



The 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.

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

### Section III: Principles

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





- H. In making its funding decisions, the Global Fund will support proposals which:
1. Focus on best practices by funding interventions that work and can be scaled up to reach people affected by HIV/AIDS, TB and malaria.
  2. Strengthen and reflect high-level, sustained political involvement and commitment in making allocations of its resources.
  3. 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.
  4. Build on, complement, and coordinate with existing regional and national programs<sup>25</sup> in support of national policies, priorities and partnerships, including Poverty Reduction Strategies and sector-wide approaches.
  5. Focus on performance by linking resources to the achievement of clear, measurable and sustainable results.
  6. Focus on the creation, development and expansion of government/private/nongovernmental organization partnerships.
  7. Strengthen the participation of communities and people, particularly those infected and directly affected by the three diseases, in the development of proposals.
  8. 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.
  9. Give due priority to the most affected countries and communities, and to those countries most at risk.
  10. 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**

- A. The Global 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 Global Fund will be responsible for defining clear eligibility criteria within the limitations of available resources.
- B. Recognizing that the Global Fund's resources will be complementary to other programs, criteria will be identified to focus the choice of activities/programs/projects to be supported.
- C. The Global Fund will support strategies that focus on clear and measurable results.
- D. The Global Fund will focus its resources on increasing coverage of critical and cost-effective interventions against the three diseases.

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<sup>25</sup> Including governments, public/private partnerships, nongovernmental organizations, and civil society initiatives.





E. The Global Fund will provide grants to public, private and nongovernmental 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 drugs<sup>26</sup>; training of personnel and community health workers; behavior change and outreach; and community-based programs, including care for the sick and orphans.

F. The Global Fund will support programs that:

1. Address the three diseases in ways that will contribute to strengthening health systems.
2. Stimulate and are integral to country partnerships involving government and civil society.

G. The Global 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.

H. The Global 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.

I. The Global Fund could support operational research in the context of program implementation.

J. For areas in conflict or distress, the Global Fund will develop special criteria to support technically sound proposals designed to address critical HIV/AIDS, TB and malaria problems.

K. 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.

## **Section V: Financing**

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

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<sup>26</sup> 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 VI: Country Processes**

### **A. *Basic principles to guide country processes***

1. The Global Fund will base its work on programs that reflect national ownership and respect country partnership-led formulation and implementation processes.
2. The Global 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 Global 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 Global 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 Global Fund will work with a country coordination and partnership mechanism that should include broad representation from governments, nongovernmental organizations, 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 multisectoral 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 Global Fund may support alternative partnerships among nongovernmental organizations and the private sector.
2. The Country Coordinating Mechanism will be the focus for program accountability, depending on the Board's decisions regarding overall Global 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 Country Coordinating Mechanism.
6. Proposals for funding should be submitted to the Global 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 Global 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 nongovernmental organizations.

### ***C. Country Proposals***

1. Countries will be encouraged to submit a coordinated proposal to the Global Fund. The Global 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 Coordinated Country Proposal.
2. A Coordinated Country Proposal 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 Global Fund. In addition, the note should describe how the Coordinated Country Proposal fits within the overall national health program. The format of the Coordinated Country Proposal should not be overly elaborate and not impose undue burden on the countries.

### ***D. Channeling of Funds***

1. All eligible partners on the Country Coordinating Mechanism will be entitled to access Global Fund support based on their role and allocations in the approved Coordinated Country Proposal.
2. To facilitate targeting of financial support as well as accountability, Coordinated Country Proposals 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 Coordinated Country Proposal 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 Coordinated Country Proposal.
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 Global Fund's monitoring and evaluation system at a global level.
2. The Global 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 Country Coordinating Mechanism and the process of developing the Coordinated Country Proposal, including the functioning of partnerships at country level.

### ***F. Capacity Building***

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

## **Section VII: 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<sup>27</sup>. Also, proposals from countries and regions with a high potential for risk 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:

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<sup>27</sup> These 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.





- 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 Coordinating Mechanism, 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 Coordinating Mechanism that includes broad representation from government agencies, nongovernmental organization, community-based organizations, commercial-sector organizations (where these exist) and bilateral 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 Country Coordinating Mechanism.
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 Country Coordinating Mechanisms in the countries involved. It may be necessary to develop specific eligibility criteria that are applicable to regional proposals.
5. Individual organizations, such as nongovernmental organizations, would be eligible to submit proposals directly. However, the proposal must demonstrate clearly why it could not be considered under the Country Coordinating Mechanism process at the country level, and the Board should require validation of these reasons. Criteria for the submitting nongovernmental organization 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 nongovernmental organizations, community-based organizations, associations, etc).
3. Third-party groups charged with program and financial responsibility.
4. Multilateral institutions, when requested through the Country Coordinating Mechanism 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 Country Coordinating Mechanisms 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 VIII: 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 Global 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 Global 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 Global Fund operation. "Quick start" proposals must adhere to Global 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 Global 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 Global 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 Technical 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 (nongovernmental organizations, 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 Global 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 multilayered 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 Global 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 and 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 Global 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 Global 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 monitoring and evaluations arrangements will need to be established where none currently exist.
6. The Global 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 multidrug resistance. The Global 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 Global 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 are ideally situated to monitor progress. However, the evaluation of program outcome and impact indicators is more suitable for independent, external organizations. This avoids the moral hazard of non-credible reporting. The





Global 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 Global Fund.

2. The Global Fund will require two levels of program monitoring and external evaluation:
  - a) Global Fund results - The Global Fund will use a core set of impact and process indicators to track overall progress of the Global 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 monitoring and evaluation working group, drawing upon indicators used by existing programs, such as UNAIDS, Stop TB and Roll Back Malaria<sup>28</sup>.
  - b) Grantee results - The Global 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 Country Coordinating Mechanism 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 monitoring and evaluation would consist of:
    - (1) submission of routine progress reports (by the Country Coordinating Mechanism/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
    - (2) 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 monitoring and evaluation working group). Partners in a proposal will also be required to identify an independent entity to collect data and conduct local monitoring and evaluation 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 monitoring and evaluation 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

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<sup>28</sup> WHO has provided the TSS with a range of current work on monitoring program performance in the areas of TB and malaria.





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 monitoring and evaluation reports submitted by grantees, and draft monitoring and evaluation 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 monitoring and evaluation working group
- c) The Trustee (World Bank, OED)
- d) A UN agency
- e) Existing mechanisms (UNAIDS, Stop TB, Roll Back Malaria)
- f) An independent monitoring and evaluation 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 Global 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 X: 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 Global Fund'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 Global Fund.
- 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 Global Fund.

## **C. Trustee Responsibilities**

1. The Trustee would have primary responsibility for financial accountability, including the following:
  - a) Collection, investment, and management of funds<sup>29</sup>
    - 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.
    - 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.
    - The private donations would be channeled to the Trustee, commingled with the public sector donations, and the Trustee would invest all the funds together<sup>30</sup>.
  - b) Disbursement of funds to national-level entities, on the instruction of the Board (see below for details)<sup>31</sup>
    - At the instruction of the Board, the Trustee would disburse Global Fund 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 Global Fund stakeholders as a group<sup>32</sup> on the financial management of the Global Fund, and the allocation of Global Fund resources. Standardized formats for financial reporting would be required by all parties in the system, based on internationally accepted standards.

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<sup>29</sup> The Board of the Global Fund would be responsible for resource mobilization.

<sup>30</sup> The World Bank's Investment Management Department currently manages the World Bank'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 World Bank's yield on trust funds was 8 percent).

<sup>31</sup> In its capacity as Trustee for other multidonor trust funds, the World Bank already has ongoing relationships with commercial banks worldwide. In particular, the World Bank 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.

<sup>32</sup> Reporting on the commingled Global 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 coordination 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 Global Fund. Any party handling Global Fund 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 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 Coordinated Country Proposal.
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 three to four months, keeping the remaining resources invested to earn a return;
  - b) Direct payments to suppliers, based on proforma 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 Country Coordinating Mechanism 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 Global Fund, 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 circumstance<sup>33</sup>.
  - a) The one-check option: On the basis of an approved Coordinated Country Proposal, 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 Coordinated Country Proposal, and is held accountable for both financial and program performance.
  - b) The two-checks option<sup>34</sup>: the Trustee (either directly, or through a "sub-trustee") makes out two checks, on the basis of an approved Coordinated Country Proposal. The first check goes to the government, to pass on to all the public sector entities identified in the Coordinated Country Proposal. 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 Coordinated Country Proposal.
  - c) The multichecks option: The Country Coordinating Mechanism 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 Coordinated Country Proposal, the Trustee would pass to the sub-trustee the full allocation for the country's Coordinated Country Proposal. The sub-trustee would periodically make out checks for each of the different entities identified in the Coordinated Country Proposal. The sub-trustee would be responsible to provide both financial and program reporting.

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<sup>33</sup> This would inevitably increase the workload of the Secretariat.

<sup>34</sup> This is the approach followed under the MAP (Multi-Sectoral AIDS Program in Africa), supported by the World Bank and other donors.

