

**PROGRESS REPORT ON THE MID-TERM REVIEW OF THE SECOND VOLUNTARY
REPLENISHMENT 2008-2010 AND AN UPDATE ON RESOURCE MOBILIZATION**

OUTLINE:

1. Part 1 of this report provides a summary of the Midterm Review of the Second Voluntary Replenishment held at Cáceres, Spain from 30 March to 1 April, 2009.
2. Part 2 of this report provides an update on resource mobilization and is based on a paper submitted to the Mid-Term Review of the Second Voluntary Replenishment.

PART 1: INTRODUCTION

1.1 The report on the Mid-Term Review of the Second Voluntary Replenishment demonstrates that donors expressed a high level of confidence in the performance of the Global Fund and in the impressive results achieved by partners with financial support from the Global Fund. It has also been quite remarkable that all donors have met their commitments made at the Replenishment conference in Berlin in September 2007 and that no donor so far has indicated any reduction in its contribution because of the global economic crisis.

1.2 However, the meeting also revealed that donors find it increasingly difficult to scale up their contributions to meet the increased demand expressed to the Global Fund through high quality proposals. The Global Fund Board approved a record Round 8 of US\$ 2.75 billion in November 2008 and realistic estimates suggest that the ongoing Round 9, including the first wave of National Strategy Applications, will be of a similar size. The implications of the increased demand have been described in the paper for the Mid-Term Review entitled "Updated Demand Estimate" available at <http://www.theglobalfund.org/en/replenishment/caceres/?lang=en>.

1.3 At the Replenishment Conference in Berlin donors had encouraged the Global Fund Secretariat to demonstrate results and to further diversify the Global Fund's donor base

through involving new donors and expanding contributions from the Private Sector and Innovative Finance. These recommendations were built on the Global Fund's Resource Mobilization strategy agreed upon by the Board in 2007 (GF/B15/6 Annex 3). For its efforts to increase the income of the Global Fund, the Secretariat has also taken into consideration recommendations from the Global Fund's Partnership Forum, which was held in Dakar, Senegal on 8-10 December 2008, as well as the recommendations of the Resource Mobilization Task Team that reconvened on 15-16 January 2009 in Glion, Switzerland (see Attachment 1).

1.4 The progress and the challenges in resource mobilization from the public sector, including mobilization of new donors and the increase in contributions from the private sector and innovative financing, are described in Part 2 of this report. But as the report also demonstrates, these contributions will remain modest compared to the overall needs of the Global Fund facing a potential gap of US\$ 4-10 billion for 2009-2010 alone. The Global Fund already has more than 40 countries contributing to its mission and therefore the pool of potential countries that could be recruited as new donors on a significant scale will naturally be quite small. Also while the Private Sector and Innovative Finance are very important as complementary sources of income these efforts require a long-term investment and cannot be expected to yield immediate results in the order of magnitude required. Therefore there will be no alternative to OECD DAC donor countries increasing their contributions significantly should the demonstrated high-quality demand from implementing countries be met.

1.5 It has become obvious that demonstrating clear results, making strong efforts in harmonization and alignment with transparent reporting and measurable progress and efficient management will not be enough to convince donors to provide resources at the required level. The next step to fully finance the Global Fund enabling it to forcefully contribute to the achievement of the health Millennium Development Goals (MDGs) can only happen with strong political commitment at the highest political level. This needs to be complemented by broad support from Civil Society and Implementing Countries. They are in the best position to communicate the results and the resource needs to decision makers and the general public, particularly at a time of a global recession that is disproportionately affecting the poor and vulnerable. The Mid-Term Replenishment has outlined a set of concrete actions that the Global Fund will pursue vigorously. But there can be no doubt that a commitment to increased resources from our core donors will be indispensable to reach our common goals.

PART 2: SUMMARY OF THE MID-TERM REVIEW OF THE SECOND VOLUNTARY REPLENISHMENT

2.1 The replenishment process was established by the Board of the Global Fund in 2004. The First Replenishment covered the two-year period 2006-2007. The Second Replenishment is covering the three-year period 2008-2010. The preparatory meeting of the Second Replenishment was held in Oslo on 6-7 March 2007 and the pledging conference in Berlin on 26-28 September 2007. The Mid-Term Review took place in Cáceres, Spain, on 31 March - 1 April 2009.

2.2 The Mid-Term Review was chaired by Mr. Sven Sandström, Vice-Chair of the Replenishment 2008-2010, who ended his assignment with the Cáceres meeting and was warmly congratulated by the participants for his valuable support to the Replenishment process since its establishment.

2.3 Following the Berlin meeting of the Second Voluntary Replenishment, the overall size of the replenishment stood at US\$ 9.7 billion for 2008-2010, including pledges and projected

income. Total donor contributions available during 2008-2010 were expected to be at least US\$ 9.5 billion at the time of the Mid-Term Review. The amount is slightly lower than projected in Berlin in spite of larger than expected contributions, because of significant currency fluctuations. In domestic currency terms, the amount pledged was about 5% higher than projected in September 2007.

Results, Impact and strategy development

2.4 Throughout the meeting, the participants emphasized that the Global Fund has made remarkable progress since the Berlin meeting and that, together with grant recipients and other development partners, it is now having a significant and growing impact on the three diseases. Participants expressed particular appreciation for the Global Fund's Results Report 2008, "Scaling Up for Impact", and for the effort made by the Global Fund to monitor indicators of performance in implementing the harmonization agenda emanating from the 2005 Paris Declaration on Aid Effectiveness.

2.5 The participants also emphasized the challenges that come with the Global Fund's success and the need to meet these challenges in a responsible manner. They highlighted areas to which the Global Fund and its partners should give greater emphasis, such as: a) scaling up evidence-based prevention efforts, b) linking HIV/AIDS and sexual and reproductive health and rights, c) aligning country coordinating mechanisms (CCMs) and grant management processes with national strategies, plans and planning cycles, d) harmonizing with partners.

2.6 Participants also reviewed several key areas on which they had requested progress reports such as the implementation of the Global Fund strategy, including gender equality and health systems strengthening, and the initial results of the Five-Year Evaluation. They welcomed the progress made, urged rapid implementation of the gender strategy and requested a full report on the findings of the Five-Year Evaluation for the next replenishment meeting.

Demand and Resources

2.7 The Secretariat presented updated estimates of demand for 2009 and 2010. It provided three scenarios based on the following assumptions:

- i. ongoing programs, including Phase 2 and the Rolling Continuation Channel, would require a total of US\$ 2.0 billion per year;
- ii. together with the demand for new programs through Round 9 and 10, including National Strategy Applications, scenarios 1 to 3 range from US\$ 13.5 billion to US\$19.4 billion and are only slightly higher than the scenarios presented in Berlin.

The resulting resource gap for 2009-2010 ranges between US\$ 3.9 to 9.8 billion.

	US\$ billions	2008	2009	2010	Total Need	Available	Gap
		Scenario 1	3.9	5.1	4.5		
Scenario 2	3.9	6.6	5.5	16.0	9.5	6.4	
Scenario 3	3.9	8.0	7.5	19.4	9.5	9.8	

Totals may appear not to add because of rounding

2.8 Participants reconfirmed their commitment to contribute the pledges made in Berlin in 2007 and took note that total contributions available during 2008-2010 were expected to be at least US\$ 9.5 billion, based on exchange rates at the time of the Mid-Term Review. However, donors were not in a position to make significant new pledges to close the funding gap.

Challenges and ways forward

2.9 Instead donors identified a set of core actions to address the funding challenge and ensure financial sustainability of the Global Fund in the years to come.

2.10 Several donors indicated that they would consider in the near future additional contributions on the basis of the excellent results and emerging impact of Global Fund programs. Other existing and potential donors were urged to make additional and larger contributions, noting that much of the additional resources would have to come from donors who have committed to increasing their official development assistance to meet the targets established in the 2002 Monterrey Consensus on Financing for Development, as well as from other major economies and new and emerging donors. The importance of timely payments was emphasized, so as to avoid delays in grant approvals and signing.

2.11 Implementing countries were urged to increase their financing for health as a sound investment for social and economic development. In particular, African countries were encouraged to pursue the 2001 target established in Abuja by the Heads of State of the African Union to allocate at least 15% of annual national budgets to the health sector.

2.12 The Global Fund was asked to:

- i. pursue cost effectiveness and efficiency measures in order to ensure that available resources yield maximum results, including by promoting efficiency gains from voluntary pooled procurement and benchmarking of best prices;
- ii. make more extensive use of equity principles when prioritizing grant applications, particularly with regard to factors such as disease burden, income level and cost sharing;
- iii. review its role in the global health architecture, with the objective of ensuring harmonization with other health and development actors and remaining focused on areas where it has a comparative advantage, including by actively exploring opportunities for other actors to pick up some of the demand now being addressed to the Global Fund;

- iv. develop a framework for managing in a resource-constrained environment, based on the elements listed above. Without detracting from efforts to mobilize additional funding, this framework would cover the proposal making process (including timing, scope and criteria) and proposal prioritization process, particularly with regard to cost effectiveness, alignment with national strategies and with programs supported by other donors, and equity across countries.

Preparing for the next Replenishment

2.13 Donors agreed to carry out a Third Replenishment in 2010 in order to provide funding for 2011 and beyond, preferably with only two meetings - one preparatory meeting in early 2010 and one pledging meeting in the fall. Additional meetings would be held if required.

2.14 Participants emphasized the importance of long term commitments, in view of the special character of the diseases the Global Fund addresses. In line with the examples provided by the United Kingdom, the Gates Foundation and, most recently, the European Development Fund of the European Commission, participants asked the Global Fund to work towards increasing the number of donors providing such long-term commitments, if allowed within their budget cycles and legislative procedures. Most donors felt that the replenishment period should remain three years. However, they agreed that the next replenishment would provide a menu of options where donors would be able to pledge for three years or for any longer time period.

2.15 A flexible and informal approach will be maintained with respect to eligibility to attend the replenishment meetings: in addition to larger donors, smaller donors and potential new donors will be invited to ensure a diversity of perspectives and to provide incentives for new donors to join the replenishment. The Global Fund was asked to make a special effort to prepare new donors in advance with the Global Fund's model and way of working, in order to ensure that they can actively participate in the replenishment discussions.

PART 3: REPORT ON RESOURCE MOBILIZATION

Public Sector Donors

3.1 Public sector contributions continue to represent the largest source of income for the Global Fund. Since the inception of the Global Fund, 50 donor governments have contributed US\$ 11.9 billion. In 2007 and 2008 those 16 member countries of OECD's Development Assistance Committee (DAC) that are the largest supporters of the Global Fund contributed 96 percent of the contributions of the public sector donors. Some additional 20 donor governments collectively provided the remaining 4 percent of such resources for the two-year period.

3.2 Regular activities have been undertaken in key donor countries to maintain and strengthen the support to the Global Fund. High-level visits and presentations on the Global Fund's progress and performance ("road shows") have supported the dialogue with stakeholders from governments, technical cooperation agencies, parliamentarians and civil society in virtually all major donor countries, including in preparation for the Mid-Term Review of the Second Replenishment.

3.3 Of the donors who were not able to announce pledges in Berlin, Canada has confirmed CAD 450 million for 2008-2010, Japan has committed US\$ 560 million for a multi-year period

starting in 2009. The US has appropriated US\$ 840 million for the financial year 2008. For fiscal year 2009 the US has appropriated US\$ 900 million.

3.4 To date, the financial support to the Global Fund has overall been sustainable and increasing. Global Fund donors have confirmed that they will honor their commitments made at the pledging conference of the Second Replenishment in Berlin and have paid their contributions for 2008 according to schedule.

Mobilizing contributions from new and smaller donors

3.5 At the pledging conference of the Second Replenishment participants emphasized that, with an increasing demand, the support from new donors as well as from existing donors who have the potential to make further contributions will be essential. In line with this priority the Global Fund has intensified its outreach to new donors including smaller donors from OECD's Development Assistance Committee, new EU Member States, emerging economies and oil producing states. The following paragraphs provide an overview of this outreach, its potential and some of the central challenges that the Global Fund is facing in the involvement of new donors.

3.6 Most member countries of OECD/DAC provide more than 1% of their ODA to the Global Fund. A few members either have not contributed in recent years or are providing less than 0.8% of their ODA. It is understandable that each donor country allocates resources according to its strategic priorities. In order to strengthen the collective contribution to the common effort to invest additional resources in the response to the three diseases, the Global Fund is involved in constant dialogue with donors and other partners to seize opportunities and address constraints in making significant contributions to the Global Fund. Informal consultations and visits to countries have been undertaken to understand from decision makers the reasons for limited commitment to supporting the Global Fund, when this is the case, to show to various national stakeholders the results and impact of the Global Fund and its added value as an effective investment for development cooperation for health and to highlight the importance of participating in this solidarity effort and in sharing equitably the burden between donors. The following paragraphs provide some examples of the activities that have been recently undertaken by the Global Fund.

3.7 Greece has increased its support to the Global Fund through a pledge of US\$ 1.28 million for 2009, compared to US\$ 0.48 million in 2007 and attended the Mid-Term Review of the Replenishment.

3.8 The dialogue with Austria and New Zealand, which have not contributed to the Global Fund after 2002 and 2005 respectively, has been intensified through their Permanent Missions in Geneva. Visits to both countries are being planned for the second half of 2009. Austria will host the International AIDS Conference in 2010. The advocacy of Friends of the Global Fund Pacific will strengthen the regular exchange with the Government of New Zealand.

3.9 The Global Fund has started a dialogue with New EU Member States with the objective of presenting the Global Fund as an effective mechanism for multilateral health aid. The EU12 are bound by the "acquis communautaire" to contribute to the financing of European development assistance. For the new member states, the individual ODA target was set at 0.17% of their GNP by 2010. Latvia and Romania have now started contributing to the Global Fund, Poland, Slovenia and Hungary have slightly increased their contributions.

3.10 The dialogue with emerging economies is a central focus of the Global Fund's partnership activities. In high-level meetings with government officials in both China and India, senior representatives of the Global Fund sought their commitment to increase their financial contributions to the Global Fund particularly in the context of the Board meetings in China in 2007 and in India in 2008. To date, the Russian Federation is the only country representing emerging economies while it is also a major Global Fund recipient that has explicitly expressed an interest in moving from the status of recipient to that of core donor.¹ The development of the G8 into a G20 forum, including countries that are currently beneficiaries of the Global Fund, may be an opportunity to further engage some key emerging economies in Global Fund processes. This could in the longer term also lead to direct financial contributions from these governments.

3.11 With the objective to further strengthening their involvement in the Global Fund intensive discussions have been held with the governments of Brunei, Malaysia, Singapore and Korea leading to a recommitment or the announcements of first time contributions. Alongside financial support, the dialogue focused on enhancing the partnership in terms of technical cooperation and their potential role as advocates for the Global Fund in the region. The outreach included the respective ministries and discussion with parliamentarians and other opinion leaders.

3.12 Extensive relationship-building activities with Oil Exporting Countries have been undertaken through contacts and several visits. Discussions have been undertaken in particular with Kuwait, Qatar, Saudi Arabia and the United Arab Emirates. More awareness about the Global Fund, its activities and its impact was raised in the region. Brunei made its first pledge to the Global Fund in 2007; Saudi Arabia has increased its yearly contribution and made a multi-year pledge of US\$ 18 million to the Global Fund for the second replenishment period. Kuwait has resumed its contribution and has pledged to renew its commitment on a yearly basis. The dialogue has also been strengthened with some key regional and intergovernmental organizations, such as the Gulf Cooperation Council, the Organization of the Islamic Conference and the Coordination Group of Arab Development Funds.²

3.13 Contacts with the Middle East have been intensified including with representatives in Permanent Missions, Ministries, Development Funds and intergovernmental organizations. Ongoing contacts with the latter have helped create a climate of confidence and the perception of the Global Fund as a potential partner is growing steadily. The launch of Friends of the Global Fund Middle East /North Africa on April 21, 2009 will also help to raise awareness of the Global Fund and engage the private sector in the region.

3.14 In summary, nine smaller donors made pledges for at least part of the current replenishment period since the pledging conference in Berlin. Among these, Romania and Latvia joined as new donors, Kuwait renewed its support after having made its last contribution in 2003, and Greece, Hungary, Iceland, Poland and Slovenia increased their financial commitment compared to contributions in previous years³. These donors, based on

¹ In 2007, an agreement between the Global Fund and the Russian Federation was signed establishing that the Russian Federation would reimburse the Global Fund the amount of funds disbursed by the Global Fund for programs in the Russian Federation since the signature of the agreement.

²An MOU between the Global Fund and the Islamic Development Bank will be signed in early 2009. An MOU between the Global Fund and the Organization of the Islamic Conference is under preparation after three resolutions were adopted by the latter exhorting member states implementing Global Fund grants to increase quality demand to the Global Fund and richer member states to lend financial and political support to the Global Fund.

³ In addition, Liechtenstein, which has contributed regularly since 2005, continued its donations at previous levels.

their economic potential and development cooperation commitments, have the capacity to become more important and regular donors for the Global Fund.

Challenges in mobilizing contributions from new and smaller donors

3.15 In spite of intensified efforts to encourage significant contributions from additional donors and encouraging signals of interest and fruitful interaction, actual contributions from emerging economies, oil-rich countries, some OECD/DAC donors and new EU member states have remained fairly low or moderate at best. There are a number of specific reasons that have been identified. Among the reasons for limited financial commitments may be relative economic weakness, lack of political priorities concerning global health, investment in other multilateral channels or preference for bilateral channels.

3.16 Several other countries with strong potential for supporting the Global Fund do not have a tradition to invest in ODA and/or to provide support for new multilateral organizations. Commonly over two thirds of their development aid is bilateral assistance, in the form of project loans and grants, focusing on technical cooperation. In addition, their bilateral development cooperation is often directed towards their neighboring region or sub-region.

3.17 Some additional potential donors of less contributory capacity may have felt that their funding ability is too small compared to the resource needs of the Global Fund and they may have therefore been discouraged from starting, or increasing, their support.

3.18 There is generally a very low interest in health and development issues among decision makers and local media in several of these countries and no or little advocacy by civil society groups. The focus is generally on domestic needs, particularly in emerging economies which still belong to lower-middle income countries (China and India). In these countries, this feature may be now further compounded by the effect of the current economic and financial crisis. Growth rate figures published by the IMF have been revised downwards and growth in emerging and developing economies, for example, is expected to slow sharply from about 6 percent in 2008 to 3 percent in 2009.

3.19 Mobilizing resources in all these countries therefore requires a long-term approach aimed at building confidence with key decision makers, providing regular information on the Global Fund and making the case for the Global Fund as an innovative financing institution based on global solidarity, requiring the active participation of all countries according to their abilities.

Support from leading political forums and parliamentary networks

3.20 With the objective to address some of the above mentioned challenges and to support an environment conducive to increased financial support for the Global Fund, over the last two years the Secretariat has carried out special activities to position the Global Fund in relevant political forums, including the G8. The Global Fund's visibility has been supported through high-level visits, participation in events and statements in public and academic forums, which has contributed to ensure the continuity of support by the G8 political processes and strengthened the relationships with G8 hosts. Additional to the role of the G8 as financial supporters, their political leadership and support is central to the involvement of new donors.

3.21 A regular program of advocacy events has also been established in the context of the EU Presidencies in both Brussels and the host country capitals, with a focus on strengthening the political and financial commitments of EU member states, particularly those that are not yet contributing to the full potential of their ODA commitments. The Global Fund has therefore started working with the EU presidencies with the objective of promoting opportunities for discussion about the Global Fund and possibly creating a climate of positive emulation among the member states. This program has intensified since the Slovenian Presidency in 2008 and has included presentations of the work of the Global Fund in the programs of the hosting Presidencies, including in discussions at the General Affairs and External Relations Council of the European Union, at the Working Group on Development of the European Council, and in the context of the European Development Days. As already mentioned, six additional members of the European Union have started contributing, or resumed contributions, to the Global Fund since the Replenishment meeting in Berlin.

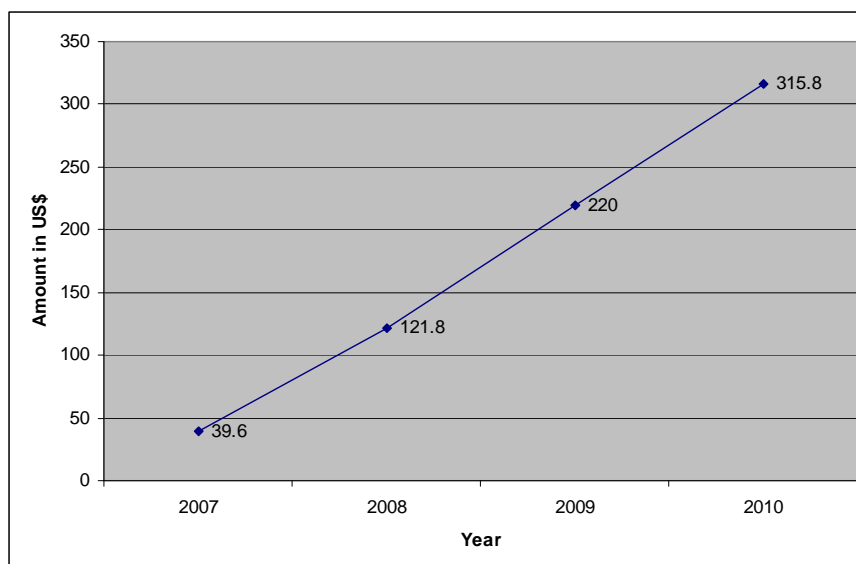
3.22 The Global Fund has started positioning itself in parliamentary agendas, to promote political visibility, commitment and supportive budgetary decisions in current and potential donor countries. Senior staff participated in parliamentary hearings and roundtables in the US Congress, the European Parliament and national parliaments. Since 2008, such activities have been intensified and better articulated by establishing contacts and collaborations with key parliamentary networks (e.g. the Inter-Parliamentary Union - IPU, European Parliamentary Network on Population and Development - EPF, the Association of Western Parliamentarians for Africa - AWEPA). In addition, visits to Global Fund's financed programs have been organized to Africa, Asia, Latin America and the Middle East, which have involved parliamentarians and parliamentary advisors from a large number of donor countries. The work with parliaments has had a direct impact, with important funding decisions having been taken by some key donor governments in support of the Global Fund since 2007. The interaction with parliamentary networks has also been instrumental in promoting common positioning and support from parliamentarians from both existing and potential donor countries.

Innovative Financing Mechanisms

3.23 The area of innovative financing has grown and expanded. Since September 2007, innovative financing mechanisms have contributed US\$121.8 million to the Global Fund against projected pledges and contributions forecast of US\$ 315.8 million for the period 2007-2010. Although the overall share of innovative financing remains small in comparison to the replenishment targets, the quality and quantity of resources is increasing rapidly. Importantly, the Global Fund is emerging as a global leader in this area and innovative financing is now closely associated with a creative and dynamic Global Fund business model.

3.24 Currently, innovative financing of the Global Fund includes Debt2Health, which was launched at the replenishment meeting in Berlin, the collaborations with UNITAID and a new innovative investment fund concept, which is in its feasibility study stage.

Figure 1: Cumulative Pledges & Contributions Forecast from Innovative Financing, 2007-2010



i. Debt2Health

3.25 In September 2007, at the Berlin replenishment meeting, the Global Fund launched the Debt2Health initiative in collaboration with Germany and Board members from all constituencies. Under individually negotiated debt swap agreements facilitated by the Global Fund, creditors agree to relinquish a part of their re-payment right on the condition that the beneficiary countries invest the saved interest payments in approved Global Fund programs. The payment schedule for this counterpart payment is aligned to the interest payment schedule so that all adverse impact on the domestic budgets including health budgets is avoided.

3.26 Germany was the first Global Fund donor that committed to make available €200 million in additional resources for the fight against HIV/AIDS, tuberculosis and malaria through debt conversions under Debt2Health. Since the launch of Debt2Health, Germany has signed two debt swap agreements, one with Indonesia for €50 million and one with Pakistan for €40 million. Given that Germany offered a 50% discount rate to both countries, these two agreements have resulted in €45 million in new and additional resources for the Global Fund.

3.27 At its Seventeenth Board meeting, the Board recognized some of this early success in securing resources through Debt2Health and resolved that although it is awaiting specific data on aspects of the program, it supported the exploration of additional opportunities beyond the four initial implementing countries. Pursuant to the decision, opportunities in additional countries are being explored (see status in figure 2).

3.28 Discussions concerning the participation of additional creditors are on-going. The Australian government has committed to implementing a Debt2Health swap with Indonesia for AUD 75 million. It is expected that negotiations on the agreement will commence following the approval of the Australian budget in May 2009. If successful, this would be the first debt for health swap ever utilizing commercial (ECA) debt.

Figure 2: Status of Debt2Health

Creditor	Beneficiary	Amount (millions)	Terms	Net (millions)	Status
Germany	Indonesia	€50	50%	€25	Signed 26 September 2007
	Pakistan	€40	50%	€20	Signed 30 November 2008
	Ecuador	€20	10%	€18	Under Negotiation
	Bosnia & Herzegovina	€10	0%	€10	Planned/ Subject to Parliamentary Approval
	Egypt	€40	50%	€20	Planned/ Subject to Parliamentary Approval
	Kyrgyz Republic	€8.5	45%	€3.8	Planned/ Subject to Parliamentary Approval
	Philippines	€25	0%	€25	Planned/ Subject to Parliamentary Approval
Australia	Indonesia	€39.2	50%	€19.6	Expected for May 2009/ Subject to Parliamentary Approval
Total	EUR	€232.7		€141.4	
	USD	\$ 309.7		\$ 188.1	

Notes: - Exchange rate as of 27 March 2009
- Discussions on going with France, Italy and Spain

ii. UNITAID

3.29 The majority of financing for the international drug purchase facility UNITAID (82%) comes from a dedicated levy on international air tickets. The remaining resources (18%) come from ODA contributions and/or other taxes. UNITAID is an independent organization with its own governance structure and decision-making process hosted by the World Health Organization (WHO). In April 2008, the Boards of UNITAID and the Global Fund agreed to maximize synergies between the two organizations through future collaborations described within an approved Roadmap. The Roadmap sets out the complementary and strategic roles for each organization within the three diseases as well as in cross-cutting information-sharing and diagnostics. In 2007, UNITAID committed US\$145 million to the Global Fund for activities supporting health outcomes in all three disease areas, of which US\$70.5 million have been disbursed to-date.

Figure 3: Overview UNITAID contributions

<i>Area</i>	<i>Focus</i>	<i>Ceiling Amount</i> <i>(US\$ millions)</i>	<i>Contributed</i> <i>(US\$ millions)</i>	<i>Status</i>
<i>HIV/AIDS</i>	<i>Round 6</i>	<i>13.7</i>	<i>13.7</i>	<i>Under Implementation</i>
<i>Tuberculosis</i>	<i>MDR-TB Scale-up</i>	<i>38.7</i>	<i>37</i>	<i>Under Implementation</i>
	<i>MDR-TB Direct Disbursement R8& RRCC</i>	<i>122</i>		<i>Planned/ Under Review by UNITAID</i>
<i>Malaria</i>	<i>ACT Scale-up</i>	<i>78.8</i>	<i>26.8</i>	<i>Under Implementation</i>
	<i>Affordable Medicines Facility malaria (AMFm)</i>	<i>130</i>		<i>Approved/ Agreement Stage</i>
<i>Total</i>		<i>383.2</i>	<i>77.5</i>	

* MDR-TB: Multidrug-resistant tuberculosis, ACTs: Artemisinin-based combination therapies

3.30 In January 2009, a special session of the UNITAID Board approved up to US\$130 million as a UNITAID contribution to a new initiative, the Affordable Medicines Facility - malaria (AMFm). The AMFm is an innovative financing mechanism aimed at increasing access to inexpensive, effective anti-malarial treatment, in the form of ACTs. It will achieve this through reducing consumer prices to an affordable level through price negotiations and a co-payment to manufacturers. It is expected that national wholesalers (in the public, private and not-for-profit sectors) will see a price reduction to approximately US\$ 0.05 per treatment course. The AMFm has the potential to reduce the cost of ACTs to US\$ 0.20-0.50 for most patients who pay for their treatment. The price reduction to the end user will be carefully monitored as a key success factor. AMFm will also ensure safe and effective scale-up of ACT use through in-country supporting interventions. Currently, the Global Fund Secretariat is in the process of negotiating the legal agreement concerning the UNITAID contribution to the Global Fund for the AMFm.

3.31 In March 2009 an additional proposal was submitted to UNITAID. This proposal requested UNITAID to consider a financial contribution targeted to MDR-TB drugs and diagnostics costs for Round 8 and RCC Wave 4 totaling US\$ 122,918,422.

iii. Innovative Financing Investment Fund

3.32 In October 2008, the Bill and Melinda Gates Foundation awarded a grant of close to a million dollars to the Global Fund for work on a new innovative financing concept involving private and institutional investors. This new project is currently investigating opportunities to create a high-quality financial product open to private and institutional investors based on the (RED) model of for-profit business and social return. The product envisioned would offer market returns and at the same time generate social benefits. This social benefit would come in the form of a contribution derived from the fee structures of participating fund managers. It is estimated that the current financial crisis offers an opportunity to combine existing investment strategies with increased transparency and social responsibility. Focus would be on leading investor philanthropists, institutional and private investors from regions of the world which do not have established ODA-comparable structures, and Sovereign Wealth Funds (SWFs), which hold more than US\$2.8 trillion in assets.

3.33 Any social return from the fund would be fully integrated into the proven performance-based funding model of the Global Fund. Using the existing Global Fund system of grant making and monitoring and evaluation will make it possible for the product to maintain very low transaction costs (analogous to the (RED) model) while at the same time achieving results and impact on the ground immediately. If successful, this vehicle would be the first of its kind and would test an entirely new asset class in terms of its viability for development and global health financing. The client focus of this fund of funds would be on Sovereign Wealth Funds (SWFs) and prominent philanthropy investors as leaders in public opinion. Additionally, pension funds and other large institutional investors would be potential clients due to their large size and their interest in social investments. Special attention will be given to G8 countries, the Middle East and the emerging economies.

Private Sector Resource Mobilization

3.34 Since the Second Meeting of the Second Voluntary Replenishment in Berlin in September 2007, private sector resource mobilization has experienced rapid growth along the several axes of development indicated in the Global Fund strategy "Accelerating the Effort to Save Lives" and following the recommendations of the Resource Mobilization Task Team. Growing as proportion of a fund which has itself grown significantly, in 2008 private sector contributions amounted to 6.4% of overall pledges and contributions, making significant progress towards the long term goal of reaching 10% of overall resources. In addition to providing sustainable and additional sources of funding, private sector donor partnerships such as (PRODUCT)RED provide invaluable public exposure for the Global Fund and the causes it serves. The increase in private sector funding has been achieved on a highly efficient basis through the leveraging of external partnerships, rather than reliance on large internal staffing and resources.

3.35 Essentially, private sector resource mobilization at the Global Fund consists of three complementary 'lines of business': Consumer Marketing Initiatives such as (PRODUCT)RED; Corporate Partnerships such as the Global Fund Corporate Champions program; and Philanthropic Giving, which includes annual contributions from the Bill and Melinda Gates Foundation and other foundations and individuals.

Figure 4: Private Sector Contributions (US\$ millions)

	2006	2007	2008
Consumer Marketing Initiatives	10	45	71
Corporate Partnerships	0	0	10
Philanthropic Giving	100	101	101
Total	110	146	182
Annual Growth		33%	25%

i. Consumer Marketing Initiatives

3.36 Since the Berlin Replenishment Conference in 2007, (PRODUCT)RED has continued to be a highly effective, innovative and sustainable funding source for the Global Fund. By the end of March 2009, (RED) has generated US\$ 130 million to support Global Fund grants in Africa. Four countries—Rwanda, Swaziland, Lesotho and Ghana—now receive (RED) funding, with more countries under consideration as funds continue to flow. Far from being a short-lived ‘campaign’, (RED) is showing remarkable vitality as the brand continues to move into new product categories and markets. By communicating with ordinary citizens and consumers through brands they know and trust, (RED) has been able to engage millions of hearts and minds in the fight against AIDS in Africa. Through its high-powered marketing partnerships, (RED) has provided the Global Fund with invaluable exposure in media coverage and advertising. Online, (RED) has been able to connect millions of young people to the fight against AIDS in Africa, helping to create networks of concerned citizens, who contribute to keeping AIDS in Africa on the public agenda, and become advocates for development issues, and the MDGs more generally.

3.37 While long-term partners such as Apple, Gap and Emporio Armani continue to generate significant revenue, (RED) has continued to develop and launch exciting new partnerships and ventures. In early 2008 (RED) launched two major new partnerships – with Hallmark, and a cooperation between Dell and Microsoft producing (RED) computers, launched at the World Economic Forum in Davos. The (RED) art auction at Sotheby’s raised nearly US\$ 40 million for the Global Fund on Valentine’s Day 2008 from the sale of works by leading artists. Later in the year, two additional large partnerships were launched. First, on World AIDS Day 2008, Starbucks branches in North America contributed 5 cents from each of millions of beverages sold that day, marking the start of a multi-year partnership with (RED). Second, (RED)WIRE was launched, a digital music magazine offering consumers exclusive musical content, as well as rich media content showing the impact of (RED) funds in Africa. Subscribers to (RED)WIRE in the US pay a monthly fee, half of which goes directly to the Global Fund. (RED) expects to launch one or two major partnerships in 2009, and has strengthened the management team of its London office, with a view to undertaking more partnerships with companies based outside the US. By the end of March 2009, (RED) has generated US\$ 130 million to support Global Fund grants in Africa.

3.38 The Global Fund has also continued to be the recipient of another high-profile public fundraising initiative in the US. The “Idol Gives Back” program produced by Fox Television in the US has supported the Global Fund for two years, providing a total of US\$ 16.6 million in support, directed mostly to the Global Fund HIV grant in the Western Cape Province in South Africa. As part of the “American Idol” program, “Idol Gives Back” has allowed the Global Fund access to a huge audience of US television viewers.

3.39 New significant partnerships in the consumer marketing area continue to emerge. In April 2009, the board of Comic Relief voted to direct US\$ 3 million to support Global Fund malaria grants in Southern Africa. The funds were raised from the general public in the UK as part of Comic Relief's bi-annual fundraising event, "Red Nose Day", which is the largest regular single day fundraising event worldwide. The Global Fund continues to explore further such partnerships, which have proven a source of sustainable funding and public advocacy.

ii. Corporate Partnerships

3.40 Following the launch announcement made by Kofi Annan at the Berlin replenishment conference, the Global Fund has successfully launched Corporate Champions, its own corporate partnership program. In early 2008, Chevron Corporate announced its commitment to become the first Global Fund Corporate Champion with a funding commitment of US\$ 30 million over three years, to be directed to Global Fund grants in six countries—Nigeria, South Africa, Angola, Philippines, Thailand and Indonesia. Prior to Chevron, the largest corporate gift to the Global Fund amounted to US\$ 1 million. In addition to the funding commitment, Chevron committed to deploy the skills and energies of its people and other resources to support grant actors and implementation. Partnership activities in each of the six countries are being developed in a consultation process involving Chevron and local actors. In Indonesia, Chevron's local unit is supporting capacity building workshops for the Global Fund grant recipient. In other countries such as South Africa, Chevron will deploy its local network of hundreds of retail stations to support communications activities. The Global Fund's partnership with Chevron not only represents a significantly new and higher level of corporate contributions, but also an innovative platform for public-private partnership.

3.41 In the current economic environment, there are challenges in securing new companies which will be able to make leadership commitments at the same level as Chevron. The Global Fund is evolving the Corporate Champions program to include a wider range and different levels of partnerships in order to maximize overall private sector support, and secure an increasing number of partners for the program. A critical development in this regard is the adoption (after several years of intense debate) by the Global Fund board of a policy regarding in-kind donations. Under the adopted policy, the Global Fund will not act as a vehicle for donations of medical products (essentially due to issues and potential complications arising from drug donations.) However the Global Fund will directly receive and broker offers to recipients of donations of services, as long as issues such as conflict of interest are addressed. An initial trial partnership is being deployed with Standard Bank of South Africa, Africa's largest bank, for the pro bono provision of financial management capacity building to Global Fund recipients in four countries. The Global Fund expects to develop similar partnerships in future which deliver significant value to grant implementers.

3.42 As well as its own Corporate Champions partnership program, the Global Fund continues to support and provide a channel for funding for collective action by the corporate sector on the diseases. Most notable among current initiatives in this regarding is the "Malaria Capital Campaign" led by the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria ("GBC") and Malaria No More, an NGO co-founded by Ray Chambers, the UN Secretary-General's Special Envoy for Malaria.

iii. Philanthropic Giving

3.43 The Bill and Melinda Gates Foundation continues to be the largest private sector funder of the Global Fund. In addition to general support of the Global Fund of US\$ 100

million a year, the Gates Foundation offers grants outside the Global Fund architecture which support advocacy and stakeholder engagement, including support for “Friends of the Global Fund” organizations around the world.

3.44 The United Nations Foundation is an effective partner for the Global Fund for new fundraising efforts involving the private sector. Most notably, the Global Fund is expected to benefit considerably from the malaria partnership set up by UNF (with seed funding from the Gates Foundation) and involving two US faith-based groups—the Methodists and Lutherans. Each of the two Christian groups is planning to raise US\$ 100 million to fight malaria starting in 2009, a considerable portion of which will be directed to support Global Fund malaria grants in Africa.

3.45 In addition to established partnerships with Gates and UNF, new foundation donors and relationships have continued to emerge. Communitas Foundation of Bulgaria is in the second year of a three year pledge of US\$ 3 million to support the Global Fund malaria grant in Senegal. The M.A.C. AIDS Fund, which has raised over US\$ 135 million for AIDS from the sale of M.A.C. cosmetic products since 1994 has pledged US\$ 1 million to support the Global Fund Jamaica HIV grant through the ‘Idol Gives Back’ program in 2008, and the fund continues to explore opportunities for further collaboration in the Caribbean and South Africa. The Global Fund is also actively exploring opportunities for partnership with a number of foundations engaged in the Global Fund in a variety of areas such as gender and leadership development.

3.46 Through investments in new human resources and development of its partnership strategy, the Global Fund is significantly augmenting its ability to undertake effective partnerships with leading foundations in the global health arena. Key new resources include: the Partnerships Unit established within the External Relations cluster of the Secretariat; the civil society and private sector officers who will operate within the Global Fund’s Country Programs regional clusters; and the Philanthropic Giving sub-team established within the Private Sector Resource Mobilization team.

3.47 The Resource Mobilization Task Team recommended that the Global Fund “measure the scope and scale of opportunities for mobilizing resources from high-net worth individuals and philanthropic foundations.” In fact, donations from high-net worth individuals represent perhaps the most significant potential growth area for donations at the fund. The Private Sector Resource Mobilization team has now established a sub-team which will focus exclusively on high-net worth individuals and foundations as new avenues for funding. The sub-team will develop a ‘case for giving’ for philanthropic donors, identify key prospects and manage the cultivation and securing of new donors in this area. The aim will be to launch a campaign for individual philanthropic giving by the end of 2009, which will be a significant driver of further growth in private sector resource mobilization. The sub-team will collaborate closely with the Innovative Finance team in the marketing of new financial instruments supporting the Global Fund applicable to these donors.

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.

Annex 1: Pledges and contributions by public donors that pledged for at least part of the Second Voluntary Replenishment (2008-2010)(in US\$)⁴

Country	2008	2009	2010
Australia	38,883,600	29,936,700	29,936,700
Belgium	15,919,114	16,468,560	16,853,040
Canada	129,050,553	121,319,961	121,319,961
China	2,000,000	2,000,000	2,000,000
Denmark	29,397,930	29,799,673	29,799,673
European Commission	130,800,000	128,160,000	128,160,000
Finland	3,934,250	4,485,600	
France	397,669,000	384,480,000	384,480,000
Germany	312,202,200	256,171,775	256,320,000
Greece		1,281,600	
Hungary	20,000		
Iceland	300,000		
India	2,000,000	2,000,000	3,000,000
Ireland	37,246,688	38,448,000	44,856,000
Italy	186,890,600	166,608,000	166,608,000
Japan ⁵	183,844,974	194,426,073	
Korea (Republic of)	3,500,000	3,500,000	
Kuwait	1,000,000		
Latvia	10,000		
Liechtenstein	100,000		
Luxembourg	3,899,250	3,204,000	3,204,000
Netherlands	114,192,000	76,896,000	115,344,000
Norway	52,646,357	54,075,879	54,075,879
Poland	100,000		
Portugal	3,000,000	2,500,000	2,500,000
Romania	66,670		
Russia ⁶	40,247,541		
Saudi Arabia	6,000,000	6,000,000	6,000,000
Singapore	200,000		
Slovenia	53,336		
South Africa	98,039		
Spain	136,547,085	200,000,000	250,000,000
Gen.Catalunya/Spain	1,922,400		
Sweden	104,797,958	74,451,677	76,556,641
Switzerland	6,688,963	6,025,133	6,025,133
Thailand	1,000,000	1,000,000	1,000,000
United Kingdom ⁷	71,978,000	164,473,000	235,983,000
United States ⁸	840,304,000	500,000,000	
TOTAL	2'856'510'508	2,467,711,631	1,934,022,027

⁴ Individual numbers in this annex may differ from numbers in Annex 1 of the report "Updated Demand Estimate 2008-2010". This current annex is based on the pledges & contributions spreadsheet, www.theglobalfund.org, accessed on 27 February 2009, whereas the numbers in Annex 1 of the Updated Demand Estimate 2008-2010 are based on a financial model combining several exchange rates.

⁵ Japan in May 2008 announced a new contribution worth US\$ 560 million for the coming years from 2009 onwards, of which a first part has been pledged and is shown in the 2009 column.

⁶ Russia pledged US\$ 217.0 million at the pledging conference in Berlin. The yearly allocation of the Russian Federation pledge for 2008-2010 will be according to the schedule to be agreed with the Global Fund Secretariat.

⁷ The UK also pledges up to GBP 670 million over the 5 years from 2011 to 2015 providing the Global Fund is receiving good quality demand, is performing well, and is demonstrating sustainable impact.

⁸ The United States contribution to the Global Fund is subject to certain U.S. legislative restrictions, including that, during 2004-2008, no U.S. government contribution may cause the total amount of U.S. government funds contributed to exceed 33% of total contributions.

Annex 2: Governments Support to the Global Fund: Simulations of 2010 contributions based on proportional share of Net ODA⁹

Source: OECD, "Aid Targets Slipping out of Reach?", November 2008; Pledges and Contributions

Source: Pledges & Contributions spreadsheet, www.theglobalfund.org, 1 December 2008

Donor Country	2007 Net ODA (US\$)	2007 Net ODA as % of GNI	% of 2007 ODA Contributed to GF	Estimated 2010 Net ODA (US\$)	Estimated % of 2010 ODA Pledged to GF	Simulation of share of 2010 funding targets based on fixed % of expected ODA invested in the Global Fund (US\$) and with US\$ 6 and 8 billion targets			
						3.8% of 2010 ODA	Current % (2007) + 8% of additional ODA 2008-2010	5.1% of 2010 ODA	Current % (2007) + 12.5% of additional ODA 2008-2010
Australia	2,669,000,000	0.32%	0.57%	3,224,000,000	0.94%	122,512,000	59,663,400	164,424,000	84,638,400
Belgium	1,953,000,000	0.43%	0.85%	3,383,000,000	0.50%	128,554,000	130,951,909	172,533,000	195,301,909
Canada	4,080,000,000	0.29%	2.71%	4,473,000,000	2.71%	169,974,000	142,039,894	228,123,000	159,724,894
Denmark	2,562,000,000	0.81%	1.01%	2,636,000,000	1.14%	100,168,000	31,825,777	134,436,000	35,155,777
France	9,884,000,000	0.38%	4.30%	13,989,000,000	2.78%	531,582,000	753,340,657	713,439,000	938,065,657
Germany	12,291,000,000	0.37%	0.95%	17,948,000,000	1.44%	682,024,000	569,240,260	915,348,000	823,805,260
Ireland	1,192,000,000	0.55%	2.27%	1,388,000,000	3.27%	52,744,000	42,696,700	70,788,000	51,516,700
Italy	3,971,000,000	0.19%	4.54%	11,030,000,000	1.53%	419,140,000	745,095,000	562,530,000	1,062,750,000
Japan ¹⁰	7,679,000,000	0.17%	2.42%	9,015,000,000	2.04%	342,570,000	292,886,798	459,765,000	353,006,798
Netherlands	6,224,000,000	0.81%	1.33%	6,550,000,000	1.78%	248,900,000	108,778,000	334,050,000	123,448,000
Norway	3,728,000,000	0.95%	1.35%	4,178,000,000	1.29%	158,764,000	86,238,675	213,078,000	106,488,675
Spain	5,140,000,000	0.37%	2.05%	8,212,000,000	3.04%	312,056,000	350,910,611	418,812,000	489,150,611
Sweden	4,339,000,000	0.93%	1.39%	4,936,000,000	1.60%	187,568,000	107,855,251	251,736,000	134,720,251
United Kingdom	9,849,000,000	0.37%	2.05%	16,345,000,000	1.55%	621,110,000	721,384,000	833,595,000	1,013,704,000
United States ¹¹	21,787,000,000	0.36%	3.12%	26,998,000,000	3.33%	1,025,924,000	1,096,325,592	1,376,898,000	1,330,820,592
Sub-total	97,348,000,000			134,305,000,000		5,103,590,000	5,239,232,524	6,849,555,000	6,902,297,524
Finland	981,000,000	0.16%	0.34%	1,363,000,000		51,794,000	33,881,000	69,513,000	51,071,000
Greece	501,000,000	0.16%	0.10%	1,178,000,000		44,764,000	54,644,260	60,078,000	85,109,260
Luxembourg	376,000,000	0.91%	0.83%	421,000,000	0.77%	15,998,000	6,707,700	21,471,000	8,732,700
Portugal	471,000,000	0.22%	0.64%	1,153,000,000	0.22%	43,814,000	57,560,000	58,803,000	88,250,000
Switzerland	1,689,000,000	0.37%	0.34%	1,940,000,000	0.30%	73,720,000	25,815,824	98,940,000	37,110,824
Austria	1,808,000,000	0.5%		1,965,000,000		74,670,000	12,560,000	100,215,000	19,625,000
New Zealand	320,000,000	0.27%		418,000,000		15,884,000	7,840,000	21,318,000	12,250,000
Sub-total	6,146,000,000			8,438,000,000		320,644,000	199,008,784	430,338,000	302,148,784
Total OECD/DAC donors	103,494,000,000			142,743,000,000		5,424,234,000	5,438,241,308	7,279,893,000	7,204,446,308
Expected from other donors ¹²						600,000,000	600,000,000	800,000,000	800,000,000
Grand Total						6,024,234,000	6,038,241,308	8,079,893,000	8,004,446,308

⁹ The countries in the first group (Australia - United States) represent in alphabetical order those OECD/DAC member countries that are the Global Fund's 15 core donors based on overall pledges and contributions since 2001. The European Commission, which is another core donor to the Global Fund and also an OECD/DAC member, has not been listed because ODA projections for the European Commission were not available. Countries in the second group (Finland - New Zealand) represent the remaining seven OECD/DAC members.

¹⁰ For Japan the pledge for 2010 has been projected at the same level as 2008.

¹¹ For the United States the pledge for 2010 has been projected at 0.9 billion.

¹² From public and private sector, based on current share of 10 % of all contributions.