REPORT OF THE RESOURCE MOBILIZATION AND COMMUNICATIONS COMMITTEE

Outline: This report from the Resource Mobilization and Communications Committee with its 7 annexes gives an overview of the committee’s activities and deliberations and offers a recommendation for decision by the Board.

Decision Point:

1. It is recommended that the Board adopt the paper on the Voluntary Replenishment Process as outlined in Annex 5 and accept the recommendations therein.
Part 1: Introduction

1. The Resource Mobilization and Communications Committee has met twice, once on 3rd and 4th December 2003 and again on 29th and 30th January 2004 (Annexes 1 and 2 provide agendas and participants for these meetings). Three areas of work have dominated these meetings:

- In-kind donations;
- Replenishment mechanism;
- Resource mobilization strategy.

2. During the January meeting, the RMCC was visited by Mr. Stephen Lewis, UN Special Envoy on HIV/AIDS in Africa. Mr. Lewis has been a consistently strong supporter of the Global Fund and had been invited to share his views and impressions of the Global Fund.

3. During its two meetings, the Committee was updated on and engaged in discussions on a number of current resource mobilization and communications issues handled by the Secretariat. These issues are covered by the attached Report on External Relations Activities by the Secretariat (Annex 3).

Part 2: In-kind Donations

1. During the December meeting, Michael Edwards, Strategy Consultant, Pharmaceuticals and Medical Products Practice, Accenture, presented to the Committee the initial work Accenture had undertaken on assignment from PMPC. Accenture had been asked to outline the main issues and possible solutions for any in-kind donation policy of the Global Fund to facilitate the Committees’ discussions and eventually the Board’s decision.

2. The committee raised a number of issues on in-kind donations including what would be the incentive for PR’s to utilize an in-kind donation programme, how is accountability, sustainability and quality insured, and how does one value donations. It was recommended that a wide range of models be reviewed by Accenture in its work to see what has worked previously.

4. During the January meeting, Mr. Edwards presented the results of the work done by Accenture following the discussions in December. Mr. Edwards outlined a strategy and options for in-kind donations to the Global Fund, and outlined two recommended models for potential in-kind donation mechanisms. Mr. Edwards said that pursuing a mechanism for in-kind donations of goods and services had the potential to free up to 20% of Global Fund financial resources for use elsewhere, allowing greater flexibility and potential expansion of funded programs. He also acknowledged that the use of in-kind donations presented a number of technical and policy challenges.
5. A substantial discussion followed the Accenture presentation, emphasizing challenges of sustainability, ease of use, quality control and flexibility, as well as the need to find a balance of incentives between donors and recipients.

6. Resource requirements were discussed. Accenture pointed out that the proposed cost structure is based on the assumption that the IT platform would not have to be built from scratch or could be outsourced.

1. Accenture was asked to work some of the points raised in the Committee into a paper which would constitute its interim report (Annex 4). (Further comments may come from its presentation at PMPC, but any changes to Accenture’s report will come too late for the deadline of papers to the Seventh Board meeting.)

2. In line with the decision of the Sixth Board, candidates for a joint working group established with the PMPC were decided on and a time table for taking the work forward was suggested for PMPC to agree with or revise. The Joint working group would be responsible for drafting recommendations which will be presented to the two committees in May. These recommendations will be adapted and presented by the two committees to the Board for decision at its Eighth Meeting in June.

Part 3: Replenishment

1. The French delegation presented an informal “Non-Paper” on Voluntary Replenishment to the Committee ahead of its meeting in December. This paper was discussed and the Secretariat was asked to develop a paper for the next Committee meeting which could form the basis of a Committee recommendation to the Board.

2. Based on the “non-paper” of the French delegation and the discussions in the Committee, the secretariat undertook a round of consultations with external support and subsequently presented a new paper for discussion at the January Committee meeting.

3. During the meeting in January, Committee members discussed the Secretariat’s paper and suggested a number of amendments. These having been included, the Committee agreed to recommend the paper for Board approval. (Annex 5)

**Decision Point:**

It is recommended that the Board adopt the paper on the Voluntary Replenishment Process as outlined in Annex 5 and accept the recommendations therein.

Part 4: Resource Mobilization Strategy

1. During the December meeting, Christoph Benn and Jon Lidén presented a draft revised “Resource Mobilization and Communications Strategy”, which included a detailed work plan.
2. At that time the Committee requested further information on the role of recipient countries in resource mobilization and stated that these countries had not been included in the strategy. Collaboration with other organizations was also emphasized, as was the importance of maximizing the exposure of the Global Fund at high-profile events. The Committee asked to receive an update on the strategy at the next meeting.

3. During the January meeting, Christoph Benn presented the revised strategy paper, which included the changes suggested by the Committee. These changes included making distinctions between donor, new donor and recipient countries; information on co-investment; background on new financial mechanisms such as debt conversion and information on Friends of the Global Fund.

4. The Committee suggested several further changes, and endorsed the revised document which is attached here for information (Annex 6).
### Agenda for the Resource Mobilization and Communications Committee Meeting,
Global Fund Secretariat Office, Geneva, 3rd and 4th December 2003

#### 3rd December

<table>
<thead>
<tr>
<th>Time</th>
<th>Item</th>
<th>Speaker</th>
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<tbody>
<tr>
<td>10.30</td>
<td>Welcome. Agenda. Other formalities. Welcome of new members</td>
<td>Chair</td>
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<tr>
<td>11.00</td>
<td>External Relations Update (since last Board meeting)</td>
<td>Secretariat</td>
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<tr>
<td>12.00</td>
<td>Revised External Relations strategy: presentation of draft paper (including capacity and resource needs of the Secretariat) and discussion</td>
<td>Secretariat</td>
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<tr>
<td>13.00</td>
<td>Sandwich Lunch</td>
<td>Secretariat</td>
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<tr>
<td>14.00</td>
<td>Revised External Relations strategy: discussion continued</td>
<td>All</td>
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<tr>
<td>16.00</td>
<td>Revised External Relations strategy: Conclusions and recommendations to the Secretariat and the Board</td>
<td>All</td>
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<td>09.00</td>
<td>In-Kind Donations: presentation: status and way forward</td>
<td>Secretariat</td>
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<tr>
<td>10.45</td>
<td>Coffee Break</td>
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<td>11.00</td>
<td>In-Kind Donations: nominating members for a joint working group with PMPC and suggesting terms of reference</td>
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<td>12.30</td>
<td>Sandwich Lunch</td>
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<td>13.30</td>
<td>Replenishment Mechanism: presentation on the way forward</td>
<td>Secretariat</td>
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<td>14.00</td>
<td>Replenishment Mechanism: presentation of option paper</td>
<td>French Delegation</td>
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<td>14.30</td>
<td>Replenishment Mechanism: Discussion</td>
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<td>16.30</td>
<td>Other Business</td>
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<td>CHAIR</td>
<td>Prof Adetokunbo Lucas</td>
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<td>VICE-CHAIR</td>
<td>Mr Jerome Baconin</td>
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<td>France</td>
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<td>Latin America</td>
<td>Mrs Melinda</td>
<td>Kimble</td>
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<td>Foundations</td>
<td>Ms Gianturco</td>
<td>Leone</td>
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<td>Italy</td>
<td>Mr Shigeki</td>
<td>Sumi</td>
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<tr>
<td>Japan</td>
<td>Dr Helene</td>
<td>Rossert-Blavier</td>
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<td>NGO Developed</td>
<td>Mr Stuart</td>
<td>Flavell</td>
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<td>NGO Rep. Communities</td>
<td>Mr Jeff</td>
<td>Sturchio</td>
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<td>Private Sector</td>
<td>Dr Churnrurtai</td>
<td>Kanchanachitra</td>
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<td>South East Asia</td>
<td>Dr Ben</td>
<td>Plumley</td>
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<td>Ross</td>
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Annex 2

Agenda for the Resource Mobilization and Communications Committee Meeting,

29th January 2004

10.30 Welcome. Agenda. Other formalities. Chair
10.45 Update on Resource Mobilization & Communications activities Secretariat
11.30 Discussion on fundraising issues Mr. Stephen Lewis, UN Secretary-General’s Special Representative on AIDS
12.30 Lunch Secretariat
14.00 Presentation on in-kind donations Mr. Michael Edwards Accenture
15.45 Coffee Break
16.00 Report on January think tank meeting on potential new funding sources Secretariat
17.30 End of day

30th January 2004

09.00 Replenishment mechanism: Secretariat Paper Secretariat
10.45 Coffee Break
11.00 Replenishment Mechanism cont. (Evnt. Discussion on in-kind donations, continued, if necessary) All
12.30 Lunch
14.00 Revised Resource Mobilization Strategy (Paper for the Board) All
15.30 Other Business Chair
16.00 End of meeting
RMCC – 29 – 30 January 2004

List of attendees

Chair                  Professor Adetokunbo Lucas
Vice Chair             Mr. Jérôme Baconin
Foundations           Mr. Michael Madnick
Italy                 Mr. Leone Gianturco
Japan                 Mr. Shigeki Sumi
NGO Developed         Dr. Hélène Rossert
NGO Rep Communities   Mr. Stuart Flavell
South East Asia       Dr. Churnrurtai Kanchanachitra
UNAIDS                Mr. Ben Plumley
WHO                   Mr. Jhoney Barcarolo
Accenture             Mr. Michael Edwards

Members of the Secretariat

Mr. Jon Liden
Mr. Christoph Benn
Mrs. Mariangela Bavicchi
Ms. Susan O’Leary
Mr. Barry Greene
Mr. Guido Bakker
Mr. Brad Herbert
Ms. Julie Archer
Mr. Rajesh Anandan
EXTERNAL RELATIONS UPDATE


In close cooperation with the Resource Mobilization & Communications Committee, the Secretariat of the Global Fund developed a detailed strategy for resource mobilization and communications (Annex 6). This report presents the activities carried out as part of the implementation of this strategy and results to date.

For information only
Donor Countries

1. The Secretariat has developed a comprehensive internal financial and donor monitoring system which enables day-to-day monitoring of the status of pledges and contributions. By the 31 December 2003 over 98% of 2003 pledges were converted into contributions. During this period, pledges were received from the public sector, including additional pledges from the governments of Belgium, Denmark, Ireland, Liechtenstein, and Japan.

2. New pledges have been communicated by the governments of Australia, Portugal, and Singapore. This has resulted in an increase in the total pledges received which currently stands at US$ 5 billion. This is an increase from US$ 4.73 billion from October 2003.

3. This amount will still increase. Following a pledge of $200 million by the US President one year ago, the US Congress has included in its budgetary appropriation for 2004 a maximum allocation to the Global Fund of $547 million. According to US law, the actual contribution will depend on the US payment not exceeding 33% of all 2004 payments. Current pledges from other donors for the financial year – assuming 100% timely payment – allow for a US contribution of $493 million. Increasing pledges and payments from other donors by $109 million will maximize the US contribution.

4. The Secretariat has continued to consolidating strong working relationships with donor countries. Detailed briefings have taken place with Geneva based permanent missions of existing donor countries. These briefings have been aimed at sustaining political and financial commitment to the Global Fund and have provided as well the opportunity to update the missions on the progress of the Fund’s progress.

5. Other briefings on resource mobilization issues have been held at a wide range of forums including the World Economic Forum in Davos.

6. The secretariat has also recently held a workshop to examine additional forms of fundraising beyond Official Development Assistance budgets of donor countries.

7. Other activities to support public sector resource mobilization include conducting research into donor countries and developing comprehensive donor profiles; making contact with permanent missions in Geneva to identify key contacts and update them on Global Fund progress; and providing consistent and detailed follow-up to ensure that pledged funds are transmitted to the World Bank Trust Account.

Potential Donor Countries

8. The Secretariat has initiated efforts to ensure a more diversified funding base. This is critical to increasing the level of resources in the near and medium term. It will also contribute to sustaining the commitment of existing donors by
engendering a sense of wider burden-sharing in the fight against the three diseases.

9. A number of potential countries have been identified and strategies developed. Detailed work has been done to brief missions, relevant ministries and civil society representatives. To date, Australia, Poland, Portugal and Singapore have officially announced new pledges and Angola, Hungary, Czech Republic and Slovenia have also indicated their intention to contribute.

Recipient Countries

10. The Global Fund has begun the process of active engagement with recipient countries through participating in high-level strategic forums such as the Third Tokyo International Conference on African Development (TICAD III), which took place in Tokyo in late September and early October 2003. The Fund’s Secretariat has carried forward this partnership in 2004 through detailed briefings to Geneva-based Missions, information to capitals and identifying strategic forums for future briefings.

11. Several recipient countries are also donors, and efforts are underway to mobilize further resources from such countries.

12. In October and January, three public service announcements (PSAs) were filmed using past winners from the Kora All-African Music Awards in Kenya, Rwanda and Ghana. These PSAs use entertainment personalities to raise awareness of the Global Fund and highlight progress in Africa, working closely with Principal Recipients to spread the message. The Kenya PSA was broadcast in January during the Kora Awards in more than 40 African countries. The Ghana and Rwanda PSAs will be broadcast at the end of March on TV5 (Europe, North and South America, Asia, Africa) and will later be distributed through Canal France International to more than 40 countries in Africa. A PSA in Senegal is scheduled for later in 2004.

13. Communications has provided advocacy and media relations support to the CCM and Principal Recipients in Zambia to increase the visibility of the Global Fund and increase stakeholder involvement in Global Fund projects there. In Swaziland, engagement of the media has resulted in greater media support for Global Fund-financed projects in the country. In December/January, the first issue of the Global Fund’s Secretariat newsletter, Frontliners, was launched. The newsletter, available in four languages, provides a platform for CCMs to share information on implementation and partner processes and for the Secretariat to provide relevant updates.

Partner processes and institutions

14. In the period under review, the Secretariat has participated in detailed meetings, briefing sessions and public events with a wide range of stakeholders, including parliamentarians, aid and government officials, key international organizations, private sector representatives and non-governmental organizations, and communities of persons living with HIV/AIDS
have been held in Australia, Cambodia, Thailand, Japan, Nepal, Uganda, the UK and the United States.

15. In view of increasing public awareness and mobilizing media in European countries about the Global Fund and the AIDS pandemic, the Secretariat has developed a strategy to work with celebrities. Rupert Everett, the British actor, has agreed to support the Global Fund with communication and advocacy activities. Following a visit to a Global Fund supported project in Africa, he has had detailed media coverage in Italy and Spain. The Secretariat is currently planning activities with media and Rupert Everett in France and UK. The Secretariat is also exploring other opportunities with other celebrities and events.

16. Plans have progressed rapidly for the establishment of the Friends of the Fund, independent organizations which will help to strengthen the resource mobilization activities of the Global Fund in the US, Japan, Italy in France. The US Friends of the Fund is scheduled to be launched in March, with a launch in Japan hopefully following shortly.

17. The promotion of public-private partnerships through co-investment schemes has been an important activity during the period under review. The Secretariat has undertaken advocacy through dialogue with various institutional partners such as the UN Secretariat, the Global Compact, as well as the ILO and UNAIDS. Discussions with companies and with the Global Business Coalition have lead to the first Co-investment scheme negotiated in South Africa in November 2003 and to a commitment from a number of member companies of the Global Business Council to submit proposals for Co-investment in Round 4. Pilot projects are currently being negotiated - as well as to seek direct partnerships for Co-investment with recipients or sub-recipients of GF Grants. These efforts are developed with the support of the ILO and the World Economic Forum/Global Health Initiative. In parallel a broader framework for the development of PPPs through Co-investment is being developed in partnership with main Business Coalitions and institutional players and Bilateral partners. New partners are regularly being brought into these discussions, such as the International Organization of Employers (IOE), the International Confederation of Free Trade Unions (ICFTU), the Commonwealth Business Council (CBC) and the World Bank MAP Private Partnership Program and the Corporate Council on Africa.

18. Media and participant briefing packages were produced for the annual meeting of the World Economic Forum in Davos in January 2004 to support the presentation delivered by the Executive Director.

Global Events and Conferences

19. During the period under review much progress has been made in preparation for the Partnership Forum and the XV International AIDS Conference, under the supervision of the Board Committee on the partnership Forum. An Events Coordinator has been recruited (seconded from Family Health International)
to manage logistics and general arrangements for both events. A meeting site has been secured and logistical preparations are at an advanced stage.

20. A leading organization has been chosen to manage the online forum preceding and following the Partnership Forum event in Bangkok. The anticipated launch of the online forum is March 2004. Discussion themes for the online forum are currently being finalized.

21. For the XV International AIDS Conference a proposal has been submitted for a skills building, satellite sessions and the Leadership Endeavor Series. In addition, exhibit booth space at the conference has been reserved.

22. A draft breakdown of participants for the Partnership Forum event and preliminary criteria/profiles for selecting participants are being developed in consultation with Stop TB, Roll Back Malaria, and GAVI to discuss the partnership activities of these organizations.

Private sector fundraising

23. Solid progress was made on the Global Fund’s private sector resource mobilization efforts along multiple fronts. The Global Fund in partnership with the Global Business Coalition on HIV/AIDS signed a co-investment agreement with nine companies committing to expand workplace HIV/AIDS prevention and treatment programs into the communities where they operate. Four of those companies are engaged in submissions for Round 4, and Anglo American led the way in establishing a direct co-investment partnership with a sub-recipient in October 2003.

24. A branding and outreach campaign was developed with the pro bono support of Publicis Groupe and McKinsey & Company, and core corporate partnerships are being finalized for a mass outreach campaign launch in mid-2004. In addition, the private sector Board delegation enlisted the pro bono support of Accenture to design a framework for enabling in-kind contributions to the Global Fund; the study was reviewed by the RMCC and is being refined for further discussion.

Program documentation & promotion

25. In December 2003 and January 2004, Communications staff visited Cambodia and Sri Lanka to document progress to date through tape recorded interviews and video. Video footage is being entered into a searchable archive and will be included in a video for the upcoming Partnership Forum in July 2004. Work has begun on organizing the documentation of Global Fund-financed projects in the five “pilot success countries” of Rwanda, Ghana, Sri Lanka, Indonesia and Honduras.

Media work

26. The secretariat has continued to provide international media with updates and information about the work and progress of the Global Fund,
27. Media support was provided for numerous events including US Secretary of Health and Human Services and Global Fund Chair Tommy Thompson’s five-country trip to Africa.

28. Other media highlights included coverage in the Guardian’s special supplement in November, the call for Round Four proposals in January, the Executive Director’s successful trip to Australia in February and the EU Ministerial Conference in Dublin, also in February.

On-line communications

29. A comprehensive online communication strategy was elaborated and implementation begun to support the Global Fund’s awareness-raising and resource mobilization goals. The first issue of the Global Fund’s on-line newsletter was launched in December. To date, 2000 people have subscribed.

Publications

30. A publications manager was hired in December and a final draft of the 2003 Annual Report produced in time for Board review in March. Publication is planned for April 2004. Monthly progress update packages were provided for all major meetings and trips from December through February. In addition, planning has begun for publications for the Partnership Forum and the International AIDS Conference in Bangkok in July.

Board support

31. RMCC meetings were held in December 2003 and January 2004 to discuss, among other issues, External Relations strategy, in-kind support (Annex 4) and the replenishment mechanism (Annex 5).
Note of Clarification: The following is a report of the work carried out by Accenture and is as such not a representation of any views held by Board committees of the Global Fund or their individual members and does not reflect in any way decisions or recommendations from these committees to the Board.

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Executive Summary

- The Fifth Board Meeting of the Fund considered three strategies to mobilize corporate sector resources. It was recommended that the Fund explore development of a mechanism to secure and distribute in-kind donations of goods and services.

- It is estimated that up to one-fifth of Fund expenditure could be replaced by in-kind donations. Interviews with potential donors indicated that in-kind donations may represent a greater opportunity for private sector contributions to the Fund than financial support because corporations prefer to donate goods or services and skills, and in-kind donations enable corporations to offer their distinctive skills and knowledge.

- Research identified six real and perceived challenges with in-kind donations:
  1. In-kind Donation Take-up
  2. Market Impact
  3. Scope and Scale
  4. Donor Engagement
  5. Valuation
  6. Drug Donations – some groups perceive drug donations as particularly challenging. Despite the challenges there are successful donations programs.

- A range of potential solutions have been developed to address each of the six potential challenges. A set of operating principles and three new processes are recommended to add an in-kind donation mechanism to existing funding processes. The three new processes are:
  1. In-kind Donation Resource Mobilization
  2. In-kind Donation Matching – for which two options are proposed
  3. In-kind Donation Disbursement

- The most complex component of the mechanism is the In-kind Donation Matching process. The project has developed two alternative approaches - from a range of options - for how the Fund could match donations:
  - **Option 1: Fulfilment Assessment** - Fulfilment Assessment is an extension of the current Grant Making process. It gives the Fund significant control over the in-kind donations process, however as a result it is more burdensome on the Fund.
  - **Option 2: Marketplace** - an electronic marketplace is developed to match recipients’ needs with potential donations. Marketplace allows recipients and donors to drive the process with little input from the Fund. An operating model could be developed as a hybrid of the two options was presented.

- The Fund must now consider the potential value of in-kind donations, the potential solutions to the challenges, which operating model is preferred and whether to conduct a pilot of an in-kind donations mechanism. If the Fund pursues an in kind donation mechanism, the fundamental policy decisions are:
  - Whether to accept all donations or limit certain categories, such as drugs or some classes of drugs and/or whether to limit donations based on scale/value of donation?
  - How to encourage recipient selection of in-kind donations?
  - Whether to put in place controls to minimize the potential market impact of a donation?
  - How to value in-kind donations?
  - How to engage and partner with donors to ensure effective donations?
Introduction

The Global Fund to Fight AIDS, Tuberculosis and Malaria was set up in response to a call for a new global public-private partnership to tackle these diseases. The Fund seeks to mobilize the resources of every sector, including the corporate sector. In support of this goal the Fifth Board Meeting of the Fund considered three strategies to mobilize corporate sector resources:

- Mobilize cash support
- Secure in-kind donations
- Promote in-country collaboration.

It was recommended that the Fund explore development of a mechanism to secure and distribute in-kind donations (IKDs) of goods and services.

Accenture has worked on a pro bono basis to develop options for mechanisms for the Fund to consider; the project has focused on the ‘how’ not the ‘why’. In addition the project has focused on the most significant opportunity for in-kind donations, support of country programs.

The Accenture team conducted 65 interviews with experts from the Fund community, as well as governments, NGOs, charities, communities and the private sector, ranging in size and geographical region. The interviews explored the many real and perceived challenges with in-kind donations and interviewees’ views on potential solutions to these challenges. The team researched previous and current in-kind donation programs and commercial online matching mechanisms and marketplaces. Findings were presented during the process to the Resource Mobilization Committee on 29 January 2004 and will be presented to the Portfolio Management and Procurement Committee on 25-26 February 2004.

This briefing paper summarizes the research conducted, options for an in-kind donations mechanism and potential next steps, for the Fund to consider.
Opportunity for In-kind Donations

The Private Sector Delegation presentation to the Fifth Board Meeting proposed that in-kind donations may represent a greater opportunity for private sector contributions to the Fund than financial support because:

- Corporations prefer to donate goods or services and skills
- In-kind donations enable corporations to offer their distinctive skills and knowledge.

Furthermore, there is a wide range of potential in-kind donations that could be useful to Fund grantees such as medicines, diagnostics, services and vehicles.

Based on industry interviews and analysis it was estimated that up to one-fifth of Fund expenditure could be replaced by in-kind donations. Based on the Fund’s estimated future disbursements this could equate to up to $300 million per annum\(^1\) that could be used on other programs. If a more pessimistic view of the potential value of in-kind donations were taken an in-kind donation mechanism could still deliver significant additional resources to Fund programs.

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<td>Commodities &amp; Products</td>
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<tr>
<td>Other</td>
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\(^1\) Based on Global Fund 2004 – 2009 disbursement estimates
\(^2\) GF Round 3 Portfolio and Programmatic Analysis, 24 October 2003, (numbers do not round to 100 due to rounding)
\(^3\) Based on McKinsey June 6 Global Fund Board presentation – PSD
Challenges and Lessons Learnt

Challenges of In-kind Donations
Research identified many real and perceived challenges in handling in-kind donations. In-kind donations of drugs are perceived as particularly challenging; however drug donations represent the greatest potential value to the Fund; up to 50% of in-kind donations. Despite the challenges there are examples of successful donations programs.

If the Fund was to undertake an in-kind donations mechanism, six key potential challenges would need to be addressed.

1. **IKD Take-up:** If recipients can choose between financial resources to buy goods and services and in-kind donations of equivalent goods and services they may choose financial resources. From the 65 interviewees, there was overwhelming agreement that few recipients would inherently prefer an in-kind donation over financial resources.

2. **Market Impact:** In-kind donations can impact local and world markets: the effects range from developing a future market for goods or services to driving competitors out.

3. **Scope and Scale:** In-kind donations can vary greatly in terms of scope and scale. It is challenging to establish a mechanism to cater for all donors and donations at both global and country levels.

   • **Scope of donations:**
     In-kind donations can include a wide range of goods and services.
• **Scale of donations:**
  In-kind donations can be small-scale or large-scale and can be provided on a local basis to specific principal recipients or be provided on a global basis for use by any Fund grantee. Recipients may already be receiving donations from local NGOs or corporations.

4. **Valuation:** Valuation of a donation can be challenging due to its effect on recipients’ cash disbursements, the donors’ accounting and publicity, and import taxes and tariffs that influence the total cost of a donation. Furthermore, an in-kind donation may have more than one value:
  • Average wholesale value
  • Value in recipient’s market
  • Tax exemption value
  • Value used for donor marketing
  • Value for tax and tariffs.

5. **Donor Engagement:** To establish credibility with recipients, donors must be committed to providing donations that are of adequate quality and support. In addition, ensuring in-kind donations are suitably managed and that donors receive adequate feedback about their donations will be imperative to engaging and maintaining partnerships with donors.

6. **Drug Donations - Challenges:** Drug donations are perceived as particularly challenging by some groups. Research identified five challenges for drug donations; these may also be challenges for drug procurement:
  • **In-country Distribution:** The key to any drug program, whether procured or donated, is effective in-country distribution
  • **Sustainability:** Some drug programs require a sustainable and reliable supply. Drug donations should not undermine the sustainability of supply
  • **Flexibility:** Some treatments are improving rapidly and in these cases recipients should have the flexibility to change to an improved treatment when it becomes available
  • **Appropriate Drugs:** Drugs have to be relevant to the disease patterns and treatment protocols of the recipient countries
  • **Drug Specific Quality Assurance:** Drug donations can have higher QA requirements than other donated goods.
Lessons Learnt

Despite the challenges there are successful in-kind donations programs and lessons can been learnt from them. Of the programs reviewed key success factors were:

- Unbureaucratic processes
- Long-term relationships with donors
- Wide co-operation with governments, NGOs and other organizations
- Partnerships with organizations in the field

Examples of general donation programs:

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Success Factors</th>
</tr>
</thead>
</table>
| **AmeriCares:** a non-profit disaster relief and humanitarian aid organization, which provides immediate response to emergency medical needs and supports long-term humanitarian assistance programs. Donations include drugs, food, clothing, survival gear, etc. | • Long-standing relationship with donors  
• Partnership with organization in the field  
• Control over supply chain from donor to recipient |
| **World Food Program:** In 2002 WFP fed 72 million people in 82 countries; donations received include food and services. | • Wide co-operation with governments, NGOs and other UN organizations |
| **Global Hand** is a network to help excess stock reach people in need. It is a trade fair where various parties find one another and interact as suits them best. Donations exchanged include drugs, food, clothing, furniture, etc. | • Partners from various backgrounds form donation network  
• Global Hand support international standards such as the Inter-agency Guidelines |
| **Disaster Recovery Network (DRN):** DHL offers free shipment for donated goods for emergency disaster relief (for example, earthquake in Bam, Iran) through DRN. | • Fast and unbureaucratic response to emergency situation  
• Large network capacity |

Examples of drug donation programs:

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Success Factors</th>
</tr>
</thead>
</table>
| **Diflucan Partnership program:** Assists developing countries in receiving drug donations to treat opportunistic infections related to HIV. | • Partnership with governments  
• Specific training for health professionals |
| **International Trachoma initiative:** Seeks to control trachoma through comprehensive national programs and donation of azithromycin. | • Strategy is adapted to local conditions  
• Integral approach to eliminate trachoma |
| **Mectizan donation program:** The MDP was established to provide medical, technical and administrative oversight of the donation of Mectizan. | • Community based in-country distribution  
• Long-term commitment of donor |
| **Viramune donation program:** The goal is to reduce the transmission of the AIDS virus from mother to child through donation of Viramune. | • Partnership with organizations in the field  
• Openness to other donors |
Potential Solutions

Based on the research, a range of potential solutions have been developed to address the six potential challenges for in-kind donations to the Fund.

1. IKD Take-up:
   If recipients can choose between financial resources to buy goods and services and in-kind donations of equivalent goods and services they are likely to choose financial resources. There are two alternatives to address the challenge of in-kind donation take-up:
   • **Recipient-Driven IKD Take-up:** recipients drive the decision to accept in-kind donations equivalent to goods and services that would otherwise be purchased to support programs
   • **Fund-Driven IKD Take-up:** the Fund drives the decision to accept in-kind donations equivalent to goods and services that would otherwise be purchased to support programs

Based on research, if the take up of in-kind donations is led by recipients, a form of incentive would need to be provided.

Three potential “Recipient-Driven” and one “Fund-Driven” solutions have been developed:

### Recipient-Driven

<table>
<thead>
<tr>
<th>Potential Solutions</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
</table>
| Provide IKDs as supplementary to money disbursements | • Encourages recipients to take donations without affecting their financial disbursements | • Significant additional bureaucratic burden to assess how the ‘freed up’ money will be spent  
• Does not necessarily save any money to be distributed to other programs |
| Substitute IKDs for money, but provide financial incentive | • Encourages take up of donations without forcing them  
• Saves money to be distributed to other programs or used to expand recipient program | • Incentive money paid will be excess to the requirements of the procurement plan  
• Additional bureaucratic burden to assess comparability of donations |
| Substitute IKDs for money and provide an incentive by minimizing the burden on recipients compared to a tendering/procurement process | • Saves all money to be distributed to other programs  
• Encourages take up of donations without forcing them | • Reduced burden of not having to carry out a tendering process may not be a significant enough incentive for recipients to choose donations over money |

### Fund-Driven
Potential Solutions | Pros | Cons
--- | --- | ---
Fund led substitution of IKDs for money, but provide an appeal mechanism for recipients | • Can support maximum take-up of donations  
• Requires recipient to have sound reason to not accept a donation | • Additional bureaucratic burden to assess comparability of donations, and for cases where there is an appeal  
• Perception of control being taken away from recipients |

2. Market Impact

In-kind donations can have an impact on local and world markets. This only applies under certain circumstances, for example:

- Limited suppliers in the market
- Donation (or procurement) represents a large percentage of the total market value. *In this situation UNICEF always aims to purchase from multiple suppliers, even if that does not guarantee the lowest price.*

Three potential solutions have been identified:

<table>
<thead>
<tr>
<th>Potential Solutions</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assess the potential market impact of each donation before deciding to accept it</td>
<td>• Customized decision for specific situation</td>
<td>• High effort involved</td>
</tr>
</tbody>
</table>
| Select list of products to be excluded from donation, reviewed annually | • Some control over market influence | • High effort involved  
• Possible over-regulation of donations |
| Do not limit donations based on potential market impact - leave decision to recipients | • Least effort involved | • No attempt by the Fund to control market impact |

3. Scope and Scale

**Scope of in-kind donations:**

There is a wide potential scope of in-kind donations. Certain categories of in-kind donations, such as drug donations, are perceived as particularly challenging by some groups.
Three potential solutions to the challenge of in-kind donation scope have been identified:

<table>
<thead>
<tr>
<th>Potential Solutions</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exclude drug donations from the mechanism</td>
<td>• Does not require management of the challenges associated with drug donations</td>
<td>• The Fund would not make use of up to 50% of the potential value of in-kind donations</td>
</tr>
<tr>
<td>Limit donations to specific categories (e.g. exclude ARVs)</td>
<td>• Would not require management of the more challenging types of in-kind donations</td>
<td>• Limits value of an in-kind donation mechanism to the Fund</td>
</tr>
<tr>
<td>Allow all appropriate (recipient-driven) donations</td>
<td>• Allows the full potential value of in-kind donations to the Fund to be realized.</td>
<td>• No control over donation scope</td>
</tr>
</tbody>
</table>

Scale of in-kind donations:
In-kind donations can be of very different scales. Recipients may have existing relationships with potential donors on a local, regional or global basis. The Fund cannot force all in-kind donations to go through a centralized mechanism. Furthermore, it will not be financially viable for the Fund to handle small donations. (Note: Based on estimates, the variable cost per donation is approximately $12,000; therefore it would not be valuable for the Fund to accept in-kind donations of less than this value. See Resource Requirements section for more detail)

A potential solution with three complimentary parts has been identified:

<table>
<thead>
<tr>
<th>Potential Solution</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three elements to potential solution:</td>
<td>• Fund provides comprehensive guidelines on all IKDs&lt;br&gt;• Fund does not interfere with existing relationships</td>
<td>• Requires LFAs to undertake additional activities</td>
</tr>
</tbody>
</table>
| • Donors choose of whether to make IKDs directly or through the Fund<br>• Where donors choose to donate directly to a recipient, the Fund should provide a set of guidelines and policies for recipients<br>• LFAs track in-kind donations to programs outside of the Fund’s mechanism | | }

4. Valuation
In-kind donation valuation can be challenging as an in-kind donation can have more than one value. **AmeriCares applies a two-tiered approach where the value of a donation for AmeriCares is different than the value assigned by the donor.**

The most important value for the Fund is the value in the grant that may be replaced by equivalent in-kind donations.

Two potential solutions have been identified:
5. Donor Engagement

For donations to be effective, donors need to clearly understand the requirements and commit to meeting them. A form of donor accreditation can help ensure donor commitment and compliance with Fund’s requirements for appropriate and effective donations. Companies that did not meet the Fund’s requirements could ultimately have their accreditation revoked. Accreditation can also offer a way for companies to start getting involved with the Fund prior to a specific donation.

Two potential solutions have been identified:

<table>
<thead>
<tr>
<th>Potential Solutions</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
</table>
| Value based on estimate in procurement plan | • Values are already available after approval of procurement plan  
• Matches grant value | • Values are only estimates                                           |
| Value based on assessment by third party | • Values are more accurate                                            | • Cost of assessment  
• Might cause delays in the process                                    |

<table>
<thead>
<tr>
<th>Potential Solutions</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
</table>
| **Up front accreditation:** Potential donors agree to follow specific overarching requirements before they can donate to the GF. For each donation the donor would sign up to an individual contract specifying the details of that donation. | • Sets expectations with potential donors  
• Provides donors opportunity to become an accredited donor/partner to the Fund  
• Encourages compliance with generally accepted guidelines and good practice by potential to revoke accreditation | • Additional activities to conduct and manage accreditation and potential arbitration process  
• Companies could become ‘accredited’ without ever having to provide a donation to a recipient, if no recipient ever requires/accepts their donation |
| **Case-by-case contracts only:** Each time a donor agrees to provide a donation to a specific recipient they sign a contract detailing the overarching requirements of the GF and the detailed requirements for the donation. | • Establishes common and clear expectations for both the donor and the recipient  
• Provides basis on which to challenge donors if they do not deliver as promised | • Additional activities required to develop contracts for each donation  
• The extent of negotiation required for each donation could slow the donation process |
6. **Drug Donations - Challenges:**

Specific solutions have been developed for the Fund to the challenges associated with handling in-kind donations of drugs, based on existing successful programs.

Potential solutions identified:

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Potential Solution</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-country Distribution</td>
<td>In-country distribution for IKDs undergoes equivalent assessment as for procured goods</td>
<td><strong>AmeriCares:</strong> partners with different organizations in the field to assess the in-country distribution abilities(^4)</td>
</tr>
<tr>
<td>Sustainability</td>
<td>The Fund will agree to support a program for its duration whether through donations or cash</td>
<td>The Fund currently commits to providing financial support to approved programs for up to five years</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Donation agreements should be for the same period as procurement contracts and the Fund should financially support switches to new treatments if required</td>
<td>Recipients currently manage the duration of their agreements with suppliers for procured drugs, and can terminate these when necessary</td>
</tr>
<tr>
<td>Appropriate Drugs</td>
<td>Donations must be matched with drugs requirements in the procurement plans</td>
<td>Based on the <strong>Inter-agency Guidelines</strong> all professionally organized donation programs only deliver drugs that were specifically asked for by the recipient(^5)</td>
</tr>
<tr>
<td>Drug Specific Quality Assurance</td>
<td>Donors and recipients agree quality assurance requirements within the Fund’s policies and guidelines</td>
<td><strong>GDF:</strong> Quality assurance of every delivery is managed by their procurement agent, IAPSO(^6)</td>
</tr>
</tbody>
</table>

---

\(^4\) *Interview with AmeriCares, January 13, 2004*

\(^5\) *Inter-agency Guidelines for Drug Donations, WHO, Geneva, 1999*

\(^6\) *Interview with GDF, December 2003*
Mechanism Operation

Operating Principles
A set of principles have been developed to govern operation of an in-kind donation mechanism, whichever operating model is chosen.

Donation Mechanism
- Donations should be handled in the same way as procurement, as much as is possible, and managed as part of the procurement process
- Donations should only be matched to recipient needs after the development of the procurement and work plans
- All donations should meet the guidelines and requirements as specified by the Fund, such as the procurement policies
- Any drug donations should adhere to the Inter-agency Guidelines.

Recipients and Donors
- Recipients should be given the choice of whether to accept donations or not, whether by complete choice, or via an appeal mechanism
- Potential donors should make a commitment to follow the policies and guidelines for donations
- Donors should provide the same standard of service for donated goods as for sold goods.

Operating Models
The Fund currently has a Financial Resource Mobilization process and a Grant Making process. Three new processes would be required for an in-kind donation mechanism:
1. In-kind Donation Resource Mobilization
2. In-kind Donation Matching – for which there are two options
3. In-kind Donation Disbursement

Steps 1 and 3 are presented first, with the options for step 2 to follow:

1. IKD Resource Mobilization
To mobilize donors and establish a long-term partnership that defines the expectations, operating principles and benefits for each partner.

Donor Accreditation
- Review donor profile i.e. ethical, financial, legal status
- Get donor agreement to donate within the Fund’s principles and guidelines

- Advertise Fund requirements for IKDs
- Generate commitment to donate
- Manage ongoing relationship with accredited donors
To successfully deliver donations such that recipients perceive no difference between donated and a procured goods.

### 2. IKD Matching

The most complex component of an in-kind donations mechanism is donation matching. This project has developed two alternatives, from a range of options, for how the Fund could match donations:

- **Option 1**: Fulfilment Assessment
- **Option 2**: Marketplace

#### Option 1: Fulfilment Assessment

This option is an extension to the Fund’s existing grant making process:

- Approved recipients would be matched with potential donors and create plans to fulfill their program needs by a combination of in-kind donations and cash disbursements
- The Fund would assess and agree the recipients’ plans and disburse the cash grants as appropriate

#### Basic Matching

To establish the initial match of donor and recipient:

- Execute an initial procurement plan assessment
- Allocate a potential donor

#### Detailed Matching

To enable agreement of the detailed match:

- Confirm details of donation(s)
- Create a Fulfilment Plan
- Assess the Fulfilment Plan

---

**Management of disbursement**

- Manage the disbursement of donations according to the agreed guidelines and principles

**Monitoring of disbursement**

- Monitor the disbursement of donations to ensure their successful delivery to end users
This option is based on an in-kind donation “electronic Market Place”, external to the Fund’s existing processes:

- Approved recipients could use the marketplace to buy donated goods and services with their grant money in the form of cash, vouchers or a credit note
- The money used to ‘buy’ goods and services from the marketplace would be returned to the Fund

**Basic Matching**

To establish the initial match of donor and recipient:

- Enter the recipient requirements into the marketplace
- Recipient establishes contact with potential donor(s)
- Submit detailed requirements

**Detailed Matching**

To enable agreement of the detailed match:

- Confirm details of in-kind donations on marketplace
- Create and agree a Memorandum of Understanding (MoU)
- ‘Pay’ for the IKD with cash, vouchers or a credit note
- Return ‘money’ to the Fund

**Comparison of IKD Matching Options**

Two distinct operating models have been presented from a range that could be used to manage in-kind donations. The Fulfilment Assessment option gives the Fund greater control, however as a result is more burdensome on the Fund. The Marketplace option allows recipients and donors to drive the process with little input from the Fund. An operating model could be developed as a compromise between the two options presented.

<table>
<thead>
<tr>
<th>IKD Matching</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
</table>
| **Option 1: Fulfilment Assessment** | • Integrated into the existing Fund processes  
• Greater Fund influence over take up of donations  
• Fund assesses each recipient and donor agreement | • Increased program assessment complexity  
• Increased administrative burden on the Fund  
• Process is not driven by recipients |
| **Option 2: Marketplace** | • Recipient driven  
• Minimal administrative burden for Fund  
• Changes to current processes are limited  
• Allows implementation of a standardized MoU for all donations | • Any additional cash transfers could have financial impacts  
• Reduced Fund influence over the take up of donations  
• Complication of setting price at which to ‘sell’ the donation |
Collaboration with Third-parties
The Global Fund could collaborate with a range of third parties to manage in-kind donations. For example the Fund could work with the Global Drug Facility (GDF) to manage in-kind donations of TB drugs:

- All drug donations for Tuberculosis (TB) treatments could be channeled through the GDF. The GDF would consolidate the donations and effectively act as a ‘donor’ within the in-kind donation mechanism
- Recipient requests for TB drugs would be matched with the GDF’s pledges and if an appropriate match was found the GDF would manage the disbursement of the donation.

The Fund could potentially pay for the GDF to provide this as a service for in-kind donations of TB drugs.

Furthermore, the GDF may be extended to handle HIV/AIDS and/or Malaria treatments; if this were the case, all drug donations could be channeled through the GDF.
Resource Requirements

Resource requirements for the management of an in-kind donations mechanism have been estimated based on process management efforts and IT costs. The requirements differ depending on which operating model is chosen. The estimates have been based on three components:

• Full-time equivalents (FTEs; each equivalent to the work of one staff member) to manage the new processes
• Up-front IT costs to design, develop, test and deploy the new IT system
• Ongoing IT costs to maintain and/or host the new IT system

The estimates are based on approximate current salaries and consulting fees and do not take into account the Secretariat receiving discounted or donated goods and services. However, research showed that there is potential for some of the products or services to be donated by the private sector.

Option 1 – Fulfilment Assessment estimated resource requirements:

• 4 Fund and 5 third-party (incl. LFA or procurement agent) FTEs for process management
• $750 – 850k upfront IT investment
• $170k – 185k annual IT costs

Option 2 – Marketplace estimated resource requirements:

• 2 Fund and 5.5 third party (incl. LFA or procurement agent) FTEs for process management
• $750 – 850k upfront IT investment
• $170k – 305k annual IT costs

Resource Estimate Details

• FTEs have been estimated for each new process step: Donor Mobilization has been assumed as a fixed effort per annum, and IKD Matching and Disbursement as variable efforts per donation
• An initial assumption of 80 donations per year has been made
• Ongoing IT costs have been estimated based on application maintenance costs, application service provider fees, external hosting costs and software license fees

Option 1 – Fulfilment Assessment

<table>
<thead>
<tr>
<th>Key Assumptions</th>
<th>Process Management Resources</th>
<th>IT investment and maintenance costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Custom built on existing solution (PGMS)</td>
<td>Fund 4</td>
<td>$1.8m max</td>
</tr>
<tr>
<td>Annual maintenance costs are 15% of implementation costs</td>
<td>3rd Party 3</td>
<td>$1.6m min</td>
</tr>
<tr>
<td>25 recipients</td>
<td>LFA / PA1 2</td>
<td>($170-185k pa)</td>
</tr>
<tr>
<td>80 annual donations</td>
<td>Recipient 0.4 (~$27m / donation)</td>
<td></td>
</tr>
</tbody>
</table>

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The Fulfilment Assessment option requires more resources at the Fund, than the Marketplace option. Donor Relationship Management and IKD Matching would require two FTEs at the Fund. Donor Accreditation and IKD Disbursement could be managed by three FTEs at a third-party.

<table>
<thead>
<tr>
<th>FTEs split by activities</th>
<th>Fund</th>
<th>3rd Party</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor Relationship Management</td>
<td>2 FTE</td>
<td></td>
</tr>
<tr>
<td>Donor Accreditation</td>
<td>2.5 FTE</td>
<td></td>
</tr>
<tr>
<td>IKD Matching</td>
<td>2 FTE</td>
<td></td>
</tr>
<tr>
<td>IKD Disbursement</td>
<td>0.5 FTE</td>
<td></td>
</tr>
</tbody>
</table>

**Option 2: Marketplace**

- **Key Assumptions**
  - Built on existing marketplace
  - Hosted externally
  - 25 recipients
  - 80 annual donations

<table>
<thead>
<tr>
<th>Process Management Resources</th>
<th>Fixed and variable efforts in FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund</td>
<td>2</td>
</tr>
<tr>
<td>3rd Party</td>
<td>3.5</td>
</tr>
<tr>
<td>LFA / PA^I</td>
<td>2</td>
</tr>
<tr>
<td>Recipient</td>
<td>0.5 (~33md / donation)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IT investment and maintenance costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual cumulative figures</td>
</tr>
<tr>
<td>2004</td>
</tr>
<tr>
<td>$</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>1m</td>
</tr>
<tr>
<td>$2.4m max</td>
</tr>
</tbody>
</table>

The Marketplace option has greater recipient involvement and requires fewer resources at the Fund. Donor Relationship Management will require equivalent resources as for Fulfilment Assessment, that is, two resources at the Fund. Donor Accreditation, IKD Matching and Disbursement could be managed by a three FTEs at a third-party.

<table>
<thead>
<tr>
<th>FTEs split by activities</th>
<th>Fund</th>
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</thead>
<tbody>
<tr>
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<td></td>
</tr>
<tr>
<td>Donor Accreditation</td>
<td>2.5 FTE</td>
<td></td>
</tr>
<tr>
<td>IKD Matching</td>
<td>0.5 FTE</td>
<td></td>
</tr>
<tr>
<td>IKD Disbursement</td>
<td>0.5 FTE</td>
<td></td>
</tr>
</tbody>
</table>
Implementation Resource Requirements

It is recommended that the Fund take a phased approach to the implementation of an in-kind donation mechanism.

Phase 1 – Pilot Phase
A pilot should be conducted prior to full roll-out of an in-kind donations mechanism to test the proposed operating principles and mechanism without making a full investment. The scope of the mechanism should be limited for the pilot. It could be limited by geography and scope of goods and services, but should include programs in the three disease areas. The phase would take six to twelve months and would include:
• Pilot design
• Pilot operation – (paper based)
• Pilot assessment

The estimated resource requirements to design run and assess the pilot phase:
• Initially 2 FTEs from the Fund + consulting support

Phase 2 – Roll-out Phase
The decision to proceed with the in-kind donations mechanism roll-out should be made after assessment of the pilot. It is estimated full roll-out would take up to twelve months and would include:
• Detailed design
• Mechanism implementation
• Mechanism roll-out of across all regions and in all agreed categories of goods and services

The estimated resource requirements to design, implement and roll-out an in-kind donations mechanism:
• 2 – 4 FTEs from the Fund depending on the option
• 3 FTEs from Third Parties
• Additional resources from Local Fund Agents, Procurement Agents and recipients as outlined above
Next Steps

In order to pursue the establishment of an in-kind donations mechanism, the Fund must address four questions:

• **Do the benefits of in-kind donations outweigh the potential challenges?**
  In-kind donations can enable the Fund to secure and distribute additional resources to programs and offer the best way to increase private sector contributions. However, in-kind donations can be challenging.

• **Which potential solutions to the challenges should be implemented?**
  A number of potential solutions have been presented for the six key challenges the Fund would face in handling in-kind donations. Policy decisions need to be made to as to which solutions are most appropriate for the Fund.

• **Which operating model is preferred?**
  Two operating models have been presented to manage In-kind Donation Matching from a range of possible models. An operating model could be developed as a compromise between the two options presented. The Fund needs to decide which operating model is preferred.

• **Whether to initiate the pilot?**
  An in-kind donations mechanism pilot could be used to test and improve the proposed mechanism without committing to the full investment. This could be conducted in a limited number of countries with limited categories of goods and services. Furthermore, it could be used to identify potential implementation partners and start to mobilize donor support. The Fund needs to decide whether to conduct a pilot and the scope of that pilot.
Voluntary Replenishment Process

Contents:

1. Background
2. Purpose and Scope of Voluntary Replenishment
3. Replenishment Conference Content and Status
4. Replenishment Period and Coverage
5. Replenishment Conference Chairmanship
6. Replenishment Conference Participation and Organization

Appendix : Suggested Timeline
1. Background

At its 6th meeting in Chiang Mai, Thailand, the board approved a decision to reform the funding arrangements of The Global Fund to Fight AIDS, Tuberculosis & Malaria.

The decision stipulated that:

“Resource mobilization should use a periodic replenishment model on a voluntary basis for all public donors, complemented by additional ad-hoc contributions for all donors, including new public donors, the private sector, and individuals.”

The implementation of this decision will enable the Global Fund to more accurately forecast its available resources several years ahead.

2. Purpose and Scope of Voluntary Replenishment

Purpose: The primary purpose of a voluntary replenishment process is to increase the predictability of the Fund’s resource mobilization efforts, i.e. to reduce to a minimum the risk of abrupt slowdown or stoppages in the Fund’s ability to fund credible project proposals in line with demand for its interventions. This is of great importance, ethically as well as financially, as ultimate recipients, especially people living with the diseases, may be catastrophically affected by such risks. They are in any case least able to bear any disruption arising from any funding gaps or delays.

Greater confidence that the lion’s share of forward funding needs is assured at any given time will have secondary benefits of different kinds. Liquidity management can become more efficient, to the extent that the Fund, based on synchronized replenishment pledges, will be able to back its commitments with instruments other than cash, and thereby reduce to a minimum idle cash balances. (See Box on Promissory Notes Process) And responses by CCMs to calls for proposals will not be dampened over time by perceptions that rationing is likely to get worse, i.e. that the chances of success are falling.

At the same time, the complementary availability of ad hoc resource mobilization channels, especially from non-government donors, allows the Fund to seek further support for more aspirational programs, to tap new constituencies, and to respond promptly to unplanned contingencies in between structured replenishment processes.

Scope: From this it follows that the structured replenishment process should aim to cover most of the Fund’s predictable resource needs, as forecast to fall due during a given replenishment period.

There are pros and cons of seeking to cover a very high (say 90%-100% of total), versus somewhat smaller (say 70%-90%), share of planned operational needs through a formal voluntary replenishment process.
Among the advantages of a higher share is the greater assurance this gives all participants that any remaining gap, including from unexpected surges in demand, will then be more easily manageable through *ad hoc* fundraising. Among the disadvantages is the higher risk of visible failure to meet a given announced replenishment goal, and the perceptions this situation could generate. More ambitious goals, with a correspondingly higher risk of apparent failure within the structured replenishment, may however act as a further incentive to *ad hoc* fundraising.

**Recommendations:**

1. Voluntary replenishment should aim to cover most of the Fund’s predictable resource needs over the period of the replenishment.

2. Complementary *ad hoc* fundraising should be used to provide opportunities for donors who will not be able to participate in a replenishment mechanism and to respond to unforeseen contingencies in between replenishment rounds.

3. **Replenishment Conference Content and Status**

The replenishment process seeks to match the resource needs derived from the normal operations of the Fund, which are governed by a broad set of Board policies and the work of various Committees and the TRP.

The reserve policy of the Fund, setting the guidelines for how future commitments must be backed by cash and other assets, is also set outside of the replenishment process by the Fund’s governance structures, (*See Box, page 4*).

The key recommendation therefore is that the replenishment Conference should not be an official body of the Fund. It should have no decision making role of its own, nor any mandate to question or perform due diligence on the operational results and policy decisions of the Fund.

**Recommendations:**

1. A replenishment Conference will be organized to replenish the Fund’s resources for a defined period of time.

2. It will have neither official status, nor decision-making powers over Fund policies and operations.

3. The Fund’s Board, Secretariat and other governance structures will provide the Conference with resource needs goals, impact evaluation and other information needed to help donors determine their contribution.

4. The Fund will ask donors who participate in the replenishment mechanism to back all pledges with either cash, or promissory notes callable on a schedule.
matching expected Fund disbursements. The minimum threshold for promissory notes would be of $10 million.

**Box: Promissory Notes and their Encashment: More Systematic Backing for Fund Grant-Making.**

At present, Fund grant agreement signature requires a 100% prior backing in cash. A temporary shortfall in liquidity could therefore lead to rationing of grant signing, below the amounts approved by the Board based on pledges received but not paid. However, one sovereign contributor already makes good on its pledges through promissory notes, encashable at set dates, and these are accepted by the Fund as equivalent to cash for the purpose of backing firm commitments.

In other funds’ replenishment processes, for example, those of IDA and GEF, the use of promissory notes (or letters of credit, in the case of the US contributions) is already systematic. There is a general encashment schedule agreed as part of each replenishment, which reflects the expected disbursement profile over the life of the underlying programs. Individual donor encashment profiles are sometimes adjusted to accommodate their specific budgetary and legal requirements.

Donors deposit their promissory notes annually in securities accounts maintained in the name of the recipient fund with the donor country’s central bank. These notes are then encashed (called in) by the recipient fund’s management according to the agreed schedule, whereupon the promissory note is cancelled.

The main advantage of generalizing such a system is that it could sharply reduce the cash balances held by the Fund as reserves between commitment and actual disbursement, and thereby lower the carrying cost to donors of any given level of underlying Fund activities. By the same token, of course, it would reduce the Fund’s investment income, which currently covers most of its administrative costs, leaving donations largely unimpaired to fund operations.

The other disadvantage of the system is its higher administration costs, both for the Fund and the donor, which are likely to be very significant for smaller contributions. In addition, securities (notes and letters of credit-LOC) issued by less creditworthy donors would probably need to be subject to some discount factor in setting Fund reserve policy, further reducing their appeal.

One practical halfway solution would be to recommend donors provide promissory note/LOC backing systematically under the replenishment process, but only for pledges above a given threshold, for example, $10 million.

### 4. Replenishment Period and its Coverage

Obviously the share of the funds raised by the replenishment also relates to the replenishment period chosen for the process, and to whether only resource needs falling due within that window, or also others expected later, should be covered by the replenishment.

In terms of the period, the Fund’s relatively short operating experience to date and still rapidly developing scope of operations argue for a relatively short time horizon, within which needs can be more accurately gauged, as compared to a more mature situation where operations will have already become more predictable. Long replenishment periods (above 4 years, say) would also increase uncertainty for donors and most likely involve major mid-term review exercises and their associated costs and risks. On the other hand, very short timeframes, say, less than 2 years, could generate disproportional transaction costs for all participants and might not add great value, at the shorter end, to the
current rolling ad hoc process, in terms of providing enough advance notice of funding intentions and stability in resource management.

Some mid-way point, say a 2 to 3 year time horizon, arguably combines desirable elements of greater predictability and reduced process costs. Within this range, the first replenishment round could be set relatively shorter than the second and subsequent rounds, which could be adjusted in the light of experience. There is anyway no inherent need to commit to a fixed series of equal replenishment cycles from the outset.

The replenishment mechanism should seek to match all commitments expected to be made by the Fund during the period.

Recommendations:

1. The first replenishment period is set at 2 years, namely calendar year 2005 and 2006.

2. Subsequent replenishment periods may be longer, depending on experience with Fund operations in the meantime, and on the outcome of the first round.

3. The baseline to be covered by pledges is all grant approvals expected to be made by the Fund during 2005 and 2006, including expected new rounds, renewal of previous rounds and appeals.

4. Subsequent replenishment conferences shall be organized so as to commence approximately 12 months before the end of the current replenishment period.

5. Replenishment Conference Chairmanship

Essential attributes of the Chair: The role and attributes of the Replenishment Conference Chair are very much driven by the recommendations already made in respect to the scope and role of the Conference: this should be independent of the Fund’s governance and have no official status or decision-making role. Instead, the focus of the Chair should be to foster confidence and consensus among the voluntary participants, and to encourage successful conclusion of the replenishment through careful nurturing of support. The Chair will need to have the respect and confidence of the Board and have outstanding qualities as a facilitator of high-level dialogue. Familiarity with the concerns and policies of different types of donors will also be essential.

Detailed knowledge of the Fund’s operations and familiarity with its governance, conversely, is less important given the unofficial nature of the Conference. This also argues in favor of a respected independent figure as against an existing or recent Fund office-holder. Professional and political stature is in any case likely to take precedence over any concerns on nationality mix and balance. Lack of

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7 Subject to budgetary procedures of each donor.
detailed substantial knowledge of the Fund can be compensated by the close support of the Chair of the Board and Executive Director and his staff in the preparatory process (see below).

**Selection:** of the Conference Chair should be as transparent as possible. One logical point of departure is that the full Board should make this selection, among individuals nominated by delegations. To ensure the maximum moral authority, eminent supporters such as the Secretary-General of the United Nations could also be asked to nominate one or more suitable candidates for endorsement by the Board.

The Chair of the Conference will need to be assisted in preparing for the Conference by the Executive Director and the Chair of the Board, who should remain available for consultation throughout the replenishment process. These two should also be encouraged to attend one or more sessions of the Conference, and to address it on such occasions, but would not be expected there *ex officio*. It would probably be better not to formalize such arrangements, both to reduce the risk of blurring of the replenishment Chair’s own authority and accountability.

**Recommendations:**

1. The Replenishment Conference will be chaired by a respected independent figure appointed by the Board upon nomination by delegations. and/or eminent supporters of the Global Fund

2. The Conference Chair will be assisted by the Secretariat in the preparations for the replenishment conference.

6. **Replenishment Conference participation and organization**

**Size and representation:** As the Conference is not to be embedded in the governance mechanisms of the Fund, it would not need to be formally representative of its constituencies. Moreover, the unique situation of the Fund, which enjoys financial support from a large number of countries, some of them very poor, who are also recipients, makes the distinction between donor and recipients much less clear-cut than in many other international organizations.

Nonetheless there are arguments in favor of ensuring that recipient country, affected groups and civil society interests remain fully engaged in the replenishment forum. These include the need for transparency and consistency in discussions that, even if not directly affecting Fund policies, go to the heart of its reputation and image, and to present a united front on these to the world media. Also, such a presence carries the inherent advantages of ground-truthing from direct experience and of coming up with additional persuasive arguments for support, especially when presented to newer donors who may have little direct familiarity with the operations of the Fund.
There are several possible variants of the replenishment forum’s composition that would meet this requirement. A basic model would include at least one “recipient” government representative from each Fund region, preferably selected by the constituency among those who are already committed donors, and a selective representation of philanthropic organizations and civil society. They would join a wide array of current and potential donors, who would most likely constitute a substantial majority of those around the table. Nonvoting Board members would also be invited.

**Number of meetings**: Setting up a regular process of several meetings over a substantial period is expensive. A standing conference which needs, as many do, a cycle of 9 months or more to reach closure on funding, in this case, for just 2 years of operations will inevitably absorb too much scarce management attention.

If the existing organs of the Fund present the replenishment Conference with: a timely and authoritative picture of resource requirements and program composition upstream; a thorough briefing on evidence of Fund impact on the ground; and the implications of Fund liquidity policy for the process of mobilizing donor contributions, there is more likelihood that the replenishment process itself can be speeded up and frequent preparatory meetings avoided.

**Effectiveness quorum**: Formal voting structures are clearly inappropriate in the unofficial setting of the Conference. Such considerations also apply to the threshold limits used to determine when replenishment round is declared effective, which triggers the signing of individual contribution instruments.

It would be better to leave the effectiveness threshold open, to be set, as a function of progress in the Conference, by the Chair of the replenishment conference, after due consultation of the participants and of the Executive Director and Chair of the Fund.

In keeping with the voluntary nature of the replenishment process, it is in any case expected that donors would do their best to make pledges before the end of the Conference, to maximize the benefits of synchronized, predictable funding: however they are free to make additional contributions at any time thereafter.

**Meeting locations and cost sharing**: If the conference has very few, perhaps only one or two, full meetings, as a result of extensive preparatory work undertaken elsewhere, the location of these final meetings assumes much less structural importance. Geneva is a low-cost option, also in order to reduce costs for Secretariat support for the Chair of the conference. Selection of another country location well suited tactically to raise the visibility of the Fund’s mission among donors, and add to the platform of support at the highest levels, is an alternative which can be used periodically. If the host is also willing to absorb the full conference cost outside of the Fund’s administrative budget, this has important substantive and presentational advantages, and that would be an additional though not determinant criterion. Voluntary contributions earmarked to offsetting the costs of the Conference and facilitating of the replenishment round should be encouraged in either case. In any case the implementation of a
replenishment mechanism has budgetary consequences for the Global Fund that have to be taken into account.

Recommendations:

1. The following shall be invited to attend the replenishment conference:
   a. Current and potential public-sector donors,
   b. Private-sector donors who/that have already made substantial contributions to the Global Fund or which have expressed their desire to contribute
   c. One representative of each constituency from recipient countries represented on the Board
   d. One NGO representative appointed from each of the three NGO constituencies represented on the Board
   e. The Global Fund Secretariat.

2. One or, at most two full Conference meetings should suffice, if the advance preparation work by existing Fund bodies and the informal soundings by the Chair and his/her supporting team are well resourced and planned.

3. Donors should endeavor to announce pledges by the end of the Conference, but are free to make additional contributions at any time thereafter.

4. Location of the Conference meetings should be set in Geneva as default, whilst remaining open to offers to host elsewhere which would carry presentational advantages as well as funding. Voluntary contributions by donors to cover the expenses of the replenishment conference are strongly encouraged.

5. No more than 10% of the annual Secretariat’s Resource Mobilization budget should go towards organizing the Replenishment Conference.
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 2004</td>
<td>RMCC recommendations to Board</td>
</tr>
<tr>
<td>March 2004</td>
<td>Board endorsement, Chair search begins</td>
</tr>
<tr>
<td>May 2004</td>
<td>Chair selection proposed</td>
</tr>
<tr>
<td>June 2004</td>
<td>Chair Appointed</td>
</tr>
<tr>
<td>May/June 2004</td>
<td>Consultations with World Bank to develop detailed operational modalities</td>
</tr>
<tr>
<td>October 2004</td>
<td>First Donor Conference</td>
</tr>
<tr>
<td>December 2004</td>
<td>Final Donor Conference</td>
</tr>
<tr>
<td>January 2005</td>
<td>2005-2006 Replenishment effective</td>
</tr>
</tbody>
</table>
RESOURCE MOBILIZATION & COMMUNICATIONS STRATEGY

Outline: This paper provides a brief outline of the Global Fund’s Resource Mobilization and Communications Strategy followed by an annex containing its objectives and targets for 2004.

Part 1: THE GLOBAL CONTEXT

1. The operational context of the Global Fund to Fight AIDS, Tuberculosis and Malaria is characterized by the continuing spread of these three infectious diseases which claim 6 million lives every year. The international community and its institutions have not yet been able to achieve a turnaround in terms of declining incidence, prevalence and mitigation of impact. The global targets as expressed in the Millennium Development Goals in 2000 and the UNGASS declaration of commitment in 2001 have not yet been achieved, and there has been no real emergency response to address the devastating effects of these diseases. Global funding levels still fall far short of the needs.

2. The creation of the Global Fund and the progress it has made in less than two years are important signs of hope that the world has not lost sight of its ambitious targets. However, much more needs to be done to achieve the funding levels required to enable the Global Fund to make the significant impact on the future course of the pandemics that is its mandate. A resource mobilization strategy for the Global Fund must be conscious of the original vision of its creators and the enormous global resource gap to fight the diseases while at the same time ensuring that goals and objectives are realistic and achievable.

Part 2: FORECAST OF RESOURCE NEEDS

3. The overall financing need for the Global Fund in 2004 is projected at around US$1.5 billion. This includes resources required to fully cover the Round 3 grants carried forward from 2003, renewals of Round 1 programs and financing of Round 4 in 2004. Projections of needs are revised regularly based on proposal receipts and approvals. As of January 2004, US$604 million is forecast to be available for commitment for the Fourth Call for Proposals, but it is expected that more resources will become available before the board decision on Round 4 in June 2004. It is expected that Round 4 will be relatively large due to the World Health Organization’s 3x5 initiative and the resulting increase in technical assistance from bilateral and multilateral agencies.

The Board has not yet decided on the timing of possible Rounds 5 and 6, but the resource mobilization strategy will assume that the Global Fund will continue to issue one round of funding every nine months, which means two
more rounds between June 2004 and December 2005. Therefore it has to be assumed that resource needs will be much higher in 2005, including new proposals, plus up to an additional US$1.6 billion for the renewal of existing rounds, totalling a likely amount of more than US$3.5 billion.

4. Resource mobilization for 2004 and 2005 must therefore take into account that there will be a massive increase in required resources in 2005 due to the continued effect of the 3x5 initiative and the larger amount needed for renewals of Rounds 1 and 2 in addition to the financing required for Rounds 5 and 6.

5. The following table presents an overview of funding needs as of 14 January 2004, assuming that Rounds 4, 5 and 6 will each require approximately US$1.0 billion:

<table>
<thead>
<tr>
<th>The Global Fund</th>
<th>Projection of Funding Requirements to Round 6</th>
<th>14 Jan 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$ millions</td>
<td>Grant Approvals (by Board)</td>
<td>Commitment (upon signing grant agreement)</td>
</tr>
<tr>
<td>Round 1</td>
<td>Phase I</td>
<td>613</td>
</tr>
<tr>
<td></td>
<td>Phase II</td>
<td>(1)</td>
</tr>
<tr>
<td>Round 2</td>
<td>Phase I</td>
<td>884</td>
</tr>
<tr>
<td></td>
<td>Phase II</td>
<td>(1)</td>
</tr>
<tr>
<td>Round 3</td>
<td>Phase I</td>
<td>473</td>
</tr>
<tr>
<td></td>
<td>Phase II</td>
<td>(1)</td>
</tr>
<tr>
<td>Round 4</td>
<td>Phase I</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>Phase II</td>
<td>(1)</td>
</tr>
<tr>
<td>Round 5</td>
<td>Phase I</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>Phase II</td>
<td>(1)</td>
</tr>
<tr>
<td>Round 6</td>
<td>Phase I</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>Phase II</td>
<td>(1)</td>
</tr>
<tr>
<td>Approvals, prior to potential savings</td>
<td>1,970</td>
<td>1,561</td>
</tr>
<tr>
<td>Reduction of grant commitments</td>
<td>(3)</td>
<td>(10)</td>
</tr>
<tr>
<td>Net addition to approved grants</td>
<td>1,970</td>
<td>1,551</td>
</tr>
<tr>
<td>Adjustments after Board approval</td>
<td>(4)</td>
<td>(73)</td>
</tr>
<tr>
<td>Total for Year</td>
<td>1,897</td>
<td>1,451</td>
</tr>
<tr>
<td>Cumulative</td>
<td>1,897</td>
<td>3,348</td>
</tr>
</tbody>
</table>

Notes:
(1) Assumed that 85% of Phase I grants (years 1 & 2) will be approved for Phase II (years 3 to 5).
(2) Forward-looking assumption in advance of call for proposals. Assumed that grants approved in Rounds 4, 5 & 6 will total US$1 billion for Phase I and US$1.5 billion for Phase II of each round. Assumed that these three rounds will be approved by the Board in July 2004 (as planned), March 2005 and November 2005, respectively. The magnitude of these ROUNDS may vary significantly from the assumed amounts. The timing of Board approval for Rounds 5 & 6 has yet to be decided and may differ from the dates assumed in this projection.
(3) Reduction of grant commitments at end of each Phase arising from under-disbursement of approved grants. Pending formulation of policy, assumed that a percentage of grant commitments will be cancelled as a result of under-disbursement and that this amount will be returned to the pool of funds. Assumed to be 20% of the grant amount for Phase I and 10% for Phase II.
(4) Adjustments to the Board-approved maximum amounts arising from TRP clarifications and grant negotiations (assumed to be 5% of the approved amount).
(5) Timing of commitments: assumed that Phase I grants will be signed within nine months of approval and Phase II within three months.
(6) Operating expenses, less investment income, based on forward-looking assumptions. Increase from 2004 onwards reflects lower interest rate assumption.

Part 3: OVERALL STRATEGY

6. The resource mobilization strategy aims to motivate existing and potential donors to fully cover the resource needs of the Global Fund. Allocations will increasingly depend on the results being achieved at country level and thus...
these need to be appropriately documented. The Global Fund has to prove that it functions as an effective, performance-based institution, complementing other partners’ and recipient countries’ own efforts, both public and private. The strategy aims to present the Global Fund as a cost-effective investment in a common global future where the three pandemics are brought under control, and show that the economic and social consequences of inaction far outstrip the funding needs of the Fund.

7. The resource needs in 2005 will present a particular challenge for the Global Fund and its partners, as it is projected that the funding requirements will more than double. Therefore it is urgent that existing donors increase their contribution for 2005, that new donors be recruited and new financing mechanisms be explored. Funding for the Global Fund has to be seen in the context of a global movement to increase development aid, the urgency of a quick - and massive - response to the three most devastating diseases thereby justifying frontloading of resource allocations to avoid the much larger long-term costs.

8. It is recognized that resource mobilization can only be successful if it is understood and implemented as a collective effort of various partners. Board constituencies, bilateral organizations, UN organizations in particular UNAIDS and WHO as well as NGOs and the private sector are all engaged in the overall goal to mobilize more resources globally for the fight against AIDS, Tuberculosis and Malaria. Joint advocacy and a well coordinated message about the resource needs of all partners will have a synergistic effect for the achievement of the common goals.

Part 4: PUBLIC SECTOR

9. The public sector strategy aims to inform a wide range of decision-makers in existing and potential donor countries of:
   - the issue of the three pandemics as a global threat to security and economic growth;
   - the need for significant sustained resources to fight the three diseases;
   - the value of a reliable and efficient financial mechanism to disburse such funds;
   - the importance of complementing and enhancing national programs;
   - the importance of strong and continued international support for such an initiative;
   - the results that are being achieved.

Current donor countries:
10. Almost all current donor countries are represented at the board of the Global Fund through various constituencies. Therefore, obviously the board members are key to any resource mobilization effort. They will continue to make every possible effort to increase the resources for the year 2004 and beyond:
11. “The Board reasserts the principles of the governing policy of the Global Fund, asks each stakeholder of the Global Fund to deploy every possible effort to increase the resources available for 2004 and subsequent years and requests that donors specify before the end of 2003 their contributions for 2004.” (Decision Point on funding forecasts for Round 4, 6th Board Meeting)

12. The Secretariat itself will concentrate its work among current donors on increasing political support for the work of the Global Fund amongst political decision-makers in view of encouraging increased financial support for the Global Fund from donor governments beyond 2004. In particular, through contacts with both local missions and capitals including the bilateral development organizations, the Secretariat is addressing specific information needs on issues such as donor harmonization, M&E, additionality, and accountability. It is also providing regular and factual information to key decision-makers in ministries, bilateral agencies and parliaments, as well as to other key partners.

The Secretariat will also continue to work closely with international and regional institutions and groupings, including the European bodies, the G8 process and its presidency, to maintain the high level of political support the Global Fund has thus far been given.

Potential donor countries:
13. To meet the increased resource needs it is very important to recruit new donor countries. So far the Global Fund relies heavily on the G8 countries but receives limited resources from outside the US, Japan and Western Europe. While the G8 countries will continue to be very important supporters of the Global Fund, the emphasis must be also to motivate donors outside these areas to either increase their contributions or to make pledges and contributions for the first time. This is in line with previous Board decisions. Therefore, the public sector team will focus strongly on countries in the Western Asia/Pacific region, new EU member countries and oil-rich countries in the Middle East.

The detailed strategy involves first contacts (usually through the country missions), the identification of key ministries and decision makers, the provision of information on the Global Fund, correction of misperceptions and the creation of awareness about the response the Global Fund offers to the three diseases, including involvement of media and civil society representatives where appropriate. The Global Fund Secretariat is trying to make as much use as possible of international meetings held in Geneva (WHO Executive Board, World Health Assembly) or outside (EU conference on HIV/AIDS in Dublin, meetings of the African Union or ASEAN) to make contact with potential new donor countries.

Recipient countries:
14. There are currently 121 recipient countries, spread across Africa, Asia, Europe, Latin America and the Caribbean and several of these countries have been

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8 GF/B5/10, p.4: “For the public sector, the targets will be contributions from OECD countries which so far have not supported the Fund, and middle-income countries which may take roles as both recipients and donors.”
among the first ones to call for the establishment of a global fund to fight infectious diseases. Recipient countries are a key part of the Global Fund’s partnership and carry a particular weight in the global calculus of resource allocation to the fight against the epidemics and development aid in general. While the Fund has since begun the process of active engagement with recipient countries through participating in high-level strategic forums, the Fund’s Secretariat will deepen and carry forward this partnership in 2004 through the following strategies:

15. **Prove It, Raise It**: To raise further resources at a significant scale, the Global Fund will increasingly communicate to governments, the public and other stakeholders, stories and evidence of the increasing impact of additional resources channelled through the Global Fund to support concrete programs that are saving people’s lives in many developing countries.

16. **Political Mobilization**: The Fund will increasingly mobilize the political leadership of recipient countries as advocates of both the impact of the Global Fund programs in their countries and the resource needs of the Fund. The strategy is to stimulate the ownership and leadership of not just the national response, but the global one, by the political leaders of such countries. As part of this strategy, in 2004 the Executive Director of the Fund will visit and meet with the leaders of selected recipient countries that are either highly affected or are playing significant leadership roles in terms of advocacy for the Global Fund. The Global Fund will solicit the continued and enhanced support of leaders for increased adequate financing, including through potential new mechanisms outside Official Development Assistance (ODA).

17. **New Contribution by Recipient Countries**: Building on the fact that some recipient countries have made significant pledges and contributions to the Global Fund, and in order to contribute to a broadening of the donor base, the Fund will launch a campaign for new and increased contributions from developing countries. The aim is to get several countries to make new pledges that together can add up to significant amounts of resources in the context of the Fund’s resource needs and grant-making.

18. **New financial mechanisms**: Achieving the Millennium Development Goals by 2015 will not only require more focus on development outcomes in order to effectively measure national progress and engage even more closely with key partners in helping governments improve human development, but especially to dramatically increase the level of international aid. In effect, it is estimated that an amount of approximately US$50 billion of additional assistance per year would be needed. The amount would roughly represent a doubling of official aid flows over 2002 levels. At the international level, several proposals have been made with a view to identifying the required financial resources, including increasing ODA and implementing innovative financial mechanisms.

In this context, the Secretariat is exploring the opportunity of participating in new financial mechanisms such as the International Finance Facility and debt conversion with the hope of ensuring long-term additional resources.
19. **Concerning the International Finance Facility (IFF)**, the Secretariat, in cooperation with the UK treasury and France (and other future supporters) is reviewing the feasibility of such a mechanism as a potential additional source of funding.

20. In close cooperation with international financial institutions and NGOs working on debt relief, the Global Fund is also reviewing opportunities offered by the implementation of debt conversion mechanisms with potential benefits for global fund grants in recipient countries.

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**Part 5: CIVIL SOCIETY**

21. Non-governmental organizations and civil society are crucial partners in the work to increase support and resources. They have shown themselves to be a substantial resource and they invest considerable time and energy into advocating for the Global Fund to the general public, to the media and in discussions with decision-makers. In this role, NGOs and networks operate independently from the Fund and pursue their own agendas but at the same time NGOs have been critical in promoting the goals and work of the Fund within their own countries and have facilitated contacts and relationships with key decision-makers, especially in those countries which are a priority for Global Fund resource mobilization work. The Secretariat will liaise with NGOs and civil society at both international and national levels and provide information and data about activities and results, promote participation of civil society at all levels of the Global Fund’s processes and pursue advocacy with civil society groups and networks in order to turn the Global Fund’s vision into an active partnership.

This year, particular attention will be given to the organization of the Partnership Forum as a means of engaging a broader representation of civil society and especially providing access to those networks and organizations which are usually not actively involved in consultations concerning the work of the Global Fund. This Forum will also provide a platform for feedback and analysis of the existing mechanisms and for measuring the success with which the Global Fund has managed to create true partnerships with civil society.

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**Part 6: FRIENDS OF THE FUND**

22. In view of the importance of reaching out to the general public, the Global Fund is assisting key donor countries and individuals in setting up independent non-governmental organizations, called Friends of the Fund (FOGF). The first four of these organizations are being set up in the USA, Japan, France and Italy. FOGF organizations would greatly benefit resource mobilization for the Global Fund in targeted donor countries. The main objectives of FOGF will include: raising awareness of the Global Fund with civil society and key partners; advocating for increased resources with governments and private sector; and strengthening relations with private sector and local media.
Part 7: CELEBRITIES

23. In view of mobilizing general public support for the Global Fund and increase awareness about the three diseases, the secretariat is developing a strategy to work with targeted celebrities and exploring possibilities of cooperation for specific events and activities. Celebrities are well-known national/international personalities committed to the Global Fund’s values and principles “recruited” by the Global Fund to work on events and campaigns around the world.

The Secretariat is looking at special talents, experience and a willingness to contribute to activities such as fundraising, advocacy activities or influencing public officials. Celebrities could also help raise awareness about the three diseases with both general and targeted audiences. For example, sports celebrities may be particularly suited to disseminating messages to the public, whereas academics may be adept at influencing donors and policy-makers. Business people may prove to be an asset with fundraising. Celebrities will be able to raise media interest especially with the more popular press in order to reach and educate a wider audience.

Part 8: PRIVATE SECTOR

23. The Global Fund’s private sector resource mobilization strategy focuses on three main activities: rapidly building a global brand to ensure name recognition and support for the Fund; building up a large and sustainable base of individual donors to the Fund through the use of private corporations’ services, customer bases and billing systems; and supporting activities to seek contributions from foundations, corporations and high-net-worth individuals.

24. The private sector strategy is based on a concept of outsourcing most fundraising activities through targeted alliances with private corporations, foundations and key individuals, drawing on the political support and the corporate goodwill the Global Fund enjoys in most donor countries. This is necessary given the normal resource-intensive nature of private sector fundraising and the limitations on the staffing of the Secretariat. The private sector strategy will also rely on close collaboration with NGOs and the Friends of the Global Fund network as it is being set up in countries around the world.

Part 9: PUBLIC/PRIVATE PARTNERSHIPS: A STRATEGY TO PROMOTE CO-INVESTMENT

25. This particular strategy was chosen by the Global Fund to capitalize on the growing commitments from employers in affected countries to address the treatment needs of their employees and their families through Co-investment.

The principles of co-investment are that each side of the partnership contributes its fair share in human, technical and financial resources with clear lines of
accountability. There are two main outcomes expected of this approach. The first one is to leverage the contributions of the private and the public with an expectation that the overall result is more than the sum of the parts: employees, their families and communities benefit together. The second expected outcome is the creation of a level of trust between the private players and the Global Fund process at the country level. This is seen to be crucial to the development of the Global Fund as a public/private instrument and to serve as the foundation for other private contributions to the Fund.

26. In order to achieve these results the Global Fund will need to count on the full support and engagement of its partners at both the global and the country levels. The Global Fund has worked closely with key partners in developing this approach. The Global Business Coalition, the International Labour Organization and the Global Health Initiative have supported this initial phase of the process, along with individual companies. Several co-investment proposals should be successfully submitted to Round 4. In addition the Global Fund will support the direct negotiation and integration of co-investment schemes in ongoing GF proposals. The role of the CCMs in support of these proposals will be essential, as will the local advocacy from bilateral agencies and institutional partners such as UNAIDS, the World Bank and the WHO.

In the coming year, the Global Fund Secretariat will continue to work with key partners to develop a more detailed framework and an operational document describing the roles and responsibilities for making co-investments a reality. It is expected that labor organizations and unions at the country level will play a greater role, alongside employer organizations and governments, in contributing to the co-investment approach. Among the questions that will need to be addressed is accounting for results.

Part 10: COMMUNICATIONS

27. Documenting and publicizing grant-funded success stories will be key to the success of the Global Fund’s near-term public relations and resource mobilization. The Global Fund should come across as effective, results-oriented, transparent and open about both successes and challenges. The Global Fund’s communications strategy therefore focuses on three core areas:

- Maintain a continuous stream of information about activities, progress and funding needs to international media, list-serves, the Global Fund web site and through reports and other written material;
- Document program activities and progress in written, photographic and audiovisual formats;
- Provide assistance for communications and advocacy in recipient countries.

Part 11: DEVELOPMENT OF A REPLENISHMENT MECHANISM

28. A future strategy for resource mobilization will obviously build on previous decisions of the Global Fund’s Board. At the 5th Board Meeting in June 2003,
the Board approved the principle of a regular funding mechanism while maintaining the central principle of financing grants based on technical quality and needs:

29. Given the general consensus about the vast need for new resources to fight the three diseases, the Global Fund was set up with the understanding that its grant approvals should predominantly be limited only by standards of the technical quality of proposals. This is an important principle so as to encourage grant proposals based on real need and absorption capacity rather than perceived availability of resources (GF/B5/10, p.2).

30. At the 6th Board Meeting in October 2003, this principle was expanded to move toward a periodic replenishment model with additional ad hoc contributions. This mechanism will be based on forecasts for resource needs. A forecast was provided at the 6th Board Meeting and will be updated at all following meetings:

31. “Resource mobilization should use a periodic replenishment model on a voluntary basis for all public donors, complemented by additional ad hoc contributions for all donors, including new public donors, the private sector, and individuals.” (Decision Point 1 on a comprehensive funding policy at the 6th Board Meeting).

32. The operational details of developing a replenishment mechanism for the Global Fund are addressed in a separate paper.