U.S. Government Positions on Decision Points for the Twentieth Board Meeting of the Global Fund

The Administration provides this report pursuant to Section 202(d)(6) of the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003, as amended by the ‘‘Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008’’ (Public Law 110-293), which requires that “following each meeting of the Board of the Global Fund, the Coordinator of United States Government Activities to Combat HIV/AIDS Globally shall report on the public website of the Coordinator a summary of Board decisions and how the United States Government voted and its positions on such decisions.’’

Overview:

The Global Fund to Fight AIDS, Tuberculosis (TB), and Malaria (Global Fund) is a public-private financing mechanism established to mobilize and distribute resources to combat AIDS, TB, and malaria worldwide. The USG strongly supports the Global Fund as an essential component of our overall response to these three diseases. The USG is the largest single donor to the Global Fund, having contributed approximately $4.39 billion since 2002. To date, the Global Fund Board has approved $18.4 billion in grants to 144 countries, supporting country-led efforts to provide HIV/AIDS treatment for over 2.3 million people, provide TB treatment for 5.4 million people, and distribute 88 million bed nets for malaria prevention.

The Global Fund held its 20th Board meeting on November 9-11, 2009, in Addis Ababa, Ethiopia. The U.S. government (USG) holds a permanent seat on the Global Fund Board and works through the Board to make funding decisions and provide strategic direction to the Global Fund.

The U.S. was represented at the 20th Board meeting by an interagency delegation led by the USG Board Member Ambassador Eric Goosby (U.S. Global AIDS Coordinator, Department of State), Alternate Board Member John Monahan (Interim Director, Office of Global Health Affairs, Department of Health and Human Services), and Adm. Tim Ziemer (Coordinator, President's Malaria Initiative, USAID). With USG support, the Global Fund Board approved $2.38 billion of new grants to fight AIDS, TB, and malaria; took steps to enhance the engagement of implementing countries in Global Fund governance; approved changes in the Global Fund grant architecture designed to simplify the grant architecture and encourage a more holistic, program-based approach at the country level; and agreed to explore the possibility of a joint funding platform for health systems strengthening (HSS) with the Global Alliance for Vaccines and Immunizations (GAVI) and the World Bank. The full text of all decisions taken at the 20th Board meeting is available online at: www.theglobalfund.org/documents/board/20/GF-BM20-DecisionPoints_en.pdf. The positions of the U.S. government are summarized below.

U.S. Positions on Board Decision Points:

Appointment of the Rapporteur (GF/B20/DP1)

The U.S. delegation supported this decision point, which designated Mr. Eiji Yamamoto (Japan) as Rapporteur for the 20th Board Meeting.

Approval of Agenda (GF/B20/DP2)

The U.S. delegation supported this decision point.

Approval of Report of the 19th Board Meeting (GF/B20/DP3)

The U.S. delegation supported this decision point.

Joint Health Systems Strengthening (HSS) Platform with GAVI (Global Alliance on Vaccines and Immunization) and the World Bank (GF/B20/DP4)

The U.S. delegation supported this decision point, which requested the Global Fund Secretariat to explore the operational, financial, and policy implications of a potential joint HSS funding and programming platform with GAVI and the World Bank. The Board decision emphasized the importance of close consultation with the Board's Policy and Strategy Committee on this issue and requested the Secretariat to present a proposal to this committee on how a joint HSS platform could be operationalized and funded for consideration and recommendation to the Board at its 21st Meeting in early 2010. The U.S. delegation expressed support for increased coordination among HSS funders, while recognizing that each organization has a unique mandate and role with regard to HSS funding.

Technical Evaluation Reference Group (TERG) Replenishment (GF/B20/DP5)

The U.S. delegation supported this decision point, which requested Executive Director Michel Kazatchkine to invite Dorothy Kinde-Gazard, Stein-Erik Kruse, Vasanthapuram Kumaraswami, Ruth Levine, Maria Ines Nemes, and Wim Van Damme to serve as members of the TERG for two year terms.

Memorandum of Understanding with Roll Back Malaria (GF/B20/DP6)

The U.S. delegation supported this decision point, which endorsed a draft Memorandum of Understanding (MOU) outlining key areas of cooperation between Roll Back Malaria and the Global Fund, and requested the Executive Director to finalize and sign the MOU.

Effectively Engaging Implementing Board Constituencies in Governance Processes (GF/B20/DP7)

In recognition of the critical role of implementing countries and partners in the Global Fund governance processes, the U.S. delegation supported this decision point, which approved financial support of up to $800,000 annually for activities designed to enhance implementing constituency participation in Global Fund governance processes.

Partners Constituency Committee Membership (GF/B20/DP8)

The U.S. delegation supported this decision point, which amended the Committee Rules and Procedures to allow the recently created, non-voting Partners Constituency to participate in the Policy and Strategy Committee and the Portfolio and Implementation Committee.

Measures Associated with Funding of Round 9 Proposals and National Strategy Applications (GF/B20/DP9)

The Global Fund operates under a demand-driven model and the Board approves grants based on technical merit, as assessed by an independent Technical Review Panel (TRP). To date, the Board has approved every technically sound grant recommended for funding by the TRP. However, for the second funding cycle in a row, the Board was faced with a significant gap between the TRP-recommended ceiling and available resources.

In order to facilitate the approval of all technically sound Round 9 and NSA proposals, the U.S. delegation supported this decision point, which subjected the Round 9 and NSA proposals to a 10% efficiency cut for the first two years of implementation, limited the approval of Phase 2 additional commitments (years 3-5) of Round 9 and NSA proposals to a collective maximum limit of $2,852,000 (75% of the total amount requested), and established a two-phase funding decision for Round 9 and NSA proposals such that the financial impact of the grant approvals is spread more evenly across the grant lifecycle. The Board further decided that this limitation shall be increased from 75% of 90% when new resources become available, subject to approval by the Board.

Working Group to Manage the Tension Between Supply and Demand in a Resource-Constrained Environment (GF/B20/DP10)

The U.S. delegation supported this decision, which endorsed the general principles contained in the report of the Working Group to Manage the Tension Between Supply and Demand in a Resource-Constrained Environment, particularly around managing demand and resource mobilization. The Board agreed to continue discussions on these topics on an urgent basis, including through a Board retreat to be held in early 2010.

The Board agreed to continue its work on criteria for prioritization of funding amongst grant proposals. The Board also agreed to continue work, through its relevant committees, on developing more sophisticated strategies, tools, and mechanisms for identifying efficiencies in grant proposals and implementation for consideration by the Board at its next meeting. The Board requested that these recommendations should specifically address key areas where efficiency gains can and should be

made, including a focus on commodity pricing, procurement and supply chain management, optimizing country level collaboration and partnerships, and budgeting, planning, and implementation processes in line with best practices in efficient and quality service delivery.

Approval of Round 9 Proposals and National Strategy Applications (NSAs) (GF/B20/DP11)

The Board approved, in principle, all the Round 9 proposals and NSAs recommended for funding by the Technical Review Panel (TRP). The Board approved funding for all proposals ranked as Category 1 and 2, and agreed to approve funding for proposals ranked as Category 2B by email as funds become available and based on the composite ranking of the proposals in compliance with the Comprehensive Funding Policy. Per standard practice, applicants whose proposals were approved for funding are required to conclude the TRP clarifications process, which may include an independent budget review. The Board requested the Secretariat to provide the TRP with financial analysis support to assist with the clarifications process.

In total, the Board approved $2.38 billion in new grants under Round 9 and two pilot initiatives - the National Strategy Application (NSA) funding channel and the Affordable Medicines Facility for malaria (AMFm). The Board approved funding for 90 Round 9 grant proposals in 69 countries, including two countries that had not previously received Global Fund grants (Mexico and Turkmenistan) and five NSA proposals. The full list of approved and rejected grants is available online at www.theglobalfund.org/en/fundingdecisions.

The Board declined to approve proposals ranked by the TRP as Category 3 or Category 4. These proposals were not recommended for funding by the TRP.

Review of Country Coordinating Mechanism (CCM) Guidelines (GF/B20/DP12)

The U.S. delegation supported this decision point, which delegated authority to the Portfolio and Implementation Committee (PIC) to approve changes to

Guidelines and Requirements for CCMs. However, if the PIC considers that material changes to any of the six CCM eligibility requirements are needed, it will make a recommendation to the Board for approval.

Quality Assurance Policy for Pharmaceutical Products (GF/B20/DP13)

In order to avoid disruption to treatment of patients without compromising the fundamental quality assurance principles laid out in the Global Fund's Quality of Assurance Policy, the U.S. delegation supported this decision point, which 1) amended the Global Fund's Quality Assurance (QA) Policy to expand the eligibility criteria for a risk/benefit review of products by the Expert Review Panel (ERP); 2) requested the Market Dynamics and Commodities (MDC) Committee to review this amendment to the QA Policy, with special attention to the working, transparency, and reporting requirements of the ERP review process, and report to the Board at its last meeting in 2010; 3) approved the use of grant funds to procure certain multi-source finished pharmaceutical products (FPPs) for malaria and first-line TB treatment on an exceptional basis only until December 31, 2010 and subject to certain provisions laid out in the decision text.

The Board further requested the MDC to consider, as a matter of urgency, contingency plans regarding the recently notified disruption of funding for certain life-saving medicines (e.g., artemisinin intra-rectal and injectable medicines) in situations where no FPPs for such medicines meet the criteria in the QA Policy and to make recommendations to the Board at the earliest opportunity.

2010 Operating Expense Budget (GF/B20/DP14)

The U.S. delegation supported this decision point, which approved the Global Fund Secretariat's Operating Expenses Budget for 2010 in the amount of $274 million, including four additional staff positions for the Office of the Inspector General (OIG). In approving this decision, the U.S. delegation emphasized its support for the Secretariat's efforts to find efficiencies in its operating budget and for the additional OIG staff positions.

Endorsement of the Risk Management Framework (GF/B20/DP15)

The U.S. delegation supported this decision point, which endorsed a Risk Management Framework for the Global Fund. The framework highlighted areas of potential risk such as: meeting demand for funds in a resource-constrained environment; financial fraud within grants; poor quality pharmaceutical products; results and data verification; independence and objectivity of program oversight; misperceptions of the Global Fund by external bodies; risk of engagement with inappropriate partners; staff security; and integrity and security of data repository systems.

In-Kind Non-Health Product Donations (GF/B20/DP16)

The U.S. delegation supported this decision point, which requested the Secretariat to continue to gather information regarding in-kind donations and authorized the Secretariat to undertake the facilitation of donations of non-health products to Global Fund grant recipients on a trial basis in a limited number of countries and in line with the guidelines for service donations developed by the Secretariat. The Board requested the Secretariat to report to the Finance and Audit Committee on the outcome of these trials, with the aim of making recommendations to the Board at its second meeting in 2011.

Expansion of Debt2Health (GF/B20/DP17)

The Board approved the Debt2Health mechanism as an additional means of resource mobilization for the Global Fund with no limit on the number of creditor and debtor countries that may participate and due diligence undertaken on the original purpose of the debt. The Board further authorized the Secretariat to amend the Global Fund's Policy for Restricted Financial Contributions to allow restricted contributions from implementing countries for counterpart funds under Debt2Health swaps and requested the Secretariat to report to the Board annually on the implementation of Debt2Health. The U.S. requires Congressional authorization and appropriation in order to participate in a debt swap arrangement. The U.S. participation in bilateral debt restructuring is limited to participation in the HIPC initiative and debt swaps for tropical forest conservation. The U.S. delegation had no objection to other creditors pursuing the Debt2Health initiative.

Delegated Authority for the Global Fund Provident Fund (GF/B20/DP18)

The U.S. delegation supported this decision point, which delegated authority to the Finance and Audit Committee to deal with all matters related to the Provident Fund, the Global Fund's employee pension fund.

Secretariat Office Space (GF/B20/DP19)

The U.S. delegation supported this decision point, which authorized the Secretariat to engage in further negotiations for the construction of a building to be leased by the Secretariat. The Board noted that, should such a building contain more space than needed to house the Global Fund, it would be important to identify a suitable entity that could provide a binding commitment to share rent for the space at the time the Secretariat would sign a lease agreement. The Board further encouraged the Secretariat to minimize the Global Fund's financial exposure for the costs of the building prior to occupancy and to provide additional information about interim arrangements between the date of the expiration of the current lease and the expected date of occupancy of the new space. The Board requested the Finance and Audit Committee to oversee the arrangements for the Secretariat's future office space.

Outgoing Chief Financial Officer (GF/B20/DP20)

The U.S. delegation supported this decision point, which expressed the Board's deep gratitude to the outgoing Chief Financial Officer, Barry Greene, for his outstanding service to the Global Fund.

Office of the Inspector General (OIG) Reports (GF/B20/DP21)

The U.S. delegation supported this decision point noting the reports of the Office of the Inspector General (OIG) and the Secretariat's response to these reports. The Board requested the Secretariat to provide a report to the Board describing the process that is followed in addressing the findings and recommendations of the OIG, including protocols on coordination between

the Secretariat and the OIG and considerations on the roles of implementers, partners, Country Coordinating Mechanisms, and Local Fund Agents. The U.S. delegation expressed strong support for the OIG and emphasized the importance of appropriate follow-up on OIG findings and recommendations.

Approach for Setting the OIG Annual Audit Plan (GF/B20/DP22)

The U.S. delegation supported this decision point, which approved the OIG's risk-based approach for setting its annual audit plan.

Amendments to the OIG Charter and Disclosure Policy (GF/B20/DP23)

The U.S. delegation supported this decision point, which approved amendments to the Charter and Terms of Reference of the OIG and the policy for disclosure of OIG reports. These amendments provide the OIG increased access to documents, more freedom in commencing trainings related to the identification of fraud and abuse, and the ability to investigate suppliers to Global Fund grant programs.

Affordable Medicines Facility-malaria (AMFm) Implementation (GF/B20/DP24)

The U.S. delegation supported this decision point, which affirmed that the Global Fund will only move from Phase 1 (the pilot phase) of AMFm to a global scale-up on the basis of evidence from the pilot phase that the initiative is likely to achieve its four following stated objectives: 1) increased artemisinin-based combination therapy (ACT) affordability; 2) increased ACT availability; 3) increased ACT use, including among vulnerable groups; and 4) the "crowding out" of oral artemisinin monotherapies, chloroquine, and sulfadoxine-pyrimethamine by gaining market share. The Board further noted that in making a determination about whether to scale up the AMFm initiative, it will consider whether AMFm is likely to achieve these four objectives more cost-effectively than other financing models that aim to achieve similar objectives solely or principally through the expansion of public sector services (i.e., public health facilities and community health workers only).

The Board requested the AMFm Ad Hoc Committee to review the findings of the independent evaluation of AMFm Phase 1 against the four objectives and make a recommendation to the Board at its first meeting in 2012 on whether to expand, accelerate, modify, terminate, or suspend the AMFm business line in countries participating in the pilot. The Board noted that it may decide to extend the pilot phase beyond its first meeting in 2012 if necessary, subject to the availability of funding.

The Board further decided that, in addition to the AMFm 'identifier,' all AMFm co-paid ACTs should bear a logo that is universal for all countries participating in AMFm. Other donors are encouraged and permitted to use the logo on ACTs procured through other mechanisms, provided such ACTs meet the Global Fund's quality assurance policy.

The U.S. delegation worked collaboratively with other Board constituencies to craft this decision reaffirming the key objectives of the AMFm pilot and setting an appropriate timeline for its evaluation.

Approval of Affordable Medicines Facility-malaria (AMFm) Phase 1 Applications (GF/B20/DP25)

The U.S. delegation joined consensus on this decision, which approved funding for the AMFm Phase 1 applications recommended for approval by the Technical Review Panel.

National Strategy Applications (NSAs) First Learning Wave Follow-up (GF/B20/DP26)

The Board requested the Secretariat to prepare in-depth analyses and recommendations for further investment on the basis of NSAs, taking into account the feedback from the Technical Review Panel and other relevant partners and the new grant architecture approved at this Board meeting, and to present these to the Policy and Strategy Committee for consideration at its next meeting. The U.S. delegation supported this request.

Global Fund Partnership Strategy (GF/B20/DP27)

The U.S. delegation supported this decision point, which approved a Partnership Strategy for the Global Fund and requested the Secretariat to report on progress of implementation of the strategy to the Policy and Strategy Committee at its next meeting.

Translation and Interpretation of Governance Processes (GF/B20/DP28)

In the interest of enhancing the engagement of Board constituencies, particularly implementing constituencies, in Global Fund governance issues, the U.S. delegation supported this decision point approving increased translation and interpretation for meetings of the Global Fund Board and its committees. This decision will be implemented incrementally, limited initially to two languages other than English, and based on a proactive needs assessment prior to Board and committee meetings.

Round 3 HIV Grant in the Russian Federation (GF/B20/DP29)

The U.S. delegation supported this decision point, which approved, on an exceptional basis, the extension of a Global Fund Round 3 grant in Russia focused on HIV/AIDS prevention among highly vulnerable groups, including intravenous drug users, sex workers, men who have sex with men, street children, migrants, and prisoners. The Board stressed the extraordinary nature of this decision, noting that while Russia is not currently eligible for Global Fund funding under its income eligibility criteria, these eligibility criteria are under review and may be revised in 2010 to allow the Global Fund to continue support for particularly vulnerable populations in countries that might otherwise be ineligible for funding based on income levels. In approving the extension of the prevention program, the Global Fund Board urged the government of the Russian Federation to expand investment in life-saving, evidence-based prevention services for vulnerable populations.

Launch of the Next Round of Proposals (GF/B20/DP30)

The U.S. delegation supported this decision point, which requested the Board Chair and Vice Chair to convene a Board retreat in early 2010 to discuss and determine priority areas for further changes in its operating

model and strategic architecture and address key issues such as prioritization for funding amongst proposals, leading to decisions at its next Board meeting and a broader reform agenda timeline, as well as informing substantially the structure of Round 10.

The Board requested the Secretariat to call for proposals to launch Round 10 on or about May 1, 2010, with a submission due date of August 1, 2010; and confirmation of this launch to be made at the Board's first meeting in 2010 based primarily on progress in incorporating the new strategic architecture.

The Board further requested the Secretariat and the Technical Review Panel (TRP) to review the Round 10 proposals in time for approval at a meeting of the Board (either regular or special) between November 2010 and January 2011, as determined by the Board Chair and Vice Chair. The Board noted it would be preferable for the TRP review to be completed before the second Replenishment meeting, scheduled for October 2010.

Architecture Review – Transition Provisions (GF/B20/DP31)

The U.S. delegation supported this decision point, which approved changes to the Global Fund's grant architecture intended to simplify Global Fund financing and encourage greater alignment between grant proposals and national disease strategies. The new grant architecture is based on "one stream of funding per Principal Recipient per disease" and is expected to reduce the reporting burden on implementing countries by consolidating grant proposals and reporting cycles. As part of the simplification process, the Board decided to discontinue the Rolling Continuing Channel funding stream immediately, although the Secretariat will continue to process previously solicited proposals. The Board and its committees will continue to provide oversight and direction to the Global Fund Secretariat as it refines and rolls out the new grant architecture.

The Board requested the Secretariat to work to consolidate approved grants and align financial commitment periods as appropriate and as detailed in the new grant architecture design. This process will start on a voluntary basis. In order to facilitate the transition to the new architecture, the Board granted the Secretariat the authority to make reasonable adjustments to the duration of funding commitment periods, implementation activities, and time periods for reaching performance targets. The Board also granted the Secretariat the

authority to commit the equivalent of 12 months of funding from an approved proposal to a Single Stream Agreement in accordance with the Comprehensive Funding Policy.

Recognizing that Round 10 will provide countries with an opportunity to transition to the new architecture, the Board requested the Secretariat to revise the Round 10 proposal form and guidelines to facilitate the transition.

Commencing with Round 11, all proposals submitted to the Global Fund shall require the applicant to present a consolidated request for funding incorporating current Global Fund support to the country for the disease, including HSS support. Following the approval of a new proposal, any incremental grant funds for an existing Principal Recipient (PR) will be added to that PR's existing Single Stream Agreement for that disease instead of being negotiated as a separate grant agreement and will cover the time remaining in the existing Single Stream Agreement. Additional details are provided in the decision point.

Youth Leadership (GF/B20/DP32)

The U.S. delegation supported this decision point, which emphasized the importance of youth leadership in the global response to HIV/AIDS, TB, and malaria and asked Board constituencies and the Secretariat to consider ways to better include young people in the work of the Global Fund and to report back to the Board within two years.