Friends and colleagues, may I add my greetings to that of our Chair. A very warm welcome to you all to the Fifth Meeting of the Board of the Global Fund.

This is the first meeting led by our new Chair, Secretary Thompson, and our new Vice Chair, Dr. Suwit. We have, however, already benefited tremendously from their leadership and their hard work. They have been engaged constantly in the affairs of the Global Fund since their election in January, and I have benefited personally from their guidance and tireless efforts.

I want to pay particular tribute to Secretary Thompson’s efforts in Europe in May. He had numerous meetings with ministers and delegations during the World Health Assembly, and he also undertook productive visits to Berlin, Brussels and Stockholm on behalf of the Global Fund. The benefits from these many discussions are already apparent. My thanks also to Dr. Suwit, who has shown incredible dedication in advocating for the Global Fund, and in contributing to the work of the Board and its committees.

Let me add my welcome to our new Board members: Mr. Shigeki Sumi from Japan, who is succeeding our friend and previous Vice Chair, Seiji Morimoto, and to Dr. Urbain Awono, the Minister of Public Health of Cameroon, our new alternate member for West and Central Africa.

One of your agenda items in the next two days is to renew the TRP, and I look forward to welcoming new TRP members to the family of the Global Fund. I would like to pay tribute to the extraordinarily hard and productive work of the existing TRP – to its leadership provided by Michel and Alex - and to all its members whether they are remaining with us or rotating off. The TRP continues to play a central and important role in the work of the Global Fund.

2003: HALFWAY THROUGH OUR MAKE OR BREAK YEAR

When we last met, I said 2003 would be our make or break year. 2002 was the year the Global Fund built its disbursement architecture, established its systems and staff, and adopted policies to guide our work. The second year of a new organization is often when the honeymoon ends, and critics ask if the world is better as a result. Is it? I believe that we have good progress to report. I believe that our clients – the millions of people living with and affected by AIDS, TB and malaria – are better off today than they were before a Global Fund existed. But
we have not yet “made it”. Tough and important challenges lie ahead. Allow me to summarize our progress by reviewing each aspect of our core business in turn: ‘Raise It, Spend It, Prove It’. I will start with ‘Spend It’.

Spend it – Money moving but pace must quicken

Our first and foremost task is to invest resources in effective programs to prevent and treat the three diseases. We must move money efficiently and accountably – with a lightness of touch that does not entangle our recipients in bureaucracy and with a degree of transparency that allows donors and all stakeholders to have a clear view of what we are financing. Currently, our task is to disburse initial funds to approved applicants from Rounds 1 and 2.

At the Third Board Meeting, there was frustration that proposals were approved but not signed. At the Fourth, there was hope as we put in place our procedures and began to sign grant agreements. Now there should be some satisfaction that we are making steady, sustainable progress. For Round 1, we need to sign agreements with 36 countries to commit to USD 567 million. By the end of this week, we will have committed 78% of this sum through agreements with 31 of these 36 countries. For Round 2, we need to commit USD 887 million through agreements with 73 countries. By the end of this week we will have committed 14% of this amount through completed grant agreements with 21 of these 73 countries. In total, we have formally committed nearly USD 600 million to 49 countries. That is a long way from where we were in January. For Latin America, the Caribbean and Eastern Europe we have completed the signing of all Round 1 grant agreements and, by the end of next week, disbursement will be underway to all programs in these regions. In addition, we have disbursed (or requested disbursement for) just over USD 32 million to 27 countries. While this is a modest sum that must increase substantially over the next months, it represents a 50% increase from my last update to you on May 12 and it is rising steeply.

The negotiation and signing of agreements has itself resulted in progress at the country level. We have retained our focus as a financing mechanism, as we must do, but the process of moving from proposal to disbursement has been an enabler for broader success. Our Portfolio Managers have witnessed a stronger reliance on public and private partners to realize the vision of proposals. Technical partners have played a critical role in supporting countries at the local level. And NGOs, faith-based organizations and the private sector have become increasingly involved – through CCMs, as Principal Recipients and sub-recipients, and in implementation.

We have moved from rhetoric to reality in our efforts to ensure harmonization with existing donors. Round 1 proposals – which were written under severe time constraints and with a lack of clarity on Global Fund procedures – have been translated into arrangements that include linkages with PRSPs, funding of baskets, and integration with the effective procedures of existing donor funding.
The Fund was designed to be flexible and adaptive to the needs of our recipients, and these recipients are now using this flexibility to ensure sensible and strategically aligned finance by the Fund – as one source of external funding in the fight against disease and the achievement of the Millennium Development Goals. Also, the procurement arrangements of the Fund’s recipients are taking shape. The policies adopted by the Board, and the opportunity offered by them and by the Fund’s magnitude of finance, have opened the door for new systems to procure and distribute quality medicines and products, and countries are working out the details of how to scale-up. There are questions that remain to be answered – by the Fund and by others – but your vision has enabled substantial strides forward, and both the Fund’s clients and the broader market have responded favorably.

But this progress is not nearly enough. We are not yet achieving the scale to which the Global Fund is committed. We must urgently complete the task of signing grant agreements and initiating disbursements to all of Rounds 1 and 2. We must ensure that the processes and partners of the Fund enable recipients to absorb these funds in order to scale up prevention and treatment.

Before the processing of Rounds 1 and 2 is complete, we are once again receiving new proposals, continuing the tradition that you established in April 2002 of placing the cart firmly in front of the horse! In my travels in the last months, I have been delighted at the energy, enthusiasm and initiative with which stakeholders have approached Round 3. I see better mobilization of the capacity and expertise of faith-based organizations; I see planning to ensure more co-finance with the private sector; I see more inclusive processes in CCMs with greater involvement of NGOs; I see better cross-department coordination in governments to plan how best to receive and utilize new funds. Moreover, our bilateral and multilateral partners, as well as foundations and others, continue to work with applicants to help them design the most effective and efficient programs to fight AIDS, TB and malaria. Proposal rounds represent a carrot for this process, and the importance of ongoing rounds is affirmed by the experience of Round 3.

As of today, we have received over 200 proposals from about 85 countries requesting approximately USD 2 billion from the Global Fund over two years. Of note, 31 countries applying have not previously been approved for any grants by the Global Fund. Many more are reapplying for disease components that have not previously been submitted or which have not yet been approved. The figure of $2 billion is about equal to what was requested in Round 2, and 63% of what we previously estimated for Round 3 in our financial prospectus. We must better understand the reason for this outcome. The vision of the Fund is to scale-up, by as much and as quickly as is effectively and efficiently possible, so that the world can reach the goals that have been set, including 3 million people in poor countries on antiretrovirals by the end of 2005.
Given the size of the request and the resources available through the end of 2003, the Fund now faces a tough challenge. We are nearly USD 600 million short of the needed resources to fund Round 3, assuming an approval rate of 50%. How do we build on the existing review and approval process to ensure that, even in the resource-constrained environment that I hope we do not face, the Fund approves proposals that add most value to the fight against these diseases. Our goal should not be political compromise, but the right answer for communities living with and affected by these diseases. How can the Fund best process these proposals for their benefit? Both the substance of this challenge, and the procedure to get to the right answer, are up for discussion.

Let me finish my report on “Spend It” with a few words on performance-based disbursement. A central principle of the Global Fund is to be driven by results. But how do we do this in practice? Honestly, we do not know the answer, but we are committed to developing the solution by working from existing experience and providing the innovation necessary to implement a model that ties funds to performance. Thus far, we have translated our commitment into guidelines and procedures that minimize burden for recipients but maximize accountability and transparency. We have only just sent these materials to countries, and the test will be in the doing. That said, I am happy to announce that our first recipients – Ghana and Haiti – have now completed these forms, straightforwardly and without procedural burden. I have now approved second tranches of funding to be disbursed to these countries, which are showing demonstrated progress.

Our challenge ahead on performance-based disbursement is to put this system in full motion: receive disbursement requests, verify the information, and make promptly second and subsequent disbursements to all countries where good work has been demonstrated.

**Prove it – Early results and good reports with much more to achieve**

How, then, are we doing on “Proving It”? The best part of any day for me is when a Portfolio Manager or Director reports on what the Fund’s dollars are doing on the ground. What are we buying? Are we saving a life today because of our finance? The answer is yes. I reported a month ago about people on ARVs in Haiti, DOTS training in China and treatment in Mongolia, and bednet distribution in Tanzania. I can say today that Sri Lanka has purchased 10,000 bednets for 10,000 families who will receive them beginning this month. In Rwanda, a training program that will reach 75% of the country’s healthcare workers is underway, and ARVs have been ordered so that people living with HIV will be on therapy this month. In Honduras, 500 people living with HIV will begin ARV treatment over the next month, and by the end of the year 2000 will be on ARVs, because of Global Fund finance. And in China, training will move to treatment, with DOTS coverage extending from a population of 326 to 395 million.
Of course, this is not nearly enough. When we next meet, I must be able to report many more lives saved and services delivered. Also, we must have in place by then a robust monitoring and evaluation system to capture data from our grantees more systematically. These data will come from our performance-based disbursement system and from several other sources – as set out in the M&E Strategy Paper which you are reviewing at this meeting. We will be working closely with our recipients and our bilateral and multilateral partners – and with the Gates Foundation – to strengthen M&E systems and to harmonize our collective need for timely and accurate information.

Beyond progress in countries, proving it also entails showing that the Fund is functioning as an effective financing mechanism. A comprehensive report on that subject was issued a month ago by the US General Accounting Office, and the news, I believe, is good. According to the GAO, we have made noteworthy progress in establishing our governance structures, oversight systems and grant-making process. Where we have room to grow, we are implementing constructive improvements. The type of critique provided by the GAO is healthy and necessary for the Global Fund to keep evolving at a quick pace. We must not be complacent. We encourage constructive feedback that is forward-looking and solution-oriented. In that spirit, we welcome the Tracking Study being managed by the London School of Hygiene and Tropical Medicine, which is looking at the effect of our operations in four of our 93 countries. This will provide good insight, and we are working with the study team to ensure that their analysis is well informed. The challenge of this and other reviews of the Fund is to keep them constructive and to act quickly to respond to what they teach us.

Proving it is only meaningful if we are able to communicate our results. The Fund has made tremendous progress in communicating who we are and what we are doing. Over 60 articles mentioning the Fund appeared in the dozen leading North American and European newspapers in May. Notably, coverage in national African media was roughly equal. Today you will see a film produced to show our progress, and another will air on July 16 in Paris. We have update materials to distribute, including a pocket pamphlet, a 2 and 4 page update, and our first brochure. Our Annual Report is in production, and our website is being upgraded to provide an unprecedented degree of transparency, including downloadable approved proposals, grant agreements and disbursement requests. We have also formed a partnership with Publicis – a global leader in marketing – under which they will support our branding campaign. Are we a household name yet? No. But we are getting there! I must pay special tribute to Jon Liden for leading this leap forward, and give thanks to Gro Brundtland and the WHO for lending his expertise and commitment to the Global Fund at very short notice.
Raise it – Two donors in the lead, but billions still to be raised

This improvement in communication has helped tremendously our efforts to raise new resources. We are still short of resources for Round 3, to say nothing of what we need in the coming years for new rounds and the renewal of existing rounds. The less we mobilize now, the more we will need to raise in 5 or 10 years, as these pandemics become far worse.

There is good news to report on resource mobilization, with two donors leading the way. When we last met at the January Board Meeting, President Bush announced a five year commitment to the Global Fund of USD 1 billion. Since then, the US Congress and the President have passed into law authorization of up to that same amount for 2004 alone. The actual amount appropriated will vary from this target, but it signals a substantial short-term contribution to match the President’s long-term commitment. What the US provides, in any case, will be based on a challenge – it will contribute 1 dollar for every 2 contributed by others, up to the maximum amount that is appropriated. There are no formulas for giving at the Global Fund, but this simple model has enabled our other donors to conceive of a wholly new magnitude of giving. And, it must be noted, the US generosity to the Fund is paired with an ambitious bilateral program to provide comprehensive support to 14 highly affected countries in Africa and the Caribbean.

In Evian this week, and in a meeting with me two weeks earlier, President Chirac praised US contributions to the Fund. He has himself shown France’s commitment by increasing its contribution to 150 million euros per year – a tripling of their current annual pledge. In addition, President Chirac has given us a powerful new vision: that Europe also commits USD 1 billion – a challenge to the US and the world. He has personally advocated on behalf of the Fund with European Heads of State and the European Commission to meet this goal. Other European donors have already stepped forward, with the UK extending their pledge by USD 80 million through 2007, Italy affirming an additional 200 million Euros in the short-term, and the European Commission pledging at least 340 million Euros through 2006.

On behalf of the millions of affected communities whose lives we are here to improve, I thank France and the US for their leadership, and I also thank the UK, Italy, the European Commission and all donors to the Fund for their strong support. They have all agreed on the need to fight these diseases and, as part of the solution, to fully finance the Global Fund. With the prospect of up to $1 billion from the USA and up to $1 billion from Europe, we have the task of raising a third $1 billion from all other sources – giving us the total of $3 billion that we need through 2004. This third $1 billion must come from donor countries such as Australia, Canada, Japan, and New Zealand – some of which have already given generously to the Global Fund – from new donors, such as oil-rich states, as well as from foundations and the private sector.
Which brings me naturally to the need to increase the role of the private sector in the work of the Global Fund. Beyond existing support to the Secretariat, which is substantial, and co-financing of proposals submitted to the Fund, which is evident in Round 3, we must greatly expand private contributions both in cash and in kind. Cash contributions are being pursued, particularly through mechanisms which would give the Fund a very small share of a very large number of transactions, as in the financial and retail sectors. The private sector delegation have conducted a comprehensive pro bono study which, building on discussions with three dozen companies, points the way for the Global Fund to take full advantage of potentially large in-kind contributions. It is essential that we have made substantial and tangible progress on these topics by the time of our July 16 meeting in Paris.

Can we rise to these challenges together? Absolutely. And when I need to remember what we are capable of, I look to our colleagues from affected communities and see what they are capable of. As many of you know, they have begun a campaign – “It Starts With Us” – to mobilize contributions to the Global Fund from their own resources. They that are fighting these diseases most directly, most personally – are leading the way with their own generosity. Thank you for continuing to inspire the rest of us and reminding us why these resources are so desperately needed.

LOOKING AHEAD: THREE IMPERATIVES FOR CONTINUED SUCCESS

Allow me to conclude by reflecting briefly on other imperatives for our collective success, activities where the Global Fund may not be in the lead – given its focused role as a financial mechanism – but that are nonetheless critical for the impact of the Fund’s finance to be maximized.

One imperative is in-country technical assistance. Countries require TA so that they can achieve their targets to prevent and treat AIDS, TB and malaria, with the help of finance from the Fund and others. This support must be sourced broadly. Multilaterals have a strong role to play. Gro Brundtland has laid a firm foundation from which JW Lee will build an ever stronger and more effective role for WHO, now with the help of our friend and colleague Paolo Teixeria. The World Bank and UNDP must ensure development linkages at the country level. UNICEF must ensure appropriate focus on orphans and vulnerable children. The ILO is mobilizing greater involvement by local business and trade unions. And UNAIDS has the task of coordinating this response, both globally and with the range of stakeholders at the country level. This role which has never been more important.

Bilateral support is equally critical. Bilateral programs work on the ground to support countries and their priorities comprehensively. This is necessary to ensure that our funding is not vertical, but supportive of improved health systems.
The Fund is meeting with DfID this month to discuss in detail how we can better support linkages to SWAPs and PRSPs. USAID is mobilizing drug management expertise to improve procurement and distribution of health products in country. Germany’s GTZ has made stopping AIDS a cross-sectoral organizational priority and is mobilizing all its regional and personnel structures to further that goal. NORAD, as part of its broad range of activities, has commissioned a consultant to do in Mozambique what may be useful in many more settings – namely to fully reconcile the funding for AIDS, TB and malaria coming from multiple donors and recommend how to best coordinate these flows. And there are many more good examples.

NGOs and the private sector can also – and must – provide technical assistance. NGOs use modest funds to maximum effect, and they can guide others on how to manage funds and leverage capacity. The private sector in-country represents an incredible opportunity. Companies already implementing ARV workplace programs, like Anglo-American, Coca Cola, and Heineken, can teach others about information management and patient tracking systems. Marketing firms can help maximize the value of funds going to mass media campaigns. This, too, is TA, and it has an important role going forward.

**A second imperative** is greater mobilization of the leadership of developing country governments. Governments are key to the success of efforts to fight these diseases. They must not work alone, but their leadership and capacity must be a foundation on which programs build. The governments represented here have been leaders in the global fight against these diseases, but there is a lot to do to further mobilize all of the developing country governments to which we are committing finance. Greater and more vocal political commitment is required. Conservative approaches to this fight will yield conservative results. Increased local spending is required – on these diseases, but also more broadly on health and development. How else can the Fund be additional? Appropriate management is required. The programs that the Fund and other donors are helping to finance are large additions to existing work plans. These programs need more capacity and improved management. And there must be greater, more genuine cooperation with civil society. Not for the sake of CCM signatures on a proposal, but towards the goal of true partnership that brings civil society – NGOs, communities, faith-based organizations and the private sector – into the planning and governance process at the local level.

**A third and final imperative** that I will mention is the market response to increased finance. The Fund is connected to a number of markets, and our funds will only yield outputs if these markets respond. First, we must look to the products and commodities that we are purchasing. Is there sufficient manufacturing capacity to produce the necessary volume of bed nets and artemisinin-based derivatives, or MDR-TB medications, and antiretrovirals to meet the expected demand? The answer is no. Is the current framework of international agreements such that the full range of eligible manufacturers of
these products have confidence that their products are open for export to recipients? Again, the answer is no. Disagreement on different aspects of TRIPS and Doha must not hold back the clear and public consensus on AIDS, TB and malaria. There is no greater market shortage than human resources. Many countries lack sufficient doctors and nurses – and, perhaps more importantly, social workers, pharmacists and counselors – to scale up the fight against these diseases. Moreover, it is these resources more than dollars that will enable countries to improve health systems in a sustainable way. I don’t have the answer to this challenge, but it is part and parcel of the set of imperatives we face to stop TB, to roll back malaria and to turn the tide of HIV/AIDS.

[Pause for personal reflections on the leadership, contribution and commitment of Gro Brundtland and Maryan Baquerot of the World Health Organization, both of whom were critical to the creation and success to date of the Global Fund. Also, a moment of silence to mark the passing of Mr. Baquerot.]

IN CONCLUSION

The Global Fund has made great progress and faces important challenges. But the Global Fund is one element in a broad solution and a broad family of partners. We must succeed together, or not at all. As stakeholders of the Fund specifically, I encourage us all to continue to play two roles with equal enthusiasm: constructive critic and committed cheerleader. We do a good job at these meetings of being critics, but we must also be actively engaged cheerleaders, advocates, ambassadors. We have done as well as we have because of your commitment to be both, but we must do better, we must do more.

This Board Meeting will advance our work towards the achievement of our shared vision. I thank you all for your commitment, your support, your good humour and for the decisions that you will take – and the guidance that you will provide – during this meeting.