. The initial mapping of donors is included in the previous discussion, sections IIIA and IIIB.
- c. *Target messages to prospective donors.* Based on its research of different donors, the Fund must develop customized messages and then pursue mechanisms to effectively deliver those messages. (It was suggested during the TWG that the Fund could pursue such an operational plan in cooperation with a business school, with expenses supported by a foundation.)
- d. *Ask.* There must be a specific request made to donors in order for targets to be aggressively pursued. The design of the “ask” should include who should make the request; when the request should be made; and how this should be conducted (e.g., in a meeting, in a letter, in a phone call, at a public event, etc.).

- e. *Follow-up.* In order to ensure sustained contributions and repeated pledges, the Fund must report back to all donors as to how the donations to the Global Fund have been used and, more generally, how the Fund is progressing. Doing so should be a part of an overall strategy to make donors feel that they are stakeholders in the Fund.

2. *Branding the Global Fund.*

The “brand” of an organization refers to more than simply its name, logo and mission; it also refers to the distinctive reaction evoked by these identifying elements among the general public and specific audiences of stakeholders and consumers. In the private sector, Coca-Cola and Nike are good examples of the strength of branding; the names of these corporations are associated with much more than their products – indeed, with the former, the product is not even a beverage but a formula that is sold to bottlers. The marketing by these organizations have created associations between them and human feelings or sentiments: Coca-Cola is linked with refreshment and joy; Nike is linked with strength and determination. In the public sector, the Red Cross is an example of a strong brand. While the words “red cross” divulge little, this organization name and logo are publicly associated with its humanitarian focus and feelings of trust and service. Similarly, the Fund must create and be associated with a distinctive brand, one that encourages contributions to it. Many of the attributes of the Fund that appeal to potential donors have been described above, in section IIIA. These should be integrated into a branding effort, so that the Global Fund is associated with qualities such as scale, accountability, innovation, effectiveness, and inclusion. This will greatly enhance resource mobilization efforts.

- a. *Media campaigns.* As described in the Communications Strategy (GF/B4/10), the Global Fund should pursue a mass media campaign – including print and television – to develop and to extend its brand in major donor countries, relying on relevant communications firm with marketing and advertising expertise. The brand developed for the Fund should be linked to its core principles and leverage, if possible, a “catch phrase” or “melody line”. An example of this is “Drop the Debt” which was used by the Jubilee 2000 campaign. A similar tag line for the Fund can be used particularly to attract individual donors.
- b. *Personalities.* It is a common practice to use well-known personalities to assist in branding and personalizing the messages of organizations. Personalities can be best used if they have specific roles and responsibilities. As such, it may be

best to identify a limited number of personalities, with broad appeal, and to formalize their relation to the Fund, perhaps as “Friends of the Fund”. This approach is consistent with the recommendations made by the TWG, including one at the third meeting to nominate celebrities as patrons for the Fund. Other “friends” could include notable political leaders, religious leaders, academics and corporate leaders. Thus far, the well-known individuals with whom the Secretariat has cultivated a relationship include recording artist Bono, UN Secretary General Kofi Annan and former US President Bill Clinton.

- c. *Events.* Events associated with or benefiting the Fund can also help raise its profile. For example, in 2002, the Real Madrid soccer match was held in New York, and its proceeds contributed USD 112,487 to the Fund. This event was organized and conducted without any support from the Secretariat, a precedent that should be maintained in pursuing additional events, given the limited capacity of the Fund’s staff. Proceeds from events – or from music and video products – will not contribute substantial sums to the Fund, but they are supportive to the goal of branding. Plans are underway for the Fund to be a primary beneficiary of a major music album to be produced and released in 2003. Again, necessary support from the Secretariat will be minimal; engagement should be limited to ensuring that the messages about the Fund are consistent with its overall branding efforts.

3. *Success stories.*

The appeal of the Fund must be based firmly on the success of its investments as much as how it has been designed and how it operates. While in its first year(s), the Fund must rely on evidence of effective global processes to appeal to donors, it must transition as quickly as possible to local success stories to convince potential donors that contributions to the Fund translate to results on the ground, ones that directly benefit communities living with and affected by HIV/AIDS, TB and malaria and that represent real steps forward in the fight against these diseases.

- a. *Scaling-up.* Some of the programs that the Fund will support are new, and therefore evidence of results in terms of coverage of interventions or even processes to enable the delivery of those interventions will not be available for some time. Other programs, however, are existing, and the Fund’s investments will be used to scale-up already successful interventions. These particular investments should be identified by the Secretariat and

used to suggest the successes that Fund investments will extend. For example, programs that have already enrolled persons living with HIV/AIDS on to antiretroviral medications, that have achieved high enrollment and cure rates in DOTS programs, or that have achieved broad distribution of ITNs should be “model sites” to represent what the Fund supports and what its investments will achieve over time.

- b. *Anecdotal evidence.* While data from programs supported by the Fund should be aggregated to present an overall picture of its investments (see below), these data will lack a “human face” to which individuals can connect on a personal level. Moreover, new programs supported by the Fund will achieve results at varied paces. For both reasons, it is important that the Fund highlight anecdotal evidence of the success of its investments and widely publicize stories of individuals and communities who benefit from its resources. Such stories can be communicated through a variety of mechanisms: print articles in major newspapers and magazines; videos from local sites that can be distributed directly or aired on television; or even through visits of potential donors to recipient countries (for example, some members of the parliaments of donor governments, when visiting developing countries, could tour programs that rely on Global Fund resources).
- c. *Aggregate data.* In addition to stories about specific programs, it will be critical for the Fund to report aggregate data in a credible fashion to its largest donors. This will include data on financial disbursement and expenditure rates, both by the Fund and by its Principal Recipients (PRs). It will also include information on the results achieved by programs, including data on process and coverage of interventions – in the near term – and on impact on the diseases – over a longer timeframe. Finally, data on other aspects of programmatic activity will be required, such as inclusion of civil society on CCMs and the leakage of medicines purchased with Fund resources along local supply chains. Much of this data will only be available on an annual basis, given that the quarterly reporting requirements of grantees has been kept deliberately light, and must be captured appropriately in the Global Fund’s annual reports. The M&E framework of the Fund is more fully discussed in other documents and is the subject of dedicated capacity by the Monitoring & Evaluation, Finance and Audit (MEFA) Committee of the Board and the Strategy and Evaluation team of the Secretariat.

4. *Facilitating non-public contributions.*

Non-public contributions, from private sector companies, foundations and individuals, can be facilitated by a number of actions by the Fund. The Secretariat should pursue these as necessary to enable greater ease by non-public donors to make contributions to the Fund. Tax exemption is the greatest priority. The und should also quickly develop a policy on sharing the brand of the Fund. Over the long term, the Fund may also want to consider the possibility of outsourcing some local resource mobilization activities.

- a. *Tax exemption.* The Global Fund should pursue tax-exempt status in as many countries as possible. To the extent that non-public donors wish to make cash contributions, they are likely to want to utilize tax incentives to maximize their investments. These incentives may require that contributions be made through a domestic not-for-profit organization. In the United States, the UN Foundation facilitates tax exemption as it has 501(c)3 status. It was recommended to the TWG that more than one of these conduits per country should be identified to maximize the breadth of their reach and availability to the general public. Tax exemption does not exist in the same form in all countries, but in those where it does, or where there may be other types of tax relief, the Global Fund should research and implement procedures to facilitate such donor benefits.
- b. *Imprimatur.* As the brand of the Global Fund becomes more established, donors may wish to leverage its “imprimatur” to maximize the benefit of their contribution. In such cases as the Fund’s imprimatur is formally shared with a donor – whereby, for example, the logo of the Fund is used by the donor – it should be accompanied by an agreement of some sort that ensures that the donor will use the name and logo of the Fund under specified conditions and only in a manner that is consistent with the Fund’s principles. The Secretariat should consult with its legal consul to develop an appropriate policy for this purpose.
- c. *Outsourcing.* A report to the TWG affirmed that the Fund “requires full-time, senior staff for resource development that would include professionals experienced in securing funds from government, private philanthropies, corporations and membership organizations, and who can manage the considerable complexities and opportunities associated with gifts in-kind.” Though four of posts have been confirmed within the External Relations team to support resource mobilization, it is clear that the task is greater than can be managed by such a

small staff. It remains to be seen whether outsourcing – both on a non-paid basis to the Board and partners as well as on a paid basis to, for example, communications firms – will be sufficient to meet the need. Other organizations have met similar challenges by creating separate NGOs to conduct relevant resource mobilization activities. For example, UNICEF was able to raise 40% of its total contributions in 1999 from the private sector, equivalent to USD 450 million, largely because it leverages “support communities” in 37 countries, which are able to dedicate capacity to resource mobilization efforts. Similarly, GAVI relies on an independent Vaccine Fund. While the Fund need not pursue such an avenue in the near term, it should consider this possibility over the course of its initial fundraising efforts.

IV. CONVERTING PLEDGES TO CONTRIBUTIONS

A. Secretariat process.

1. *Confirming pledges.* Following the completion of the Trust Fund Agreement with the World Bank in late May 2002, the Interim Secretariat initiated the process of converting the pledges to the Global Fund into contributions. A number of pledges to the Global Fund that were announced during the United Nations General Assembly Special Assembly on HIV/AIDS and subsequently were made with unspecified time period and pledge amount per year. An initial letter requesting this information was sent by the interim Secretariat in late February 2002, but due to the lack of staff, there was insufficient follow up and few responses.

Throughout the summer of 2002, the Secretariat actively sought to make up for this lack of clarity. An internal financial system to monitor and report on the pledges and contributions as well as an open and continuous communication channel with the World Bank and UN Foundation was established with the help of a secondment from the US Office of Management and Budget. Further, Italy seconded to the Interim Secretariat an External Relations Manager, whose first key task was to identify and clarify pledge amounts and period from all countries as a lead-up to formulating a clear resource mobilization strategy.

2. *Contacting donors.* Following the identification of outstanding issues with all countries, follow-up was conducted. Information was provided upon request of countries having made pledges or considering making a pledge on specific issues including earmarking, narrative and financial reporting and the level of funding received from all countries. In cases where contributions had been received,

correspondence was drafted to thank the donor for its contribution. Furthermore, contact was also made with the Permanent Missions in Geneva to identify key contact people vis-à-vis major donor governments and update them on the progress of the Global Fund.

Maintaining and strengthening our relations with countries making pledges and contributions to the Fund is essential for immediate (e.g., converting pledges into contributions) as well as longer term needs (e.g., securing new pledges). A key tool for the resource mobilization team to allow for more meaningful and consistent contact with these countries is country profiles, which contain the following information:

General country information	<ul style="list-style-type: none"> • Brief political, social, economic history • Country demographics • Information on political party in power • Relevant international structures/groupings
Country as donor	<ul style="list-style-type: none"> • Background information on foreign policy • Goal and strategy of development assistance • Administration of development assistance • Country budget for development assistance • Decision making process for fiscal allocations • Overview of bilateral assistance • Overview of multilateral assistance • Priority sectors and regions • Level of donor support for AIDS, TB, malaria
Other organizations	<ul style="list-style-type: none"> • Overview of relevant government departments • Profile of relevant NGOs and advocacy groups
Relationship to date	<ul style="list-style-type: none"> • Contact person • The pledge amount for each year • Records of pledge and contribution agreements • Issues of concern and interest • List of previous meetings and follow-up issues • Relationship with Board
Background Information	<ul style="list-style-type: none"> • Development assistance strategy & approach • Sector strategy on AIDS, TB, malaria • Organigram of relevant government ministries • Biography information on relevant officials
Schedule of meetings	<ul style="list-style-type: none"> • Information on meetings and conferences • Timing of decisions on programs and budgets

The consistent and detailed follow up of countries having made pledges to the Global Fund has helped to ensure that over 90% of all funds for 2002 were in the World Bank Trust Account by year's end.

B. Challenges and required capacity.

1. *Lessons learned after 2002.* A number of lessons have been learned relevant to the process of transforming pledges into contributions.
 - a. Keeping up-to-date information on the amounts pledged and contributed is essential. In late 2002 the finance department was expanded and a system of financial reporting strengthened to ensure that daily financial updates would be easily available. A database system is currently being developed which will provide a system of fund monitoring accessible to both external relations and the finance department.
 - b. Global Fund Secretariat and Board Member contacts and experience with pledge countries should be leveraged to a much greater extent, when relevant. Equally, NGOs in a number of countries have been important allies in ensuring that countries have made/maintained pledge amounts. They, too, should be leveraged to extend Secretariat capacity.
 - c. Information on current events in countries – e.g., elections, change in governments, natural disasters – should be monitored as they have an impact on timing and level of pledges and contributions. Also, the staff following up on pledges should ensure that they have current information on meetings between Secretariat staff and the Executive Director with donor countries.
2. *Capacity required for 2003 and onwards.* By early 2003, it is anticipated that the resource mobilization team will have four people plus an assistant. The majority of these resources must be spent on raising new resources, but it has become clear that some minimum capacity is also required to track and confirm pledges, and transform them into contributions. This work will be assisted by members of the operations team, and coordination with the Fund' Finance Managers will enable more efficient processes than used in 2002. Nonetheless, it will be necessary for the Secretariat to monitor whether there is sufficient capacity for the task, particularly as the amount of required and received resources grows.

V. INTEGRATION WITH OTHER RESOURCE MOBILIZATION EFFORTS

A. Contributing to the overall need.

The Fund is one channel in the fight against HIV/AIDS, TB and malaria. Its resource mobilization efforts are coupled with those of other channels. These efforts must be complementary and mutually supportive. Substantially increased resources to one channel, at the expense of others, will not enable success of funded programs. In order for the full range of resource mobilization efforts to be effective, the Fund should ensure that its fundraising targets are consistent with those of other channels and that it is emphasizing an appropriate role, one that strengthens and highlights the roles of other partners.

1. *Need for consistent numbers.* Donors must have a clear understanding of the Fund's resource mobilization targets, and this should not confuse or be confused by other targets, particularly overall donor resource mobilization targets for efforts to fight HIV/AIDS, TB and malaria. For example, the USD 2.2 billion pledged to date should not be compared to the often-quoted figure of 10 billion in "need". If need is indeed the denominator, then the amount pledged to the Fund overall is not an appropriate numerator; the proper comparator is the amount committed by the Fund to approved programs in a single year. Moreover, this should be compared to the total need for donor resources, and not overall funds, much of which must be raised domestically by developing countries themselves. Also, the need of USD 10 billion must be updated, if comparing to the Fund, to include the costs of TB and malaria interventions as well as to capture the need for both programmatic and infrastructure costs, as the Fund's resources are available for both. In this case, as detailed in the Global Fund's Financial Prospectus, the annual commitment of the Fund in 2003, equivalent to over 700 million based on Rounds 1 and 2, can be compared to a downstream annual need for donor financing of about 16 billion in 2007. This one example illustrates the number of factors that influence the numbers that are often publicized by international media. The Fund should agree with its partners exactly which numbers are used to characterize the landscape of HIV/AIDS, TB and malaria fundraising needs. It will then be in a better position to advocate for its own needs, as well as those appropriate to other channels.
2. *Ensuring that the GF is playing the "right" role.* The global public health arena is a complex network of agencies working at the global and local level. Each has well-defined roles to play, and these should not be confused nor seen to be competitive with one another. For instance, WHO deals primarily with developing normative policies

and supporting local governments to implement programs in line with technical best practice. UNAIDS, for its part, serves to mobilize and coordinate local responses to HIV/AIDS and is a driver of global advocacy for an increased response to the fight against HIV/AIDS. The World Bank, UNDP and others pursue activities that are more broadly linked to development assistance. The Global Fund too has a particular role to play in this network: it is a financing mechanism, a catalyst to generate additional resources and distribute them to countries in greatest need through coordinated country programs involving public and non-public partners. While it is not a development agency and does not provide technical assistance to countries, it can leverage other actors to actively do so if the roles of these actors are well defined and reinforced by mutually supportive resource mobilization efforts with donors.

B. Additionality

1. *Across donors.* Additionality is a core principle of the Global Fund, as stipulated in the Framework Document. It applies both to the global, donor level as well as to the local, recipient level. Over the past year, some formal and informal commentary about the Fund have suggested that it could replace other channels of donor resources, depending on its performance. While the Global Fund's performance should be a part of the pledge decision, it should under no circumstance be to the detriment of other channels. As described above, the Fund is but one link to the global health assistance network – it cannot function on its own. Moreover, should pledges and contributions to the Fund increase over time, donor funding through other channels (e.g., other multilateral and bilateral agencies) should similarly increase, to support the preparation and implementation of Global Fund funded programs and to enable a broader approach to development and the fight against diseases of poverty in recipient countries.
2. *In-country.* The principle of additionality applies equally to recipient countries. A core condition of Global Fund financing is that those funds would not replace other existing or planned funds. To the contrary, it is expected that domestic financing should increase over time, thereby demonstrating the sustainability of funded programs. In this spirit, a key recommendation to the Fourth Board Meeting by the Portfolio Management and Procurement Committee is that middle-income countries should be funded on the condition of co-financing of programs. It has been consistently affirmed that the fight against HIV/AIDS, TB and malaria can only be successful if far more resources are mobilized at the local level. The Commission on Macroeconomics and Health suggested that developing countries

should increase health spending by 1% of gross national income by 2007, enabling them to contribute USD 22 billion of the 36 billion need for funding to fight HIV/AIDS, TB and malaria in 2007. The Fund's activities and operations must be designed in a way that encourages and does not undermine this goal.

VI. LONG TERM CHALLENGES & VULNERABILITIES

A number of challenges face the Global Fund as it pursues an effective resource mobilization strategy. Even if the Fund meets its near-term targets, a few vulnerabilities will persist, ones that could threaten the Fund and its objectives over the long term. These are briefly discussed below but should be the subject of further examination in order to best anticipate and circumvent the risk they pose to the Global Fund.

- A. ODA Ceiling.** The great majority of resources to the Global Fund are likely to be from OECD and G8 donors, who sometimes set fixed ODA ceilings in annual budgets. The overall amount of ODA must ostensibly increase if the Fund is not to cannibalize other channels of funding for efforts to fight diseases of poverty and advance development in resource-poor settings. However, some donors have expressed a lack of desire or ability to raise the ceiling of ODA resources. In these cases, and if ODA ceilings persist, the Fund must pursue other options for appropriation of resources by donor governments. The pledges to date by the US present an example of one such avenue: half of the USD 300 million pledged for 2002 draws from the national health budget rather than sources of international spending, justified by the domestic threat posed by the global epidemics of HIV/AIDS, TB and malaria. While this particular avenue of appropriation may not be appropriate for other donor settings, it represents the possibilities available to the Fund if the limits of ODA challenge its ability to meet ongoing resource mobilization targets.
- B. Too much in the Bank.** The resource mobilization targets set by the Fund are based on the principle that the required capital for two-year commitments be available from the signing of Grant Agreements. The experience of other donors suggests that actual disbursement rates and expenditure by recipients will be lower than the amounts committed. At two years then, some if not much of the funding guaranteed could be left unspent in the Fund's own accounts. While the Fund and its partners must work diligently to ensure that this scenario does not come to pass, it nonetheless presents the possibility of the Fund "sitting" on substantial sums of resources while continuing to call for additional resources to guarantee new commitments. This is likely to be an untenable position for many donors, who would rather manage their resources directly than allow for them to be managed in a Trustee Account of the Fund. In this case, the Fund may need to revise the principles by which it sets its

resource mobilization targets, so as to minimize the amount of unused capital maintained in its accounts.

- C. Sustainability.** Sustainability is another hallmark principle of the Global Fund, but, like additionality, it is difficult to guarantee. Several years of successful resource mobilization will allow the Fund to support several hundred programs to fight HIV/AIDS, TB and malaria in developing countries. While these programs may be largely based on proposals for five years of funding, many will require sustained financing in order to succeed in providing a benefit to their beneficiaries. Ethically, many will be in a position in which they must sustain antiretroviral treatment to persons living with HIV/AIDS. It is unclear how the Fund will guarantee the sustained funding required to support these programs. While the Fund can and should introduce mechanisms to ensure greater ownership of costs by middle-income countries, the poorest countries will be unable to assume such responsibility. An inability to assure perpetual funding should not limit the Fund from approving programs nor from funding them in the near-term, but the lack of guaranteed sustainability presents a constant medium- to long-term threat to the success of the Fund.

ANNEX I: Investment income on monies managed by the World Bank

World Bank as fund manager

The World Bank in its capacity as Trustee for the Global Fund manages Global Fund monies held in the Trustee Account. The World Bank's Treasury manages various funds held in trust by IBRD and IDA and the GFATM funds are part of this commingled Trust Funds portfolio.

Investment income generated in each currency holding is allocated by the Bank to individual trust funds each month, based on average daily balances for the different accounts during the month as a proportion of the total holdings in each particular currency.

The Bank is required to exercise the same care in the discharge of its fiduciary functions relating to management of these funds as it would exercise with respect to the administration and management of its own funds.

Investment objectives

The objectives for management of the Trust Funds portfolio are to maintain adequate liquidity to meet foreseeable cash flow needs; preserve capital (defined as less than 1% probability of negative total returns over the course of a fiscal year); and maximize investment returns subject to these objectives and without incurring a drawdown versus the benchmark of more than 0.3% (30 basis points).

The benchmark for the US dollar-denominated part of the portfolio is the return from a composite comprising the Merrill Lynch 1-3 year USD government bond index (about 80% weight) and 1-day LIBID (about 20% weight).

Investment scope

In line with the guidelines for investment of IBRD and IDA funds, the investment universe for the Trust Funds portfolio is currently restricted to obligations of sovereigns rated at least AA, agencies rated AAA, and deposits of up to six month maturity with banks rated at a minimum of A+. Outside of sovereign issuers, there is a concentration limit of 5% of the portfolio to any individual issuer. The portfolio duration may not exceed 24 months. Exchange traded futures and options are permitted. Holdings in non-US dollar currencies are invested in short-term bank deposits.

Investment income in 2002

In the period from appointment of the World Bank as Trustee, on 31 May 2002 to 31 December 2002 investment income amounted to US\$8.9 million.

ANNEX II: PLEDGES AND CONTRIBUTIONS FROM OECD DONORS

OECD COUNTRIES

Contributions and Pledges to the Global Fund

COUNTRIES	PLEDGE	PLEDGE PERIOD	CONTRIBUTIONS
Australia	0		0
Austria	1,043,841	2002	0
Belgium	18,523,067	2001-2003	9,421,007
Czech Republic	0		0
Canada*	100,000,000	2001-2004	25,000,000
Denmark	14,816,511	2002	14,816,511
EC	125,260,960	2001-2002	0
Finland	0		0
France*	156,224,134	2002-2004	51,840,000
Germany*	208,237,372	2002-2006	11,995,200
Greece	0		0
Hungary	0		0
Iceland	0		0
Ireland	12,862,140	2002	9,835,000
Italy*	208,618,673	2002-2003	108,618,673
Japan*	200,400,337	2002-2004	80,400,337
Korea	0		0
Luxembourg	3,125,182	2001-2003	1,037,500
Mexico	0		0
Netherlands	140,918,580	2002-2004	0
New Zealand	0		0
Norway	17,962,003	2002	17,962,003
Poland	0		0
Portugal	0		0
Slovak Republic	0		0
Spain	50,000,000		0
Sweden	67,979,999	2002-2004	22,369,965
Switzerland	10,000,000	2002-2003	5,594,132
Turkey	0		0
United Kingdom*	219,240,919	2002-2005	78,215,278
United States*	500,000,000	2001-2003	275,000,000
TOTAL	2,055,213,718		712,105,606

* G8 countries (excluded from this list is Russia, which has pledged 20 million)