



GF/B11/7

REPORT OF THE POLICY AND STRATEGY COMMITTEE

Outline: This report covers the 18 July and 7 September 2005 deliberations and recommendations of the Policy and Strategy Committee (PSC). Discussions focused on the Global Fund Strategy Development, the Global Fund 2006 Partnership Forum and the TERG work plan and interface with the PSC and other Board Committees.

Summary of Decision Points:

This document contains two recommendations, one on the Global Fund Strategy Development and one on the Global Partnership Forum.

Decision Point 1: The Board endorses the recommended framework of strategic themes and approach to strategy development outlined in the PSC Report GF/B11/7. It requests that the work proceed and that the PSC report on progress at the 12th Board meeting.

Decision Point 2:

The Board

- a) Calls for the 2nd Global Partnership Forum to be held before the end of July 2006;
- b) Requests the PSC to establish a Partnership Forum Steering Committee under the leadership of Dr. Brian Brink to work with the PSC and Secretariat on the preparation of the Partnership Forum; Dr. Brink is accepting nominations from representatives of Board constituencies that are interested in serving on the Steering Committee, which is expected to have 6-8 members;
- c) Asks the Secretariat to explore suitable dates and locations for the 2nd Partnership Forum for review and decision by the Steering Committee as soon as possible;
- d) Requests that the Steering Committee conduct an evaluation of the Partnership Forum to assess the effectiveness of this forum, to suggest options for improving it, or alternatives for achieving similar objectives through other means;
- e) Requests the Steering Committee, through the PSC, to provide an update on progress at the 12th Board Meeting.

Part 1: Introduction

1. The Policy and Strategy Committee (PSC) met in Geneva on 18 July, 2005 and again in London on 7 September, 2005. The Chair and Vice Chair of the meeting were Ambassador Randall Tobias (U.S.A.) and Mr. Jairo Pedraza (Developed NGOs), respectively. The agenda for the meetings and the list of participants are included as Annexes 1 and 2.

Part 2: Global Fund Strategy Development

A. Proposed Framework of Strategic Themes

1. In endorsing the Executive Director's Key Performance Indicators at its 9th Board meeting in Arusha, the Global Fund Board recommended that a strategy be developed to provide a forward direction for the Fund.

2. In the lead-up to the 11th Board meeting, the Policy and Strategy Committee of the Global Fund has concentrated on laying the groundwork for the strategy effort. In particular, the PSC has worked at defining the desired scope and focus of the strategy, captured in the Framework of Strategic Themes laid out below. The PSC noted that the overall objective of the strategy effort is to determine – based on an analysis of lessons learned and the external environment - a solid strategy for maximizing Global Fund impact and success, which Global Fund stakeholders strongly support. The PSC also discussed the timing of the strategy effort, presented in section B of this Part 2.

3. The Framework of Strategic Themes and Issues is comprised of 4 key themes, each of which contains 3 to 4 issues. In addition, an introductory section consists of the context (including Global Fund founding principles contained in the Framework Document), purpose and targets of the strategy. The themes are listed below in an order corresponding roughly to a progression from more immediate to longer-term, "bigger-picture" areas. This ordering should not, however, detract from the critical importance – noted by the PSC in its discussions – of the longer-term areas such as sustainability.

4. As the background and foundation of the introduction of the Framework of Strategic Themes above – and with a particular focus on the Global Fund's principles – the Framework Document of the Global Fund is attached to this paper for information (Annex 3).

5. The **Framework of Strategic Themes and Issues** is as follows:

Introduction:

Purpose and principles of the Global Fund; scope, horizon and objectives of the strategy; targets

i. Accelerating access and reviewing impact

- a) Measuring impact and ensuring accountability (including link to broader development goals; portfolio review/response)*
- b) Understanding and meeting needs (mechanisms to rapidly identify and react to new scientific insights, lessons learned and feedback from constituencies)*
- c) Ensuring grant performance – technical assistance; difficult conditions; grants in difficulty*

ii. Business model – 'How we work'

- a) Global Fund architecture (LFAs, CCMs, PRs, TRP)*
- b) Participation and access to financing for Civil Society, Private Sector (incl. CCM issues, non-CCM proposals)*

- c) *Influencing market dynamics*
- d) *Portfolio balance (eligibility; priorities; additional safeguards policy)*

iii. Alignment and harmonization

- a) *Global Fund comparative advantage; GF fit with the global architecture; relationships with partners*
- b) *Global Fund alignment with country priorities and systems (incl. round system; projects to programs)*
- c) *Health systems*
- d) *Global Fund's role in ensuring a comprehensive approach*

iv. Sustainability

- a) *Beyond Phase 2*
- b) *Global Fund funding model (incl. comprehensive funding policy)*
- c) *Resource mobilization (incl. new financing sources; replenishment mechanism; bringing in new partners)*
- d) *Global Fund size and structure*

B. Strategy development approach

6. This section presents a proposed overall approach for the strategy development effort. This comprises the suggested time horizon of the strategy, together with the timing, stages and milestones for the strategy development effort.

7. The PSC proposes to adopt **a time horizon for the strategy of 4 years, beginning mid-2006 and ending mid-2010, with a mid-term review**. The PSC also noted the following:

- i. the different time horizons inherent in the different strategic issue areas (some being longer-term than others, etc.);
- ii. the need for the strategy to be informed by relevant results of the upcoming 5-year evaluation of the Fund – whose outputs will be phased over time, with a final draft of the first phase expected by the end of 2006 and results related to the impact evaluation (second phase) expected in 2008;
- iii. the desirability of having the strategy time horizon coincide, to the extent possible, with the envisaged timing of the next Global Fund replenishment cycle (likely 2008-2010, pending Board decision).

8. In terms of **timing for the strategy development effort**, the PSC focused on the expected completion date for the effort. The PSC recognized the critical importance of “getting it right,” rather than completing the effort quickly. In this spirit, the PSC proposed **a target completion date of the 14th Board meeting (likely around July 2006)**.

9. The **main conceptual stages of the strategy development effort** from this point are proposed to be the following:

- i. Issue prioritization: The PSC stressed the different levels of urgency and the differing time horizons of the various issues. To take this into account and given the large number of issues (a total of 15 issues under the 4 themes), they should be prioritized according to their relative urgency and time horizon. Where two issues are strongly related, they might be grouped so as to reduce the number of separate work streams from 15.

The final product of this stage will be a **prioritized set of issues or issue groupings**.

- ii. Issue situation assessment: The PSC stressed the need to ensure that the strategy development build on previous work done as well as on learnings from relevant evaluations. To this end, a short “**background paper**” will be developed for each issue or grouping of issues (according to the priority order assigned) that would aim to summarize the situation and comprehensively frame the issue being considered. This would draw on a range of pertinent sources (including evaluations, relevant prior work done and key reports).
- iii. Issue option development: To facilitate strategic discussion and eventually decision-making, a set of **options** will be developed for each issue or issue grouping and their **assumptions and implications** will be analyzed. This will be done iteratively, likely beginning with a set of principles for each issue to guide option development. Early options for each issue will then be developed on the basis of these principles, then discussed, refined, and discussed again. The PSC will make recommendations for Board decision on a finalised set of options, based on an analysis of assumptions and implications.
- iv. Strategy document development: Once the Board has decided on the recommendations, work will focus on developing a strategy document that reflects the strategic choices made to be approved by the Board. This document will lay out the Global Fund’s chosen overall positioning and direction, ensuing major strategic priority initiatives and related implications, as well as mechanisms for gauging progress in implementing the strategy.
- v. Mid-term strategy review: The PSC will include in its work plan a review of progress in implementing the strategy to be conducted after two years. It will report its findings to the Board, and include any recommendations for modifications, clarifications, or corrections to the strategy resulting from that review.

Depending on the prioritization of issues, stages ii and iii above may occur at different times for the different issues.

10. The **key milestones for strategy development** that are relevant to the Board and external stakeholders are laid out below. In conformity with its mandate, the PSC will play a lead role in guiding strategy development between these milestones.

- i. **11th Board (September 2005)**: Discussion and decision on strategic themes and strategy development approach presented in this paper.
- ii. **12th Board (December 2005)**: Discussion of and input into situation assessments and principles to guide option development by the PSC for issues under consideration.
- iii. **13th Board (likely around April 2006)**: Discussion of and decision among options recommended by the PSC.
- iv. **Partnership Forum online discussion and event (timing TBD)**: Input on the recommendations and their implications – as relevant given Partnership Forum timing and status of strategy development work at that point (see Part 3 of this report).
- v. **14th Board (likely around July 2006)**: Discussion of and approval of final strategy document.
- vi. **July 2008 (approximately)**: PSC to present mid-term review of progress in implementing the strategy, including recommendations for modification, clarification, or correction.

Decision Point 1: The Board endorses the recommended framework of strategic themes and approach to strategy development outlined in the PSC Report GF/B11/7. It requests that the work proceed and that the PSC report on progress at the 12th Board meeting.

Part 3: Global Fund Partnership Forum

1. In January, 2003, the Board endorsed the recommendation by the Governance and Partnership Committee to hold a Partnership Forum in the first half of 2004, based on the requirements of the Bylaws. This first biennial Partnership Forum event was convened in Bangkok, Thailand on 7-8 July 2004 in the week preceding the 2004 International AIDS Conference (IAC). The Partnership Forum brought together over 400 participants from over 95 countries. Participants came from different sectors, including representatives of affected communities, civil society, non-governmental and community-based organizations, donors, multilateral development cooperation agencies, developed and developing countries, technical and research agencies, foundations and the private sector. Sixty percent were primarily involved with HIV/AIDS and about forty percent with malaria or tuberculosis. Preceding the Bangkok event, a broad-based consultative process was undertaken in countries and regions.

2. The Partnership Forum Report presented at the Ninth Board meeting outlined the key recommendations of this first Partnership Forum. The Forum's recommendations were considered important feedback to continuing dialogue with Board members, and the Board expressed the desire to see outcomes from the recommendations. At its first meeting in July 2005, the Policy and Strategy Committee, which took over responsibility for the Partnership Forum from the Governance and Partnership Committee, reviewed actions taken on the recommendations of the Partnership Forum¹.

3. At its July 18 meeting, the Policy and Strategy Committee requested legal advice on whether a set of regional Partnership Fora could meet the necessary requirements under the Global Fund's Bylaws to substitute for a Global Partnership Forum. It also requested an assessment of the projected costs and pros and cons for both options.

4. At its September 7 meeting, the PSC noted that the Partnership Forum could, in principle, be conducted as a series of regional fora, provided that these collectively fulfilled the purpose of the Partnership Forum and satisfied the composition and process requirements set out in the Bylaws². These requirements include the provision that "*the Partnership Forum must meet at least once every two years (Article 6.3)*". Given that the last Partnership Forum was held in July 2004, another one must be held by July 2006. In the context of regional fora, the collective process would have to be completed by this date.

5. The PSC discussed both the global and regional options for the Partnership Forum based on the cost estimates and logistical information provided. It concluded that, given the tight time line and other challenges related to the regional model, the preferred and recommended option for 2006 remained one Global Partnership Forum meeting.

6. To prepare for the 2006 Global Partnership Forum, the PSC recommends to the Board the establishment of a PSC Steering Committee led by Brian Brink/ Private Sector. The Secretariat would present to this Steering Committee suitable dates and locations for the 2nd Partnership Forum for decision as soon as possible and would receive guidance and oversight from this steering committee throughout the preparation of the Partnership Forum.

¹ GF/PSC1/05, Partnership Forum 2006 Discussion Paper, Part 5

² GF/PSC2/04, Partnership Forum 2006 Discussion Paper, Part 3

7. The PSC also agreed that, in parallel the Steering Committee should conduct a review of the Partnership Forum objectives and format and prepare according recommendations to the Board to assess the effectiveness of the Forum, to suggest ways to improve it with a view to maximizing its effectiveness, or to present options for achieving similar objectives through other means. This reflects a discussion at the PSC about the value added by the Partnership Forum. While there was consensus that engagement of stakeholders, especially civil society, is critical to the success of the Global Fund, there was not consensus on whether the Partnership Forum is the best mechanism for that engagement. One group of delegates emphasized the value of the Partnership Forum as a broad-based consultative body and a public forum of accountability. Some delegates expressed a desire to change the By Laws of the Fund to remove the obligation on the Board that it hold a Partnership Forum on a defined schedule every two years. Others questioned the added value of a Partnership Forum and suggested that further work on its objectives and linkages with existing fora (such as the Global Fund Board meetings) was needed and that the PSC give further consideration to determining the most effective mechanism for engaging stakeholders on an ongoing basis.

Decision Point 2:

The Board

- a) Calls for the 2nd Global Partnership Forum to be held before the end of July 2006;
- b) Requests the PSC to establish a Partnership Forum Steering Committee under the leadership of Dr. Brian Brink to work with the PSC and Secretariat on the preparation of the Partnership Forum; Dr. Brink is accepting nominations from representatives of Board constituencies that are interested in serving on the steering committee, which is expected to have 6-8 members;
- c) Asks the Secretariat to explore suitable dates and locations for the 2nd Partnership Forum for review and decision by the Steering Committee as soon as possible;
- d) Requests that the Steering Committee conduct an evaluation of the Partnership Forum to assess the effectiveness of this forum, to suggest options for improving it, or alternatives for achieving similar objectives through other means;
- e) Requests the Steering Committee, through the PSC, to provide an update on progress at the Twelfth Board Meeting.

Part 4: TERG work plan and role/responsibilities vis-à-vis Board Committees

1. The Chair of the TERG provided the PSC with an overview of the TERG work plan. The PSC welcomed the presentation, and thanked the TERG Chair for the work done to date. Ongoing and planned studies include the following:

- 5-Year Evaluation of the Global Fund: Approach Paper and Terms of Reference for the Five-Year Evaluation of the Global Fund will be brought to the PSC for discussion and preparation of Board decision in the 12th Board meeting. The PSC and the TERG recognized and emphasized the importance of establishing a tight link between the evaluation and the strategy development effort. This may require prioritization of certain elements of the evaluation which are particularly important to strategy development
- Assessment of the Country Coordinating Mechanisms: This external review of CCM processes and procedures (including the extent to which CCMs meet established criteria for their composition and representation, participation and communication, and governance and management) will identify areas requiring greater effort and establish a baseline against which future progress can be gauged. The report will be shared with the PSC, in preparation for the 12th Board Meeting.

- External evaluation of the grant proposal process (Round 5): Methods and preliminary findings of an external evaluation of the grant proposal process will be presented to the PSC for discussion prior to the 12th Board meeting.
- Data-quality assessment: Results from pilot tests of the data-quality audit in a set of countries will be presented to the 12th Board meeting. Depending on the results, the Board may wish to refer this item to the PSC for further discussion.

2. It was reaffirmed that the role and mandate of the TERG, as described in its Board approved ToRs, is in providing independent expert evaluations, assessments and advice to the Board and its Committees on Monitoring and Evaluation matters to support their policy development. As an advisory body, the TERG does not prepare Board decision points, which is the role of the respective Board Committees and the Board itself. Because of its cross cutting function, the TERG serves all Board Committees, but has the Policy and Strategy Committee as its main entry point for recommendations to the Board. The Committee confirmed the importance of PSC and TERG working together to define priorities for the work of TERG.

3. The Chair of the TERG and PSC committee members emphasized their shared desire to work together and coordinate closely to maximize benefits and avoid duplication of efforts. As a case in point, the Committee discussed the need to ensure that the Five-Year Evaluation can feed into the development of the Global Fund strategy. The Vice Chair of the PSC will serve as the focal point on the TERG. This will also include coordination with the Chairs of the two other Committees on TERG matters. The TERG Chair will attend the meetings of the Policy and Strategy Committee.

This document is part of an internal deliberative process of the Fund and as such cannot be made public. Please refer to the Global Fund's documents policy for further guidance.

AGENDA
POLICY AND STRATEGY COMMITTEE

Date :	17-18 July 2005
Venue :	Crown Plaza Hotel, Geneva
Chair :	Randall Tobias, Board Member, USA
Vice –Chair :	Jairo Pedraza, Alternate Board member, Developed NGOs
Focal Point :	Helen Evans, Deputy Executive Director

Sunday, 17 July 2005**19:00 – 21:30 Drinks and Dinner**

- Introduction of Committee members
- Open Discussion led by Chair and Vice Chair on Committee Work and Expectations

Monday, 18 July 2005**8:30 – 9:00 Welcome coffee****9:00 – 9:15 Approval of the Agenda****9:15 – 10:15 Global Fund Strategy Development**

- Determination of approach to Strategy Development
- Determination of Key Strategic Questions

10:15 – 10:30 Break**10:30 – 11:30 Global Fund Strategy Development (continued)****11:30 – 12:30 Partnership Forum (Christoph Benn)****12:30– 13:30 Lunch****13:30 – 14:30 TERG work plan and update (Rolf Korte)****14:30 – 14:45 Break****14:45 – 15:30 PSC Work Plan and Working Methods****15:30 – 16:00 Close of Meeting**

List of Participants

Outline: This document contains the list of participants to the first Policy and Strategy Committee meeting.

Dr. Carole Presern

Canada

Tel: + 41 22 918 23 70

Fax : + 41 22 918 24 44

Email : c-presern@dfid.gov.uk

Dr. Jose Viera Dias Van-Dumen

East and Southern Africa

Tel: + 244 233 9507

Fax: + 244 233 8249

Email: gvm1@netangola.com

Dr. Dana Farcasanu

Eastern Europe

Tel: + 4021 252 7893

Fax: + 4021 252 3014

Email: dfarcasanu@dnt.ro

Mr. Henrik Hansen

European Commission

Tel: + 32 22 99 02 89

Fax: + 32 22 96 36 97

Email : henrik.hansen@cec.eu.int

Mr. Serge Tomasi

France

Tel: + 33 1 53 69 3793

Fax: + 33 1 53 69 43 89

Email: serge.tomasi@diplomatie.gouv.fr

Ms. Lucia Fiori

Italy

Tel: + 41 22 91 80 810

Fax: + 41 22 73 46 702

Email: lucia.fiori@esteri.it

Mr. Tamotsu Ikezaki

Japan

Tel: + 81 3 5501 8233

Fax: + 81 3 5501 8234

Email : tamotsu.ikezaki@mofa.go.jp yukarinponn@yahoo.co.jp

Mr. Paulo Meireles
Latin America & Caribbean
Tel: + 55 61 448 8121 / 30
Fax: + 55 61 448 8019
Email: Meireles@aids.gov.br

Mr Jairo Pedraza
NGO Developed (Vice-Chair)
Tel : + 1 212 594 7741 ext 242
Fax : + 1 212 942 8530
Email : jpgfna@aol.com

Ms. Elizabeth Mataka
NGO Developing
Tel: + 260 102560789 / 791 / 792
Fax: + 260 1 256 790
Email: znan@zamnet.zm / lizmataka@yahoo.com

Mr. Steve Amolo Amolo
NGO Rep. Communities
Email: nap@africaonline.co

Mr. Lennarth Hjelmåker
Point Seven
Tel: + 46 8 405 17 01
Fax: + 46 8 723 11 76
Email: lennarth.hjelmaker@foreign.ministry.se

Dr. Brian Brink
Private Sector
Tel: + 27 11 638 2842
Fax: + 27 11 638 8603
Email : bbrink@angloamerican.co.za

Dr. Michel Sidibe
UNAIDS
Tel: + 41 22 791 3392
Fax: + 41 791 4880
Email: sidibem@unaid.org

Dr. William Steiger
USA
Tel: + 1 202 690 61 74
Fax:+ 1 202 690 7127
Email : william.steiger@hhs.gov

Dr. Abdul Salami Nasidi
Western and Central Africa
Tel: + 234 523 2048
Fax: + 234 523 0573
Email: nasidia@hotmail.com

Ms. Meiqi Hu
Participant of the 2nd PSC Meeting
Western Pacific Region (China)
Tel: + 86 1068 792506
Fax:+ 86 1068 792279
Email : humq@moh.gov.cn

Ms. Diana Weil

WHO

Tel: + 41 22 791 3072

Fax: + 41 22 791 4199

Email: weild@who.int

Ms. Debrework Zwedie

World Bank

Tel: + 1 202 473 F299414

Fax: + 1 202 522 1252

Email: dzewdie@worldbank.org

Ms. Alies Jordon

Representative of the Chair of the Board

Tel: + 246 421 8605

Fax: + 246 421 8499

Email: ajordan@barbados.gov

**2nd Policy and Strategy Committee Meeting
London, 7 September 2005**

**AGENDA
POLICY AND STRATEGY COMMITTEE**

Date :	7 September 2005
Venue :	Anglo American plc., London
Chair :	Randall Tobias, Board Member, USA
Vice –Chair :	Jairo Pedraza, Alternate Board member, Developed NGOs
Focal Point :	Helen Evans, Deputy Executive Director

Wednesday, 7 September 2005

- 9:00 – 9:30** **Coffee**
- 9:30 – 9:35** **Approval of the Agenda**
- 9:35 – 11:00** **Global Fund Strategy Development**
- Determination of Key Strategic Questions to be recommended to the Board
 - Linkages to ongoing or planned evaluations
 - Agreement on recommended process for Strategy development
- 11:00 – 11:15** **Break**
- 11:15 – 13:00** **Global Fund Strategy Development (continued)**
- 13:00– 14:00** **Lunch**
- 14:00 – 14:30** **TERG (Rolf Korte)**
- Review of TERG role and interaction with PSC
 - Update on current work streams of TERG Work plan and September presentation to the Board
- 14:30 – 15:15** **Partnership Forum (Christoph Benn)**
- Review of options for 2005 Partnership Forum
 - Agreement on recommendations for timing, location and arrangements
- 15:15– 15:30** **Break**
- 15:30 – 16:00** **PSC Work Plan and Working Methods**
- Agreement on revised work plan
 - Discussion of working methods
- 16:00 – 16:30** **Close of Meeting**

List of Participants

Outline: This document contains the list of participants to the second Policy and Strategy Committee meeting.

Ambassador Randall Tobias
Chair of the Policy and Strategy Committee
USA
Tel : + 1 202 663 2440
Fax : + 1 202 663 2440
Email : TobiasRL@state.gov

Mr Jairo Pedraza
NGO Developed (Vice-Chair)
Tel : + 1 212 594 7741 ext 242
Fax : + 1 212 942 8530
Email : jpgfna@aol.com

Dr. Carole Presern
Canada
Tel: + 41 22 918 23 70
Fax : + 41 22 918 24 44
Email : c-presern@dfid.gov.uk

Dr. Jose Viera Dias Van-Dumen
East and Southern Africa
Tel: + 244 233 9507
Fax: + 244 233 8249
Email: gvm1@netangola.com

Dr. Dana Farcasanu
Eastern Europe
Tel: + 4021 252 7893
Fax: + 4021 252 3014
Email: dfarcasanu@dnt.ro
Mr. Syed Anwer Mahmood
Eastern Mediterranean Region
Tel: + 92 51 921 1622/ 920 1782
Fax: + 92 71 252 247
Email: sanwermahmood@hotmail.com

Mr. Enrico Mollica
European Commission
Tel: + 32 22 99 38 53
Fax: + 32 22 96 36 97
Email: enrico.mollica@cec.eu.int

Mr. Serge Tomasi
France
Tel: + 33 1 53 69 3793
Fax: + 33 1 53 69 43 89
Email: serge.tomasi@diplomatie.gouv.fr

Ms. Lucia Fiori
Italy
Tel: + 41 22 91 80 810
Fax: + 41 22 73 46 702
Email: lucia.fiori@esteri.it

Mr. Shigeki Sumi
Japan
Tel: + 81 3 5501 8232
Fax: + 81 3 5501 82 34
Email: shigeki.sumi@mofa.go.jp

Mr. Paulo Meireles
Latin America & Caribbean
Tel: + 55 61 448 8121 / 30
Fax: + 55 61 448 8019
Email: Meireles@aims.gov.br

Ms. Asia Russell
Participant of the 2nd PSC Meeting
NGO Developed
Tel: + 1 215 474 9329
Email: asia@healthgap.org

Ms. Elizabeth Mataka
NGO Developing
Tel: + 260 102560789 / 791 / 792
Fax: + 260 1 256 790
Email: znan@zamnet.zm / liznmataka@yahoo.com

Mr. Shaun Mellors
NGO Rep. Communities
Tel: + 27 0 84 416 5912
Fax: + 27 0 31 307 1253
Email : s-mellors@mweb.co.za

Mr. Lennarth Hjelmåker
Point Seven
Tel: + 46 8 405 17 01
Fax: + 46 8 723 11 76
Email: lennarth.hjelmaker@foreign.ministry.se

Dr. Helene D.Gayle
Private Foundations
Tel: + 1 206 709 31 00
Fax: + 1 206 709 31 70
Email: heleneg@gatesfoundation.org

Mr. Todd Summers
Participant of the 2nd PSC Meeting
Private Foundations
Tel: + 1 202 879 8186
Fax: + 1 202 347 0755
Email: todd.summers@gatesfoundation.org

Dr. Brian Brink
Private Sector
Tel: + 27 11 638 2842
Fax: + 27 11 638 8603
Email : bbrink@angloamerican.co.za

Mr. Prasanna. K. Hota
South East Asia
Tel: + 91 11 230 618 63
Fax: + 91 11 230 612 52
Email: secyhlt@nb.nic.in

Dr. Shahabuddin Yaqob Quraishi
Participant of the 2nd PSC Meeting
South East Asia
Tel: + 91 11 233 253 31
Fax: + 91 11 237 317 46
Email: ssdg@nacoindia.org

Dr. Michel Sidibe
UNAIDS
Tel: + 41 22 791 3392
Fax: + 41 791 4880
Email: sidibem@unaid.org

Dr. William Steiger
USA
Tel: + 1 202 690 61 74
Fax: + 1 202 690 7127
Email : william.steiger@hhs.gov

Dr. Babatunde Osotimehin
Western and Central Africa
Tel: + 234 9 290 4418
Email: osotimehin2000@yahoo.co.uk

Dr. Ren Minghui
Western Pacific Region (China)
Tel: + 86 10 6879 2283
Fax: + 86 10 6879 2279
Email : renmh@moh.gov.cn

Ms. Meiqi Hu
Participant of the 2nd PSC Meeting
Western Pacific Region (China)
Tel: + 86 1068 792506
Fax: + 86 1068 792279
Email : humq@moh.gov.cn

Mr. Alex Ross
WHO
Tel: + 41 22 791 10 82
Fax: + 41 22 791 48 96
Email: rossa@who.int

Ms. Debrework Zwedie
World Bank
Tel: + 1 202 473 F299414
Fax: + 1 202 522 1252
Email: dzewdie@worldbank.org

Dr. Carol Jacobs
Board Chair, Observer
Tel: + 246 421 8533 / 8605
Fax: + 246 421 8499
Email : cjacobs@hiv-aids.gov.bb

Prof. Michel Kazatchkine
Board Vice-Chair, Observer
Tel: + 33 1 53 69 41 07
Fax: + 33 1 53 69 34 21
Email : Michel.KAZATCHKINE@diplomatie.gouv.fr

GLOBAL FUND TO FIGHT AIDS/TUBERCULOSIS AND MALARIA

THE FRAMEWORK DOCUMENT

TITLE, PURPOSE, PRINCIPLES AND SCOPE OF THE FUND

Section I: The **TITLE** of the Fund will be:
The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM)

The Secretariat will be responsible for developing options for a common name that is concise and translates well into many languages and cultures.

Section II: PURPOSE

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

Section III: PRINCIPLES

- A. The Fund is a financial instrument, not an implementing entity.
- B. The Fund will make available and leverage additional financial resources to combat HIV/AIDS, tuberculosis and malaria.
- C. The Fund will base its work on programs that reflect national ownership and respect country-led formulation and implementation processes.
- D. The Fund will seek to operate in a balanced manner in terms of different regions, diseases and interventions.
- E. The Fund will pursue an integrated and balanced approach covering prevention, treatment, and care and support in dealing with the three diseases.
- F. The Fund will evaluate proposals through independent review processes based on the most appropriate scientific and technical standards that take into account local realities and priorities.
- G. The Fund will seek to establish a simplified, rapid, innovative process with efficient and effective disbursement mechanisms, minimizing transaction costs and operating in a transparent and accountable manner based on clearly defined responsibilities. The Fund should make use of existing international mechanisms and health plans.

H. In making its funding decisions, the Fund will support proposals which:

- (i) Focus on best practices by funding interventions that work and can be scaled up to reach people affected by HIV/AIDS, tuberculosis and malaria.
- (ii) Strengthen and reflect high-level, sustained political involvement and commitment in making allocations of its resources.
- (iii) Support the substantial scaling up and increased coverage of proven and effective interventions, which strengthen systems for working: within the health sector; across government departments; and with communities.
- (iv) Build on, complement, and coordinate with existing regional and national programs³ in support of national policies, priorities and partnerships, including Poverty Reduction Strategies and sector-wide approaches.
- (v) Focus on performance by linking resources to the achievement of clear, measurable and sustainable results.
- (vi) Focus on the creation, development and expansion of government/private/NGO partnerships.
- (vii) Strengthen the participation of communities and people, particularly those infected and directly affected by the three diseases, in the development of proposals.
- (viii) Are consistent with international law and agreements, respect intellectual property rights, such as TRIPS, and encourage efforts to make quality drugs and products available at the lowest possible prices for those in need.
- (ix) Give due priority to the most affected countries and communities, and to those countries most at risk.
- (x) Aim to eliminate stigmatization of and discrimination against those infected and affected by HIV/AIDS, especially for women, children and vulnerable groups.

Section IV: SCOPE

1. The Fund will balance its resources by giving due priority to areas with the greatest burden of disease, while strengthening efforts in areas with growing epidemics. The Board of the Fund will be responsible for defining clear eligibility criteria within the limitations of available resources.
2. Recognizing that the Fund's resources will be complementary to other programs, criteria will be identified to focus the choice of activities/programs/projects to be supported.

³Including governments, public/private partnerships, NGOs, and civil society initiatives.

3. The Fund will support strategies that focus on clear and measurable results.
4. The Fund will focus its resources on increasing coverage of critical and cost-effective interventions against the three diseases.
5. The Fund will provide grants to public, private and non-governmental programs, respecting country-level public-private formulation and implementation processes, in support of technically sound and cost-effective interventions, for the prevention, treatment, care and support of the infected and directly affected. Without binding the Board or indicating priorities, the sort of activities that could be supported, for example, are: increased access to health services; provision of critical health products, including drugs⁴; training of personnel and community health workers; behavior change and outreach; and community-based programs, including care for the sick and orphans.
6. The Fund will support programs that:
 - a. Address the three diseases in ways that will contribute to strengthening health systems.
 - b. Stimulate and are integral to country partnerships involving government and civil society.
7. The Fund will provide resources for the purchase of appropriate commodities to prevent and treat the three diseases, and provide associated support for strengthening comprehensive commodity management systems at country level, as a component of technically sound and reviewed programs.
8. The Fund will support public health interventions that address social and gender inequalities, as well as behavior practices that fuel the spread of the three diseases, with an emphasis on health education.
9. The Fund could support operational research in the context of program implementation.
10. For areas in conflict or distress, the Fund will develop special criteria to support technically sound proposals designed to address critical HIV/AIDS, TB and malaria problems.
11. The Board will meet every three to four months in its first year and thereafter every six months or as required. It could make use of virtual working methods and teleconferencing between meetings. Within the first two years, it is recommended that the Board review its membership structure and operational procedures.

⁴ Examples could include bed nets; condoms; antiretroviral, anti-TB and antimalarial drugs; treatment for sexually transmitted infections; laboratory supplies and materials; and diagnostic kits.

Section V: FINANCING

The Global Fund should provide core funding for the Secretariat, upon Board approval of a business plan and budget.

Section VI: COUNTRY PROCESSES

A. Basic principles to guide country process

1. The Fund will base its work on programs that reflect national ownership and respect country partnership-led formulation and implementation processes.
2. The Fund will promote partnerships among all relevant players within the country, and across all sectors of society. It will build on existing coordination mechanisms, and promote new and innovative partnerships where none exist.
3. The Fund will work with and support existing and new innovative programs at national and multi-country levels. This could include programs such as National AIDS Plans, National Health Strategies and country elements of Stop TB and Roll Back Malaria, as well as Poverty Reduction Strategies and Sector Wide Approaches. It will take into account regional frameworks and global level recommendations.
4. Disbursements will be made in tranches based on results as measured by ex-ante indicators and independent assessments and surveys.
5. The Fund will leverage support for innovative capacity development from other financial sources throughout the programs it supports.

B. Coordination Mechanism at Country Level

1. The Fund will work with a country coordination and partnership mechanism that should include broad representation from governments, NGOs, civil society, multilateral and bilateral agencies and the private sector. The mechanism should be at the highest national level responsible for national multi-partner and multi-sectoral development planning. It should preferably be an already existing body. If no appropriate coordinating body exists, a new mechanism will need to be established. Where public/private partnerships do not exist, the Fund may support alternative partnerships among NGOs and the private sector.
2. The Country Coordinating Mechanism (CCM) will be the focus for program accountability, depending on the Board's decisions regarding overall Fund accountability and fiduciary issues.
3. A senior government official should in most cases chair the mechanism. Where agreed upon among the partners, any member of the mechanism can chair it.

4. The role and function of each player within the partnership of the mechanism will be agreed upon by the mechanism, safeguarding equity and transparency among the partners.
5. The role of the United Nations agencies, multilateral and bilateral agencies and other development agencies in the mechanism should be country partnership-driven and reflect the roles of these partners in AIDS, TB, and malaria programs in-country. The country partners may want to identify a "Lead Support Agency", either bilateral, multilateral or civil society to support the preparation of proposals and undertake any other support as requested by the CCM.
6. Proposals for funding should be submitted to the Fund through the country partnership mechanism. The Technical Review Panel will only recommend funding Coordinated Country Proposals, which reflect genuine, broad participation and ownership of all interested groups.
7. The Fund will also consider proposals arising from partnerships in circumstances such as:
 - a. countries without legitimate governments;
 - b. countries in conflict or facing natural disasters;
 - c. countries that suppress or have not established partnerships with civil society and NGOs.

C. Country Proposals

1. Countries will be encouraged to submit a coordinated proposal to the Fund. The Fund will consider proposals on one or more of the three diseases or crosscutting aspects of these, depending on country realities and readiness. The proposal is hereafter referred to as the CCP (Coordinated Country Proposal).
2. A CCP may consist of existing and already costed plans. It should be, however, submitted with a cover note specifying what aspects of these plans need funding from the GFATM. In addition, the note should describe how the CCP fits within the overall national health program. The format of the CCP should not be overly elaborate and not impose undue burden on the countries.

D. Channeling of Funds

1. All eligible partners on the CCM will be entitled to access Global Fund support based on their role and allocations in the approved CCP.
2. To facilitate targeting of financial support as well as accountability, CCPs will be submitted with budgets tied to specific partners. Each partner's contribution must have specified outcomes, targets and results, and an indication of how these will be measured.
3. The CCP should include an indication of how funds will be disbursed to partners, emphasizing that funds should go directly, efficiently and transparently from the

disbursing entity chosen by the partnership to implementing partners, based on allocations in the Board-approved CCP.

4. Alternative or special arrangements will only be used when clear justification exists. These will be tailored so that country partnership mechanisms can take over as soon as possible.

E. Monitoring and Evaluation

1. Monitoring at country level will be country-driven, but also linked to the Fund's monitoring and evaluation system at a global level.
2. The Fund will seek to use, wherever possible, existing monitoring and evaluation mechanisms.
3. An independent, impartial annual assessment of progress at country level will be done.
4. The monitoring and evaluation will include an assessment of the functioning of the CCM and the process of developing the CCP, including the functioning of partnerships at country level.

F. Capacity Building

The CCP will consider institutional and absorptive capacity. It may include interventions to improve national capacity, which are associated with the delivery and monitoring of the Fund's programs to deal with the three diseases. Proposals to the Fund shall not have capacity building as their main focus. (See Article VI – "Monitoring Program Progress")

Section IV :ELIGIBILITY CRITERIA

A. Criteria to determine eligibility of proposals

1. A basic, flexible, easily measurable set of eligibility criteria will be used to define proposals eligible for consideration. A combination of the criteria will be used to assess proposals. Final determination of the eligibility criteria to be used will be determined by the Board. Proposals not meeting the eligibility criteria will not receive funding. The Board should consider establishing an appeals process to address proposals that are not accepted. In addition, basic eligibility criteria will need to be reviewed periodically by the Board.
2. In considering proposals, the highest priority should be given to those proposals from countries and regions with the greatest need, based on the highest burden of disease and the least ability to bring financial resources to address these health problems.⁵ Also, proposals from countries and regions with a high potential for risk

⁵These include sub-Saharan Africa, currently the region most affected, as well as some countries within the Caribbean, Asia-Pacific, Latin America and Central and Eastern Europe.

should be considered, taking into account the opportunity to prevent increases in prevalence and incidence. For all proposals the Board might consider criteria that take into account the ability of the country partnership to raise its own resources and to apply coordinated resources from multilateral, bilateral, or private sector sources in support of the proposal. Approaches for "weighting" and scoring multiple criteria should be assessed. Essential proposal eligibility criteria should include the following:

- a. Disease burden for HIV, TB and/or malaria: This would rely on accepted international standards for assessing disease prevalence and magnitude. It should be noted that all proposals need not address all three diseases. Selection of the disease(s) to be addressed will depend on country needs.
 - b. Relevant indicators of the poverty situation, such as GNP per capita, the UN Human Development Index, or others.
 - c. Potential for rapid increase in disease, based on accepted international indicators such as: recent disease trends, size of population at risk, prevalence of risk factors, extent of cross-border and internal migration, conflict, or natural disaster.
 - d. Political commitment, as measured by a variety of indicators, which could include such indicators as: contribution to the financing of the proposal, public spending on health, existence of supportive national policies, or the presence of a national counterpart in the proposal.
 - e. Existence of a country coordination mechanism (CCM), which consists of an inclusive collaborative partnership, with all relevant partners engaged in planning, decision-making and implementation.
3. Country proposals will be accepted from a Country Coordination Mechanism (CCM) that includes broad representation from government agencies, NGOs, community-based organizations, commercial sector organizations (where these exist) and bilatereal and multilateral agencies. In addition, other organizations, such as country or regionally based academic institutions that can facilitate and support the programs may be requested to join the CCM.
 4. Submissions from groups of organizations from multiple countries would be accepted in order to help address cross-border issues related to the three diseases. Such proposals would be required to meet standards agreed upon from the above eligibility options and would need to be consistent with the priorities of the CCMs in the countries involved. It may be necessary to develop specific eligibility criteria that are applicable to regional proposals.
 5. Individual organizations, such as NGOs, would be eligible to submit proposals directly. However, the proposal must demonstrate clearly why it could not be considered under the CCM process at the country level, and the Board should require validation of these reasons. Criteria for the submitting NGO would include the quality, coverage, and credibility of their services and operations.

6. Exceptions may be made for countries in special circumstances (e.g. countries in conflict).

B. Criteria for eligibility of proposals:

The following country or regionally based entities will be eligible to receive funds:

1. Government agencies.
2. Civil Society Organizations (including NGOs, community-based organizations, associations, etc).
3. Third-party groups charged with program and financial responsibility.
4. Multilateral institutions, when requested through the CCM to provide for trustee, operational or advisory services. Multilateral institutions will not apply directly for funding.
5. Universities and other academic institutions that have been requested by the CCMs to play key roles in program implementation and assessment of program effectiveness.

C. Proposal Review Criteria

1. The Board will establish a detailed set of proposal review criteria.
2. An ad hoc working group may be formed to develop proposal review criteria options for Board approval. These could include contractors or shareholder organizations with appropriate capacity.

Section V : APPLICATION PROCESS

A. Application Format and Process

The Global Fund will need a clear, simple and transparent application format and process.

1. The Secretariat will be responsible for facilitating the application process.
2. The Global Fund will need to identify a process for accommodating proposals in various languages. This will be critical to assure equitable access to the Fund.
3. The Secretariat will ensure that all the required information is included, before forwarding proposals to the independent Technical Review Panel.
4. A system for vetting the proposals will be explored, keeping in mind the need to simplify the process while not increasing transaction costs on countries, the Secretariat or the Technical Review Panel.
5. The Secretariat will forward the recommendations from the Technical Review Panel to the Board for final decision.

6. Technical support for preparing proposals and developing country level partnerships could be provided and funded by partners active in the country, such as bilateral donors and UN organizations. Mechanisms will need to be developed for supporting the development of proposals in countries without such partners active in the country. The possible role of the Fund in the provision of support for proposal preparation will be further explored.
7. To enable more rapid transfer of funds and initial implementation of programs, the Board may consider adopting special, transparent procedures to approve "quick start" proposals, particularly during the first year of Fund operation. "Quick start" proposals must adhere to Fund principles and must undergo technical review.
8. In addition, other mechanisms may be developed for "interim" proposals to allow for rapid release of one or two smaller funding tranches, with additional funds contingent upon performance. These proposals must adhere to Fund principles and must undergo technical review.

B. Technical Review Panel

1. The technical review process will be an independent transparent process based on rigorous scientific and programmatic reviews of proposals. Proposals will be subjected to a systematic process of case-by-case peer review of the technical and programmatic content.
2. The Technical Review Panels are independent, impartial teams of experts appointed by the Board to guarantee the integrity and consistency of the proposal review process. They will review grant proposals submitted to the Fund for support, based on a set of proposal review criteria set by the Board, and will make recommendations to the Board for final decision. Members will not represent their home institutions or governments, but will serve in their personal, professional capacities.
3. Guidelines will be developed on potential conflict of interest and in areas of confidentiality.
4. There should initially be a single Technical Review Panel, which possesses a wide array of expertise and will consist of an appropriate number of scientific and programmatic experts to review all proposals. As needed, it will draw from a larger, geographically diverse pool of reviewers, from a broad range of organizations in both the developing and developed world, to advise on specific technical and programmatic issues, depending on the nature of the proposal under consideration.
5. The panel will include individuals with extensive program experience to provide peer reviews of proposals and bring their substantive expertise to the process. The panel will include members who possess country experience and expertise on the role of Civil Society in the field.
6. Because it will be difficult to find individual reviewers with expertise in all three disease areas, members will be selected to ensure a balance of expertise in

HIV/AIDS, TB and malaria, as well as in non-health areas such as economics, finance, program management, community development, and implementation in resource poor settings. Reviewers must be able to evaluate proposals based on their overall sustainability and feasibility.

7. Panel members will not represent positions of Global Fund partners, nor be able to review proposals that represent a perceived conflict of interest.
8. While UN staff will not serve on the technical review panel, they can provide critical resources for organizing the review process and can assure independence. UN staff can perform a supportive role to the Review Panel.
9. Panel members will be nominated by and approved by the Board. The Board will instruct the Secretariat to solicit the names of potential reviewers through a variety of sources, including governments, UN agencies, and Civil Society (NGOs, Private Sector). It would be useful for the Board to develop a stable pool of Technical Experts that can be called upon as needed.
10. Panel members will serve for a two-year period, though it may be necessary to renew selected experts. Staggered terms may be used so that not all members are up for reappointment at the same time.
11. The Fund will make available resources to cover the expenses that panel members incur in the proposal review process to ensure independence.
12. The Panel may need a full-time convener, who could be a member of the Secretariat.
13. The Board will determine how the technical panel will be convened and how reviews will take place.
14. The names of the members of the Technical Review panel will be made public.
15. Mechanisms will be developed for providing feedback to applicants regarding the quality of their proposal, including an indication of why proposals were unsuccessful. Such remanded proposals could be resubmitted for consideration after revision.

C. Technical Policy and Program Support; Additional Actions

1. The Board will commission an appropriate body to address key technical and policy issues for Board consideration, such as: detailed criteria for reviewing proposals; options for monitoring and evaluation indicators; and possible floors/caps for funding. This function could be served through a standalone working group, ad hoc working groups, or assigned to the Technical Review Panel.
2. A sub-working group should be established to further develop a process for technical review for submission to the first meeting of the Board. This group should focus on a number of critical areas including the use of multi-layered reviews and the establishment of timelines for the review process.

Section IX: MONITORING PROGRAM PROGRESS

A. Defining Accountability

1. The Global Fund will require sound processes for specifying, tracking and measuring program results to ensure a sufficient level of accountability, and to ensure that lessons learned are shared. Although financial accountability is covered in another section, there are clear links between financial and programmatic accountability that must be considered.
2. The future financial viability of the Fund will depend on being able to demonstrate results, initially in terms of coverage of activities and subsequently in terms of outcomes. All partners, without specific attribution, could claim results achieved under Global Fund activities. A system of accountability is also needed to provide incentives to grant recipients to achieve more, faster, and better results.
3. Grantees need to be:
 - a. accountable to government, private sector & foundation donors (for the use of funds, achievement of results);
 - b. responsive to developing countries (to help them fight the three diseases in their countries);
 - c. responsive to the needs of those infected and directly affected by the three diseases .
4. Monitoring of Global Fund grants will focus on programmatic accountability: assessing the programmatic progress and public health impact of activities supported by the Fund; and providing incentives for improved performance.
5. The Global Fund will require comprehensive plans for assessing programmatic accountability, including monitoring, evaluation, and auditing. To the degree possible, a country's monitoring plan will make use of existing monitoring and evaluation structures and mechanisms, including independent mechanisms. The Fund should not establish parallel monitoring and evaluation systems, but be willing to invest in the existing systems. However, for selected countries, it is possible that some new M&E arrangements will need to be established where none currently exist.
6. The Fund will seek to reinforce country information systems, build on existing country indicators, and use a standard set of internationally agreed upon indicators as benchmarks for overall progress. This is a long-term investment and will need interim process indicators to measure rapid progress, within the context of achieving sustainable impact.
7. Desired long-term programmatic impact includes final outcome measures such as reduced death rates, reduced disease transmission rates, increased survival rates, and control of multi-drug resistance. The Fund must ensure that grant recipients have the ability to adequately and accurately monitor the public health and clinical

impact of supported interventions on disease progression, transmission rates, morbidity and mortality rates, and development of drug resistance. Intermediate outcomes and benchmarks will also be established to assess program progress and provide incentives for improved performance.

8. The Fund will not take on the responsibility for assessing overall worldwide progress made in the areas of HIV/AIDS, TB, and malaria. This task will remain the responsibility of existing international organizations working in the three disease areas.
9. While the processes may have distinct differences, the monitoring of the fiduciary and financial accountability process is intimately linked with programmatic monitoring and evaluation.

B. Program Monitoring and Evaluation of Programs

1. Monitoring of program progress through the use of benchmarks, process and output indicators should be an inherent component of any program. Country Coordination Mechanisms (CCM) are ideally situated to monitor progress. However, the evaluation of program outcome and impact indicators are more suitable for independent, external organizations. This avoids the moral hazard of non-credible reporting. The Fund should primarily utilize existing monitoring and evaluation systems and indicators. For instance, reports from the National TB Program, which contain the number of identified active cases of TB those completing therapy, and proportions that are under DOTS therapy, should be accepted by the Fund.
2. The Global Fund will require two levels of program monitoring and external evaluation:
 - a. *Global Fund results* - The Fund will use a core set of impact and process indicators to track overall progress of the Fund (to be determined by the Board), to assess performance of partners, and to evaluate overall progress of grant recipients. Core indicators for assessing public health results may be established by an ad hoc M&E working group, drawing upon indicators used by existing programs, such as UNAIDS, Stop TB and Roll Back Malaria⁶.
 - b. *Grantee results* - The Fund will also require more detailed independent programmatic monitoring of individual grant recipients on a regular basis, using a broader set of evaluation criteria and indicators. The CCM should play a significant role in establishing the performance and monitoring processes and should review the results as part of a tiered review protocol. Grantee M&E would consist of:
 - i. submission of routine progress reports (by the CCM/grantee), which contain information on the state of the process and the results of agreed indicators (to the Secretariat or to an independent technical monitoring group); and

⁶WHO has provided the TSS with a range of current work on monitoring program performance in the areas of TB and malaria.

- ii. commission of an external evaluation team to assess progress made with grant funds.
3. Program indicators used by grantees will be identified by the grantee in the grant proposal. To ensure consistency, the Board should consider requiring all grantees to track a core set of public health indicators (these core indicators could be proposed by an ad hoc M&E working group). Partners in a proposal will also be required to identify an independent entity to collect data and conduct local M&E operations. During the initial strategic design and during the establishment of the monitoring and evaluation systems, potential risks and obstacles to program implementation should be identified and reassessed at appropriate intervals.

C. Results-oriented approach (alternative text to be supplied by results-oriented sub-working group)

The Board will consider setting up a system for using selected M&E results from grantees for making results-oriented disbursements. Decisions regarding release of subsequent tranches of funding to grant recipients would be based on indicator results. Using indicator results, a designated group (such as the Secretariat or an independent technical monitoring group - to be determined by the Board) would decide if progress is sufficient to release subsequent tranches of funding to the grantee (with Board approval). Grantees not producing sufficient positive results would not receive additional funds. Remedial support may be provided to poorly performing programs when there is a clear justification. While the long-term goal is to reduce infections, illness and death from the three diseases, there must be meaningful milestones along the way against which to evaluate the progress of each grantee and to consider disbursement of subsequent tranches of the grant. In any scheme there must be appropriate financial accountability mechanisms in place. These should be factored into the process for releasing subsequent tranches of funding to recipients of grant. A sub-working group, convened by Canada, will identify potential options of results-oriented funding.

D. Oversight

1. Oversight for monitoring and evaluation will remain the ultimate responsibility of the Board. The Board may wish to assign some responsibilities to another group (either internal or independent) to review M&E reports submitted by grantees, and draft M&E reports on the overall progress of the Global Fund. Options for who will oversee the process of monitoring both Global and Local program progress (on behalf of the Board) include:
 - a. Global Fund Secretariat
 - b. Ad hoc M&E working group
 - c. The Trustee (World Bank, OED)
 - d. A UN agency
 - e. Existing mechanisms (UNAIDS, Stop TB, Roll Back Malaria)

- f. An independent M&E oversight committee appointed by the Board
 - g. Third party - accounting firm, university, etc.
2. A new way of doing business is needed so that the entire process is transparent and demonstrates an ideal partnership. Funded proposals should be made widely available to ensure this transparency and to provide models for future proposals.
 3. The transaction costs of the Fund will need to be assessed, including the operation of the Board and Secretariat, cost to produce a proposal, the review process, and monitoring and evaluation. This will be done as a collaborative effort between a sub-working group and the Secretariat.

Section VII : FIDUCIARY RESPONSIBILITIES

A. Principles

1. Generally, financial accountability and program accountability will be handled separately, recognizing that they will be linked at certain key points in the process. The GFATM's system of accountability needs to be based on the following principles:
 - a. The funds were used for the intended purposes;
 - b. They were used cost-effectively for these purposes;
 - c. They produced the expected result/impact;
 - d. All fiduciary arrangements, including audits should be fully transparent to stakeholders and others interested in the activities of the GFATM.
 - e. The system should be designed to minimize transaction costs for all parties, especially the recipients.

B. Trustee

The World Bank will be the Trustee for the GFATM.

C. Trustee Responsibilities

1. The Trustee would have primary responsibility for financial accountability, including the following:
 - a. Collection, investment, and management of funds⁷

⁷The Board of the Fund would be responsible for resource mobilization.

- i. The Trustee would be responsible for receiving contributions from public sector donors; the investment of such contributions; and disbursement of funds in accordance with the terms of the instrument.
 - ii. Regarding private sector donors, modalities would have to be determined to allow for tax-deductibility. Arrangements may have to vary according to the laws of different countries.
 - iii. The private donations would be channeled to the Trustee, commingled with the public sector donations, and the Trustee would invest all the funds together⁸.
- b. **Disbursement of funds to national-level entities, on the instruction of the Board (see below for details)**⁹
 - i. At the instruction of the Board, the Trustee would disburse GFATM funds to Board-approved country-level entities (both Government and non-government).

c. **Financial reporting to stakeholders**

Through the Board, the Trustee would report to the GFATM stakeholders as a group¹⁰ on the financial management of the Fund, and the allocation of Fund resources. Standardized formats for financial reporting would be required by all parties in the system, based on internationally accepted standards.

⁸The WB's Investment Management Department currently manages the WB's assets, working with a variety of financial institutions, and achieves a rate of return that compares favorably with that achieved on similar types of funds managed by other financial institutions (last year the WB's yield on trust funds was 8%).

⁹In its capacity as Trustee for other multi-donor Trust Funds, the WB already has on-going relationships with commercial banks world-wide. In particular, the WB holds bank accounts in many commercial banks, which are accountable for the proper maintenance of the accounts and the security of all transactions within the accounts.

¹⁰Reporting on the commingled Fund finances would be done for the donors as a group, and therefore funds from any particular donor would not be tracked and reported on separately.

d. Independent Audits

The Board, in co-ordination with the Trustee, would set the standards and requirements for the independent financial audits that need to be carried out on any of the implementing and financial agencies involved in handling the resources of the GFATM. Any party handling GFATM funds would need to agree to be subject to independent audits, and to accept serious consequences, should the audits reveal financial malfeasance. Audits would be both regular and random: for example, all programs/grants over a certain value would be subject to regular audits, and all programs/grants below that threshold would be subject to random audits. Resources should be specifically set aside up front to cover the costs the auditing program.

2. Each Coordinated Country Proposal (CCP) should include plans for independent financial and program audits (of inputs and outputs), as well as independent evaluations of outcomes, starting with an assessment of the financial accountability of the recipients. The financial and program audits should be separate, parallel and linked at critical points in the system. The costs of these independent audits could be included in the cost of the CCP.
3. Disbursements will generally be effected by three principal methods:
 - a. Disbursements to finance expenditures for approved goods and services that have already been incurred, usually done on the basis of statements of expenditures. In this and the case below, common Trustee practice is to provide implementing agencies with sufficient funding to last 3-4 months, keeping the remaining resources invested to earn a return;
 - b. Direct payments to suppliers, based on pro-forma invoices: this reduces the amount of cash needed to be held in a Special Account (see point below) and ensures that the agreed procurement procedures are followed;
 - c. Advances to cover anticipated expenditures on the goods and services needed to carry out the approved activities over a specified period (often managed through a Special Account). These are usually provided to entities/countries that are particularly short of their own resources (where making an advance, and having to wait for reimbursement, would cause particular difficulties).
4. In addition, the Board may consider two further disbursement approaches:
 - a. An outcomes-based approach which provides incentives for the implementing agencies to achieve results in fighting the three diseases;
 - b. General budget support, which is not tied to the purchase of specific goods and services, but made on the basis of commitments to achieve change or make progress in certain areas.

D. Principles for ensuring financial and program accountability and options for channeling funds

1. The Board will enter into grant agreements with the recipients of funds: each grant agreement will set forth the terms and conditions on which the funds will be made available, including how and when the funds will be disbursed, the procurement requirements that will be applicable, and the program and financial reporting that the grantee will need to fulfill.
2. All grantees will provide regular financial reports through the CCM to the Trustee or sub-trustee. The grantees will also provide regular program reports as required by the Board.
3. In order to clarify the responsibility for the preparation, assessment, implementation and monitoring of programs and the use of funds made available by the GFATM, the Board will base its decisions regarding funding procedures and disbursement channels on an independent assessment of the expenditure and financial management capacity of recipient partners involved. The Board will consult with appropriate parties, including the Trustee, for this purpose. These assessments, taking into account internationally agreed standards, will guide decisions on the involvement of "lead support agencies" and on options for channeling the funds.
4. The Trustee may advise the Board on potentially suitable sub-trustees in specific countries or regions.
5. Costs are a consideration. Different options for channeling funds and maintaining accountability have different implications for costs, effectiveness and accountability. While many different combinations are possible, three main options are presented here. The Board will have the final decision on which option is most appropriate for each circumstance¹¹.
 - a. The *one-check option*: On the basis of an approved CCP, the Trustee disburses one check to the Government of the recipient country. The Government then passes the funds on to the various entities identified in the CCP, and is held accountable for both financial and program performance.
 - b. The *two-checks option*¹²: the Trustee (either directly, or through a "sub-trustee") makes out two checks, on the basis of an approved CCP. The first check goes to the Government, to pass on to all the public sector entities identified in the CCP. The second check goes to a credible entity in the non-government sector, which then passes the funds on to all the non-government entities identified in the CCP.

¹¹This would inevitably increase the workload of the Secretariat.

¹²This is the approach followed under the MAP (Multi-Sectoral AIDS Program in Africa), supported by the World Bank and other donors.

- c. The *multi-checks option*: The CCM proposes a sub-trustee, who would be responsible for both the financial and the program accountability, subject to approval by the Board and the Trustee. The sub-trustee could be a private bank, or some other appropriate entity. On the basis of an approved CCP, the Trustee would pass to the sub-trustee the full allocation for the country's CCP. The sub-trustee would periodically make out checks for each of the different entities identified in the CCP. The sub-trustee would be responsible to provide both financial and program reporting.