



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

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“Perspectives on the Next Phase of the Global Fight Against AIDS, Tuberculosis and Malaria”
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Chairman Menendez and Ranking Member Lugar, and distinguished members of the Senate Foreign Relations Committee, I am honored to be here to present an overview on the progress the Global Fund has made so far, the challenges ahead of us and the issues that will be important to consider as you renew the PEPFAR program. As a physician who has treated people living with AIDS for over 20 years, I have seen first-hand the dramatic gains we have made in the fight against AIDS, TB and malaria. Your work to reauthorize the AIDS program will undoubtedly help to leverage other donors to do more as well.

At the beginning of this decade a revolution was set in motion. The world used to think that health came as a consequence of development; but the AIDS crisis has shown us the reverse - that if you do not address health, other development efforts will falter. Within this new paradigm, it has become apparent that health needs to be looked at as a long-term investment that is essential to achieving development. Through the creation of the Global Fund in 2002 and the PEPFAR program in 2003, as well as a number of other bilateral and multilateral programs, world leaders have begun to engage in health in an unprecedented way by devoting attention and resources to fighting the diseases that take the greatest toll on the poor: AIDS, tuberculosis and malaria.

As a result of this unprecedented effort, in just six years we are seeing dramatic change in the landscape of the countries where we work as more people have access to treatment and lives are being saved. In concert with what the PEPFAR program has achieved in its 15 focus countries, the Global Fund is translating the hope of access to prevention, treatment and care into reality around the world. As we recently reported, results from Global Fund-supported programs show that millions of people are receiving essential health services and that coverage is at least doubling each year. To date, through the Global Fund, 1.4 million people living with HIV have been reached with life-saving antiretroviral (ARV) therapy and together with PEPFAR, 2.8 million people have received treatment. In addition to its focus on HIV/AIDS, the Global Fund has become the largest international financier for TB and malaria programs by far, providing two-thirds of all donor-funding for these two diseases. To date, 3.3 million people have been treated with anti-TB drugs and 46 million bed nets have been distributed to families at risk of contracting malaria.

These 2007 figures emphasize a strong and steady increase in the number of people treated for AIDS and TB, and a spectacular growth in coverage of malaria interventions. Those who have regained their health are able to care for their children, return to work and lead meaningful, productive lives. In Ethiopia, for example, as a result of comprehensive HIV prevention and treatment programs, HIV prevalence has declined from 8.6% to 5.6% among women who visit antenatal clinics. A multi-country malaria grant in Southern Africa has contributed to an 87% - 96% decline in malaria incidence. Eventually, societies most affected by declines in human capital resulting from illness and death will be able to translate these gains into growth and opportunity. Building on what we have achieved, it is realistic to think that we can have an even more significant impact on AIDS, TB and malaria in the future.

The Global Fund to Fight AIDS, Tuberculosis and Malaria

The creation of the Global Fund to Fight AIDS, Tuberculosis and Malaria was inspired by the vision to “make a difference.” Simply put, the Global Fund is investing the world’s money to save lives. This is a huge responsibility, and one that inspires me every day as the Global Fund’s Executive Director. This vision has also allowed the Global Fund to come a long way in a very short period of time. Since 2002, the Global Fund has now approved over \$10 billion for grants in 137 countries around the world, supplying nearly a quarter of donor financing for AIDS and providing two-thirds of donor funding for both TB and malaria.

Since its initial founding pledge in 2001, the U.S. has played a critical role in the Global Fund’s dramatic scale-up, providing \$2.5 billion in just six years, nearly one-third of all Global Fund financing. In total, G8 countries continue to be the largest contributors to the Global Fund, providing 60 percent of all contributions. Other countries are doing their part . The Global Fund is grateful to Congress and the American people for its support and for their commitment to defeating AIDS, TB and malaria.

With this massive amount of resources, the Global Fund has achieved significant impact. In mid-June, we estimated that 1.8 million lives had been saved through Global Fund supported programs, with an estimated 100,000 additional lives saved every month. In addition, the Global Fund is now disbursing more funds to more grants faster than ever before. More than half of the total amount disbursed (53%) has been to sub-Saharan Africa, with the remainder disbursed to East Asia and the Pacific, Latin America and the Caribbean and Eastern Europe and Central Asia, roughly equal at 10 – 14%. The Middle East/North Africa and South West Asia have received 5% and 6% respectively of the total amount disbursed.

The Global Fund supports integrated prevention and treatment strategies in the three disease areas. Although the portfolio has so far favored treatment, the proportion of spending for prevention is significant. For example, in 2006, one-third of the \$926 million budgeted for HIV grants were allocated for prevention. Drugs and commodities account for nearly half of Global Fund spending, while broad health systems strengthening leveraged through disease programs, including human resources, management capacity building, monitoring and evaluation and

infrastructure/equipment represents between one-third and half of spending. This is consistent with the objectives of the Paris Declaration on aid effectiveness and highlights how AIDS, TB and malaria funding can have a positive effect on health systems. The Global Fund has been among the first to transparently measure and report against the Paris indicators.

As well as supporting programs in 137 countries around the world, the Global Fund is also an integral partner with PEPFAR in its 15 focus countries. A strong partnership with PEPFAR is particularly important for the Global Fund, especially at the country level, where it provides additional leverage to PEPFAR resources, including addressing TB, which is a major cause of death for people living with HIV. The Global Fund provides a vehicle by which U.S. resources can be harmonized and leveraged with other major international donors, as well as civil society and private sector implementers, in the fight against AIDS, TB and malaria.

Since I came on board as the Global Fund's Executive Director, I have been working closely with Ambassador Dybul to ensure that the U.S. bilateral program and the Global Fund are working effectively and efficiently together. We are seeing many examples of this coordination in the field. In Rwanda, Ethiopia, Cote d'Ivoire and Haiti, we are seeing increasingly strong collaboration and synergy, and I have made a number of joint country visits with Ambassador Dybul this year. In many other countries, coordination and information sharing are excellent. We are also working together on reporting results, to avoid duplication of efforts and "double counting".

Global Fund Founding Principles

Based on strong founding principles, the Global Fund has experienced dramatic growth in a short period of time. At its core, the Global Fund was created to provide a new channel for significant additional resources for the fight against AIDS, TB and malaria by investing the world's money to make a difference and to save lives. The Fund has been, and remains, primarily a financing instrument. As a result, for the Global Fund to continue its scale-up, multilateral and bilateral programs, including USAID, civil society, the private sector and others need to come together to assist in the development of country-driven funding proposals and to support the implementation of programs.

The guiding principle underlying every aspect of Global Fund financing is the concept of country ownership. Within its national strategy, each country is responsible for determining its own needs and priorities, based on consultation with a broad group of stakeholders that includes not only government, but other bilateral and multilateral organizations, civil society, faith-based organizations, the private sector and people living with or affected by the diseases. Global Fund grants are country-owned, but that does not mean they are always government-led. In fact, NGOs, faith-based organizations and the private sector are implementing about 40 percent of Global Fund grants. This multi-stakeholder approach is key to ensuring that resources reach programs for men, women and children who are suffering from and are at risk of AIDS, TB and malaria.

The Global Fund is also committed to performance-based funding, meaning that only grant recipients who can demonstrate measurable and effective results will be able to receive additional resources. In other words, initial funding is awarded solely on the basis of technical quality of applications, but continued and renewed funding is dependent on proven results and achieved targets. In order to measure performance, the Global Fund has put in place a rigorous measurement and evaluation system that reviews program goals and objectives put in place by each of the recipient countries. This begins at the time the grant agreement is signed, when targets and indicators are agreed upon based on objectives outlined by the countries. Results are tracked at every point in the process, from disbursement requests to performance updates, and requests for continued funding at the two-year point of the grant.

The Global Fund also has a strong commitment to transparency and accountability. This is illustrated by the broad range of information available on our website. All approved proposals, signed grant agreements and grant performance reports are available for review in unedited form, as are documents discussed at Board meetings. The public is also able to track the progress of local programs by reviewing grantee reports. Additional efforts are underway to enhance available information concerning the performance and impact of grants.

As part of its commitment to transparency and accountability, the Global Fund recognizes the significant role and importance of an independent and objective Office of the Inspector General (OIG). The OIG reports directly to the Global Fund Board, not to the Secretariat, ensuring the integrity and effectiveness of Global Fund programs and operations. At its recent meeting in November the Global Fund Board announced the appointment of a new Inspector General, and approved a policy for publicly disclosing reports issued by the OIG.

This new policy requires that the Inspector General post all final reports on the Global Fund's website no later than three working days after they are issued. In the case of some reports, the IG has the discretion to recommend, based on limited exceptions listed in the disclosure policy, that restrictions on publication be applied. Such exceptions are intended to allow for "exceptional circumstances where legal or practical constraints would limit the Global Fund's ability to achieve full transparency if it is to protect the interests of the Global Fund and its stakeholders or legitimate interests of those who deal with the Global Fund."¹ The restrictions would require the approval of the Global Fund's Board, following advice from the organization's Legal Counsel and review by its Finance and Audit Committee. It is important to emphasize that while restrictions can be approved by the Board, the presumption is that reports would be made public and this restriction would be invoked rarely.

The Global Fund is also pioneering practical systems that balance the demand for accountability with the need for efficiency. This includes working with recipient countries to identify key indicators to measure progress, and ensuring that where possible, Global Fund reporting requirements rely on existing processes. The use of Local Fund Agents (LFA) is another accountability mechanism designed to provide

¹ Policy for Disclosure of Reports Issued by the Inspector General, GF/B16/8, Annex 3.

appropriate oversight while respecting local implementation. LFAs are independent organizations that act as the Global Fund's eyes and ears on the ground, and play an important role in assessing the financial management systems and capacity of grant applicants, the performance of grants and the reporting of results.

The Global Fund is currently bringing together various risk management and oversight functions into a comprehensive risk assessment and management framework. It has also recently undertaken a process of re-tendering its LFA contracts to improve overall quality of these agents. The new LFA statement of work will contain more explicit requirements on the monitoring of Principal Recipients and sub-recipients.

Finally, the Global Fund is working on improving its data management systems in order to better capture information concerning grant sub-recipients. Starting in January 2008, the Fund will begin implementation of the Enhanced Financial Reporting system which will entail requesting a minimum set of budget and expenditure information from Principal Recipients on a yearly basis, including cost category, program activity and implementing entity. As part of an integrated information system, by January 2009, the Fund will have collected a full set of data on all grants and will be able to provide a very comprehensive analysis of the portfolio.

Challenges and Priorities for the Future

Resource Mobilization and Sustainability

Resource mobilization and sustainability are among our highest priorities. Our commitment to treating millions of people with life-long ARV treatment means that long-term sustainability is a key issue for the future. We must not relent in building on our success. Slowing down would present an enormous risk in reversing the significant gains we have made in fighting AIDS, TB and malaria.

Earlier this year, the Board estimated that the Global Fund would have to commit \$6 billion, and perhaps up to \$8 billion annually, to help meet country demand by 2010 for prevention, treatment and care in the three disease areas. At least tripling in size over the next three years will require significant effort on numerous fronts. The Global Fund is now receiving increasing support and trust from major donors, predominantly the G8 countries, and solid progress has also been made in private sector engagement through Product (RED) and the development of new sources of funding, such as the Debt2Health initiative.

In September 2007 the Global Fund engaged in its Second Replenishment cycle which was a process to acquire long-term pledges for 2008 – 2010. At the Replenishment Meeting held in Berlin, the Global Fund received strong upfront pledges of \$6.3 billion. Additional minimum contributions are anticipated at \$3.4 billion, resulting in an approximate total of \$10 billion for the next three years. These commitments ensure that we will have the resources we need to approve the continuation of all ongoing programs over the next three years – estimated at a total of \$6.5 billion – and will also be in a position to support new programs valued at \$3.2 billion. It is important to emphasize that this level of funding will essentially

allow the Global Fund to renew existing programs and approve new funding rounds at the existing level. Significant additional resources will be needed to dramatically scale-up programs.

The success of the Replenishment process is by no means the end of our resource mobilization efforts. Additional contributions, both from existing and new donors, are needed if the Global Fund is to reach its targets for 2008-2010. We will pursue strong resource mobilization efforts in the coming years, including attracting more contributions from the private sector and key emerging economies. As the largest contributor to the Global Fund, U.S. leadership will be critical. As you renew PEPFAR, I am hopeful that the U.S. will at least maintain its commitment to providing up to one-third of all contributions to the Global Fund. We will also work to increase demand from recipient countries. Demand expressed through the submission of good quality proposals to the Global Fund is essential if funding for the diseases is to meet need. In addition, to increase sustainability, countries need to contribute a percentage of GDP to their health budgets consistent with international commitments they have made.

The Global Fund is also looking at innovative ways to generate additional resources. For example, at our recent Board meeting, we launched Debt2Health, an innovative source of financing for the Global Fund where countries are encouraged to convert some of their national debt into funding for programs that provide health services. This involves a creditor cancelling a portion of a country's debt on the condition that the beneficiary invests some of the savings in health. At the Replenishment Meeting in Berlin, the first agreement was announced between the Global Fund, Germany and Indonesia. In this agreement, Germany will forgo repayment of \$70 million in debt on the condition that Indonesia invests the equivalent of \$35 million in health programs supported by Global Fund grants. Kenya, Pakistan and Peru are expected to follow with similar agreements.

Strengthening Partnerships and Harmonization of Development Aid

Another key issue I believe will have a significant impact on our future success – and a main priority for me – is strengthening partnerships, including the harmonization of development aid. Both are essential if the Global Fund is to fulfill its primary mission as a financing instrument.

The Global Fund is not an entity that exists separately from partners. It is a partnership, and all constituencies have crucial roles to play both in Global Fund governance, generating demand and scaling up Global Fund-supported programs. I strongly believe that we in the world community and at the Global Fund need to continually strengthen and expand our partnerships with bilateral programs, with recipient countries, with the World Bank and UN agencies, with NGOs and faith-based organizations, with the private sector and with academic institutions. It is critical that these partnerships are built at the headquarters level, but also, most importantly at the country level, to help the countries meet their specific challenges, with each organization/institution bringing its own set of competencies to the task.

As I mentioned earlier, a strong partnership with PEPFAR is particularly important for the Global Fund, especially at the country level. I would like to thank Ambassador Dybul for his dedication and his leadership in building an excellent relationship between PEPFAR and the Global Fund, and I look forward to working with him in the future. While our coordination has improved, in this next phase we can do more to encourage and support national strategies and planning processes and ensure that our collective efforts are fully consistent with them.

Work continues around maintaining and building relationships with major global health partnerships. For example, due in large part to recent efforts by partners in the Roll Back Malaria Harmonization Working Group, which provided support to countries including training workshops, in Round 7 nearly twice as many malaria programs (62%) were approved compared to Round 6 (32%), and nearly three times as many were approved compared to Round 5 (23%).

I also routinely engage in dialogue with civil society and people living with the diseases when visiting countries, both in the context of the Global Fund's Country Coordinating Mechanisms (CCM) and in separate meetings. These encounters are energizing, inform my thinking and consistently remind me of the reason why the Global Fund exists. Improving civil society participation, including NGOs, community-based and faith-based organizations in all aspects of the Global Fund's work, will be a priority for me in the future.

Health Systems Strengthening

AIDS has highlighted the fragility of health systems in many developing countries. It has revealed that personnel, equipment, medicines and infrastructure in many countries were never adequate to address the basic primary health care needs of the population, let alone a new epidemic. Implemented in a smart and strategic way, investments to fight AIDS can be the fuel that gets the entire health system engine going. These investments can strengthen overall planning, staffing, procurement and distribution systems, build district clinics, pay for village health workers, and provide seed funding for longer-term national health protection schemes.

Because of these potential benefits, the Global Fund is strongly engaging in the health systems agenda. In November, the Global Fund Board approved a new set of principles to guide Global Fund financing of health systems strengthening as part of approaches to the three diseases. The Global Fund is also the first major donor to give in-principle approval to accepting national strategies as financing instruments, which will be a major step in the health field by bringing donors together around a single health plan. As mentioned earlier, the Global Fund has invested significant time and resources in recent aid harmonization and health systems strengthening initiatives from bilaterals and is working to develop clear criteria to guide Global Fund participation in such mechanisms.

Global Fund Secretariat and Processes

We are currently working hard to make adjustments to the structure and operations of the Global Fund Secretariat so that it is equipped to deal with the next phase of growth. As the Global Fund has evolved, its processes and architecture have become

more complex. In order to preserve our hard-won reputation as a lean, flexible, country-owned mechanism that provides financing rapidly, reliably and in a sustainable manner, we are currently taking stock and working to streamline our processes so that interacting with the Global Fund is as simple as possible for countries.

In order to focus on its mission to rapidly disburse resources, at its founding the Global Fund contracted with the World Health Organization to provide administrative services and human resources support. Having now matured as an organization, the Global Fund Board decided in November 2007 that the agreement with WHO will terminate at the end of 2008. As we evolve to become an independent foundation with its own systems and human resource policies, I am confident that the Global Fund Secretariat will become one of the most modern, dynamic and attractive workplaces in the field of global health.

Conclusion

During the past five years, PEPFAR and the Global Fund together have shown that significant impacts can be made against the major diseases of poverty. The world needs five more years of PEPFAR and it needs U.S. leadership and generosity in the field of global health.

The U.S. also needs a strong and well funded Global Fund to compliment its work, ensuring that health benefits extend beyond the 15PEPFAR focus countries, helping to harmonize U.S. support with that of other major donors and linking AIDS programs to those of the other major infectious diseases.

The progress that has been achieved to date in the field of global health is the result of both our efforts. PEPFAR and the Global Fund are showing that well-implemented bilateral and multilateral efforts can be mutually reinforcing, and that health and socio-economic development and stability are intertwined. They are showing that health programs can be a force – not only for development - but for international stability and security.

We recognize that AIDS, tuberculosis and malaria continue to take a terrible toll on millions of people around the world. Continuing the fight against these diseases remains the most pressing public health challenge of our time.

Thank you again for the opportunity to testify. I look forward to answering your questions.