The Global Fund was launched in 2002 as the result of a global consensus that a new mechanism was needed to finance a massive and rapid international effort to drive back AIDS, tuberculosis and malaria – three diseases which stand as some of the greatest impediments to the sustainable development of much of the world.

Four years on, that mission is no less urgent. In 2005, three million people died of AIDS-related illness around the world and five million were newly infected with HIV. TB and malaria killed an additional three million people, most of whom, in the case of malaria, were children under the age of five. Today, AIDS continues to spread, threatening to expand into massive, generalized epidemics in the dense populations of Asia.

The Global Fund and its partners have proven that when the right combination of finance, technical expertise and commitment are in place, interventions to prevent and treat the diseases can be quickly delivered even in the most difficult settings. Millions of people around the world have already been reached with life-saving services financed by the Global Fund.

As the central financial engine for the world’s fight against the diseases, its mandate is clear. Building on a year of dramatic growth in 2005 and working even more closely with a host of dedicated partners – from local health volunteers to world leaders – the Global Fund will continue to face challenges head on.
THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA was created with a promise of saving lives – initially thousands, but soon millions of lives, by supplying the money needed to prevent infection from the three diseases and provide treatment for those already infected.

2005 was the year when the Global Fund could begin to deliver on this promise. Nearly four years after its creation, the Global Fund can count the people treated through its financed programs for AIDS, TB and malaria in the hundreds of thousands and the people reached with knowledge, condoms, and bed nets in the millions. As importantly, nearly a million health workers have been trained in skills that will extend treatment, care and information to millions more in the years to come.

These figures are encouraging, and they should spur us further. The needs are so much larger than our capacity to meet them. But the results from 2005 have shown us that it is possible to drastically scale up the fight against these diseases. It is possible to roll out antiretroviral treatment on a large scale even in the poorest countries. It is possible to greatly expand the number of people who receive and complete their DOTS treatment against TB. And it is possible to provide an insecticide-treated bed net to nearly every family that needs it. In this sense, 2005 was an inspiring year.

It was also the year that the Global Fund completed its performance-based funding model. Through the process of Phase 2 assessments, recipients as well as the Board and Secretariat have learned valuable lessons which have guided the development of the Global Fund’s architecture. Overall, the results have been encouraging, but there have also been difficult decisions to make, testing the Global Fund’s commitment to its founding principles.

The Global Fund is maturing, and that also means facing difficult situations and choices. But through 2005, the Global Fund has proven its commitment to transparency and its rigorous pursuit of accountability. This principled approach has served us well and it has hopefully further strengthened the confidence and trust in the Global Fund by all its stakeholders.

For us, it has been a challenging but rewarding year as stewards of the Global Fund. We would like to thank all those who have worked so hard to make the Global Fund the success it is today.

Carol Jacobs
Chair of the Board

Michel Kazatchkine
Vice-Chair of the Board
SIX YEARS HAVE NOW PASSED since the global community agreed that a new mechanism was needed to mount an effective global response to the world’s three most devastating diseases: AIDS, tuberculosis (TB) and malaria. Four years ago when the Global Fund opened its doors, it had committed US$ 613 million even before a Secretariat was in place in a demonstration of the urgency that must drive the fight against these three diseases.

Since that time, the Global Fund has made rapid progress in filling the vital role the global community has entrusted to it. We are now the predominant international funder of TB and malaria programs, having driven a dramatic increase in the resources available to fight these diseases over the past four years. We are one of the three largest financiers of global efforts to fight AIDS. And, most importantly, our investments are having an impact, ensuring that millions of people around the world have access to effective prevention, treatment and care.

2005 was a year of important growth towards the fulfillment of that mission. It saw the first test – and affirmation – of the mid-term grant progress review (Phase 2), which is at the heart of our efforts to allocate funding based on performance. We channeled an additional US$ 1 billion to countries in need, more than doubling the total amount disbursed over the life of the Global Fund. And our Board approved a full fifth round of grant proposals, expanding our portfolio to 385 programs valued at nearly US$ 5 billion in 131 countries around the world.

The year also brought into focus a number of challenges still facing the Global Fund. More must be done to coordinate with our technical partners to ensure that grant recipients have access to the technical expertise they need to overcome obstacles encountered by their programs. More must be done to refine and enhance the internal operation of the Secretariat so that it can effectively and sustainably drive the daily work of the Global Fund. These and other priorities will guide our efforts to further enhance the Global Fund as it moves into its fifth year.

The progress of the past year has been the result of a range of groups and individuals working in concert: the small group of dedicated staff in Geneva; the devoted members and delegates of the Global Fund’s Board and Technical Review Panel; the staff of the many agencies and organizations that provide essential technical support to our recipients; and, most importantly, the millions of health workers, managers, volunteers, advocates and many others who strive daily to translate Global Fund resources into saved lives in their communities and countries. On behalf of those whom the Global Fund was created to serve, I express my deep thanks to all of them. It has been an honor to work alongside you and I look forward to continuing to do so as we move forward in our joint mission in 2006.

Professor Richard G A Feachem, CBE FREng DSc(Med)
EXECUTIVE DIRECTOR
Pumelele and Nosipho Zwane lost their parents to HIV/AIDS. Global Fund resources pay their school fees and help support the school’s feeding program.
The Global Fund was founded to channel massive amounts of additional financing to programs around the world effectively working to reduce the impact of AIDS, tuberculosis and malaria and thereby fostering economic development and stability. To achieve this mission, the Global Fund focuses on three core areas of work: resource mobilization, portfolio management and grant performance.

**THE BOARD**
The Global Fund’s Board approves grants and supports resource mobilization to meet the Global Fund’s financial needs. In April 2005 the Board appointed the member representing Latin America and the Caribbean, Dr. Carol Jacobs, Chairman of the National HIV/AIDS Commission in the Office of the Prime Minister of Barbados, as Chair. Professor Michel Kazatchkine, France’s Ambassador to HIV/AIDS and Transmissible Diseases, was selected to serve as Vice Chair.

As of the Eleventh Board Meeting in September 2005, the Board has 20 voting members and four non-voting members, representing donors and recipient countries, NGOs and communities living with and affected by the diseases, the private sector and private foundations, as well as key operating partners. Four standing committees drive the work of the Board: the Ethics Committee (EC), the Finance and Audit Committee (FAC), the Policy and Strategy Committee (PSC) and the Portfolio Committee (PC).

**SECRETARIAT**
A Secretariat, staffed by approximately 180 temporary and fixed-term professional and administrative personnel, conducts the daily operations of the Global Fund, including management and ongoing performance monitoring of grants, mobilization of resources from both public and private donors; communication of the work and impact of the organization; and support for the work of the Board and Technical Review Panel. The Secretariat is based in Geneva, Switzerland and is led by Professor Richard Feachem, a public health professional with over thirty years’ experience.

**TECHNICAL REVIEW PANEL**
The Technical Review Panel (TRP) is an independent body of international health and development experts that assesses all grant proposals for technical and scientific merit based on global best practices. Members convene for two weeks in Geneva to review the proposals submitted for each funding round, and the TRP then makes recommendations to the Board on proposals that deserve funding. The TRP also provides ongoing support to any proposal clarifications following Board approval.

**COUNTRY COORDINATING MECHANISM**
Before a country applies to the Global Fund for a grant, it normally convenes a multi-sectoral Country Coordinating Mechanism (CCM), which represents both the public and private sectors, including government agencies, nongovernmental and faith-based organizations, people living with and affected by the diseases, bilateral and multilateral development agencies, and academic institutions. The CCM develops and submits grant proposals to the Global Fund to fill gaps in national strategies to fight the three diseases. After the Global Fund approves a grant, the CCM oversees implementation of funded programs, ensures cross-sector coordination and makes the request for continued funding as the grant approaches the end of Phase 1 (two years). CCMs are central to the Global Fund’s commitment to local ownership and participatory decision-making.

The Global Fund relies upon its partners to provide technical assistance and capacity building support to current and potential grant recipients. Bilateral agencies, businesses and foundations, nongovernmental and multilateral organizations work side by side with CCMs to develop high-quality proposals, strengthen local capacity to manage grants and assist in the implementation of grant-funded programs.

**PRINCIPAL RECIPIENT**
For each grant, at least one Principal Recipient (PR) is accountable for the resources committed and disbursed by the Global Fund. The PR, which is nominated by the CCM and approved by the Global Fund, supervises program implementation, often overseeing the work of several sub-recipients. PRs work with the Secretariat and sub-recipients to develop program goals, performance indicators and targets to be included in an initial two-year grant agreement. At intervals specified in the agreement, the PR requests disbursements from the Global Fund based on verified progress updates and the cash requirements of the program. This is the foundation for the Global Fund’s system of performance-based grant-making.

**LOCAL FUND AGENT**
As the Global Fund has no staff outside its Secretariat in Geneva, it contracts a Local Fund Agent (LFA) for each recipient country to provide a range of critical functions, including assessing the capacity of nominated PRs to manage and administer grant and monitoring and verifying the ongoing progress and financial reports of grant recipients.

**PARTNERSHIP FORUM**
Every year, the Global Fund hosts a Partnership Forum which convenes a broad group of stakeholders to discuss issues relating to Global Fund strategic direction and policies. It serves as an opportunity to inform stakeholders of progress and challenges and it also serves as an opportunity for those who may not have a direct voice on the Board to give feedback and guidance. The first Partnership Forum was held in Bangkok in July 2004. The second event will be held in Durban, South Africa in July 2006 and will be preceded by an online discussion forum, which will be made available in four languages.

**GUIDING PRINCIPLES**
Seven principles guide the policies and operations of the Global Fund in everything it does, from governance to grant-making.

**THESE PRINCIPLES ARE TO**
1. Operate as a financial instrument, not an implementing entity.
2. Make available and leverage additional financial resources.
3. Support programs that evolve from national plans and priorities.
4. Operate in a balanced manner in terms of different regions, diseases and interventions.
5. Pursue an integrated and balanced approach to prevention and treatment.
6. Evaluate proposals through independent review processes.
7. Operate with transparency and accountability.
2005 Year in Review

JANUARY

• A Global Fund team travels to the tsunami-struck countries of South-east Asia. Arrangements are made to redirect existing grant funds where and as needed.
• At a joint press conference at the World Economic Forum summit in Davos, Switzerland, the World Health Organization (WHO), the Joint United Nations Programme on HIV/AIDS (UNAIDS), the United States government and the Global Fund present the results of their joint efforts to increase the availability of antiretroviral treatment in poor countries. They underline that progress has been made thanks to extensive collaboration and unity of purpose.

FEBRUARY

• The Board of the Global Fund approves renewed funding for the first group of grants to reach their two-year mark. After two years, all grants are evaluated for tangible, verified results and approved for continued funding on the basis of those results.
• The government of Canada announces that it will allocate CAD$ 140 million (approximately US$ 110 million) in support of the Global Fund for 2005. The renewed commitment of funding, to be administered by the Canadian International Development Agency, represents an amount more than double the Canadian contribution to the Global Fund in 2004 (approximately US$ 50 million).
• A two-day meeting is held with Global Fund operations staff and their counterparts at the U.S. Office of the Global AIDS Coordinator in Washington D.C. The consultation seeks to increase understanding of each organization’s structures, working modes, priorities and constraints so as to develop collaborative working relationships, particularly in countries receiving funding from both organizations.

MARCH

• Senior Global Fund staff attend the DAC/OECD High-Level Forum on Donor Harmonization hosted by the government of France. The meeting is attended by development officials and ministers from 91 countries and representatives...
Led by UNAIDS, leaders from donor and funded country governments, civil society, UN agencies and other multilateral and international institutions (including the Global Fund) meet in London and agree to form a global task team to develop a set of recommendations for improving the institutional architecture of the response to HIV/AIDS.

During the Global Fund’s first replenishment conference in Stockholm, Sweden, representatives from 30 donor countries are gathered to consider the Global Fund’s financial needs for the coming three years. Nigeria announces a new pledge of US$ 10 million.

A fifth call for grant proposals is issued by the Global Fund. The call asks that proposals support the scale-up of effective existing programs and innovative projects that meet the Global Fund’s criteria and clearly demonstrate how resources will achieve additional results in partnership with existing programs.

The first two regional workshops on strengthening Country Coordinating Mechanisms (CCMs) as public-private partnerships are conducted. Fifty CCM members from eight Southern African countries and from Ghana participate in the first workshop held in Lusaka, Zambia. The second workshop takes place in New Delhi, India, with 25 CCM members from six countries in South Asia. In both workshops the participants develop one-year action plans for strengthening their CCMs and the implementation of more inclusive and participatory processes.

The Global Fund supports and participates in the Roll Back Malaria Partnership board meeting. The meeting addresses major bottlenecks in the access to commodities such as artemisinin-based drugs and insecticide-treated bed nets.

The Global Fund announces the appointment of Helen Evans to serve as the Secretariat’s first Deputy Executive Director. As the second in command after Executive Director Richard Feachem, Ms Evans will oversee the performance and management of the Secretariat as the Global Fund moves into a more established phase three years after its founding.

Friends of the Global Fund Europe, a sister nongovernmental organization to Friends U.S. and Friends Japan, is launched in Paris to mobilize European institutions, public opinion and private companies in support of the Global Fund. The organization brings together European state and institutional representatives, civil society and private sector partners willing to contribute to the fight against the pandemics.

The Tenth Board Meeting is held in Geneva. Key decisions include the restructuring of the Board’s committees, the replenishment process for the election of a new Chair and Vice-Chair of the Board. The Global Fund elects Dr Carol Jacobs, Chair of the National Commission for HIV/AIDS in Barbados as Chair of the Board. The new Vice-Chair is Prof. Michel Kazatchkin, France’s Ambassador for HIV/AIDS and Transmissible Diseases.

The Global Fund holds a briefing for health ministers during the annual World Health Assembly in Geneva.

Following the creation of a new structure for the committees of the Board, an announcement is made regarding the Chairs for each of the four new committees: Ambassador Randall Tobias (U.S.) for the Policy and Strategy Committee; Dr Lieve Fransen (European Commission) for the Finance and Audit Committee; Minister Urbain Olanga Reva (Democratic Republic of Congo) for the Portfolio Committee; and Ms Anandi Yuvaraj (Communities) for the Ethics Committee.

On June 11, 2005, the “46664 Arctic” concert is held in the city of Tromsø in northern Norway. The concert, organized by the Nelson Mandela Foundation to increase awareness about the global AIDS epidemic and attended by Mr. Mandela himself, is supported by the Global Fund. More than 13,000 people attend the concert under the midnight sun.

The Global Fund launches a public awareness campaign in a bid to increase grassroots support for its work to tackle AIDS, TB and malaria. The campaign aims to build trust and confidence that funding channeled through the Global Fund will be used well and make a big difference in the fight against poverty. All elements of the campaign are developed through a pro bono agreement with Publicis Groupe. The campaign appears in the UK, Italy and Germany with major media events marking the launch in each country.

The second meeting of the voluntary replenishment mechanism takes place in Rome, hosted by the government of Italy. Donors receive updated program and results information and discuss how to integrate into the Global Fund’s work the conclusions of The Global Task Team on Improving AIDS Coordination among Multilateral Institutions and International Donors (GTI). This meeting also provides donors with a forum for exchanging views on the operations and effectiveness of the Global Fund following the first replenishment meeting in March in Stockholm.

In association with the Global Business Coalition and the German Gesellschaft für Technische Zusammenarbeit (GTZ), the Global Fund organizes a meeting on co-investment in New York, bringing together a range of bilateral and multilateral organizations and including private sector representatives in order to come to a greater understanding of roles and responsibilities for supporting public-private partnerships in developing countries.

President Jacques Chirac announces new, increased pledges by France to the Global Fund for 2006 and 2007. France will significantly increase its contribution for 2006 compared to its 2005 level and reach €300 million (approximately US$ 355 million) for 2007. France has contributed €150 million (approximately US$ 181 million) each year in 2004 and 2005.

Japanese Prime Minister Junichiro Koizumi announces a new pledge of US$ 500 million for the coming years to the Global Fund. Mr Koizumi’s announcement comes in a speech to commemorate the fifth anniversary of the Okinawa G8 summit in 2000 where the world’s leading nations first put the fight against AIDS, TB and malaria on the global agenda.

Australia doubles its support for the Global Fund for the years 2005–2007 by allocating a further AUS$ 50 million (approximately US$ 38.2 million) over three years.

Following the call for proposals in March 2005, the Global Fund receives 173 proposals from 105 countries for a total requested amount of US$ 8.1 billion by the deadline of June 10, 2005.

The Global Fund holds the Middle East and North Africa regional meeting in Casablanca, Morocco. Items on the agenda include the roles and responsibilities of CCMs and the requirements for Phase 2 funding. The meeting also results in an improved understanding of Global Fund processes and program implementation.

After more than a year of searching for new office space, the Secretariat of the Global Fund moves into new premises in mid-July. The Blandonnet International Business Centre, a state-of-the-art building located in...
the vicinity of the Geneva International Airport, allows a significant increase of floor space for the growing organization.

- Allegations regarding the internal operation of the Secretariat are brought to the attention of the Executive Director, Chair and Vice-Chair of the Board, who request WHO's Office of Internal Oversight Services (IOS) to conduct a full audit of these issues. The IOS report later concludes no evidence of fraud, misuse of funds or violations of the organization's Conflict of Interest policies was found, although there were instances where established policies and procedures were not followed.

- In response to Secretariat appeals, contributions of non-U.S. government donors by 31 July exceeded the matching amount needed to enable full contribution of the U.S. government pledge of US$ 414 million.

- A delegation from the Global Fund Secretariat attends the Technical Co-operation Meeting on HIV and AIDS in Rio de Janeiro, Brazil. The main objective is to develop a coordinated regional approach to assessing and identifying technical assistance needs for Global Fund-financed projects.

- At the end of July, 98 percent of all approved grants in Rounds 1 through 4 are signed.

**August**

- DRID announces that the UK will increase its contribution to US$ 172 million per year in 2006 and 2007, doubling its earlier pledge of US$ 1 million for each of these years. The UK Secretary of State for International Development, Hilary Benn, states: “The UK is committed to the fight against AIDS. The Global Fund needs more money, and we hope other donors will also significantly increase their contributions.”

- Given new restrictions imposed by the government of Myanmar, the Global Fund concludes that its grants to the country cannot be managed in a way that ensures effective program implementation. As a result, the Global Fund terminates its grant agreements to Myanmar. The decision means that three grants (one each for HIV/AIDS, tuberculosis and malaria), with a total value of US$ 35.7 million over two years, are to be phased out by the end of the year, although a total of US$ 11.9 million in funds already disbursed is freed for the program. The Global Fund’s decision is based on a review of one of the five grants undertaken by PricewaterhouseCoopers, which revealed evidence of serious mismanagement by the Project Management Unit (PMU) in the Ministry of Health. The PMU has been responsible for overseeing the implementation of Global Fund programs in Uganda. While the review centered on the Round 1 HIV/AIDS grant, the same PMU manages all five grants, and to minimize risk all five are suspended.

- In collaboration with the Global Fund, the U.S. television channel VHI turns its focus on the global HIV/AIDS epidemic in a new feature-length documentary called “Tracking the Monster,” which profiles the work of the Global Fund-supported HIV/AIDS programs in Kenya and Madagascar.

- The Technical Review Panel (TRP) meets to review eligible Round 5 grant proposals for technical merit and recommends proposals for funding to the Board. The panel of 26 experts is appointed for a period of four months and chaired by Dr Jonathan Broomberg (South Africa).

**September**

- During the third and final meeting of the replenishment in 2005 (hosted by the government of the UK) donors to the Global Fund meet to discuss funding needs for 2006 and 2007 and resource shortfalls for 2005. Donors review the progress of the Global Fund to date and exchange views on the operations and effectiveness of the organization. At this meeting, international donors pledge a total of US$ 3.7 billion to the Global Fund for the two-year period of 2006 and 2007.

- The Global Fund holds a regional meeting in Abuja for West and Central Africa, which “Reinforcing CCM Capacity and Accelerating the Implementation of Global Fund Programs”. The main objectives of the meeting are to clarify CCM roles and responsibilities and to identify technical assistance needs and availability in the region.

- At the Eleventh Board Meeting (held in Geneva, Switzerland), the Global Fund approves its fifth round of grant proposals, committing US$ 382 million over two years to 26 grants in 20 countries. The projects approved at this Board meeting represent just over half of the total value of all Round 5 grants recommended to the Board of the Global Fund for approval. The Board is only able to approve grants for which it has financial pledges for the current calendar year. It is prevented from approving all Round 5 grants immediately due to the at-that-time shortfall of resources pledged for 2005.

- At the Board Meeting, Board members vote to add another donor seat (representing the United Kingdom and Australia), bringing to ten the total number of donor seats and twenty the total number of voting members of the Board (in addition to four nonvoting seats). Other important items discussed at this Board meeting are the Global Fund strategy, the Partners Forum and the investigation process related to the allegations towards the Global Fund received in July.

**October**

- Executive Director Richard Feachem travels to the South Pacific for a review of Global Fund activities in the area, including projects in Papua New Guinea and East Timor.

- The TERG reports on the results of a study on CCM effectiveness which was carried out just prior to the implementation of new guidelines and which provides a baseline against which improvement can be measured. The TERG report also provided anecdotal evidence to suggest that the assessment process catalyzed important reforms in many CCMs.

**November**

- A national campaign of Japanese nongovernmental organizations to fight poverty announces that it will donate US$ 250,000 of its proceeds from the sale of white bracelets to the Global Fund. The “Hottoktenai Sekaihi- Maruhisha” campaign (“Don’t Let it Be: World Poverty”), inspired by the “Make Poverty History” campaign in the UK and the “One” campaign in the US, was launched to “inform people that it would like to show the world that Japanese people are willing to keep their promises to fight AIDS, TB and malaria globally and to call on world leaders to fight the three diseases in a combined effort.”

- The Global Fund lifts the suspensions of all five grants to Uganda following the signing of an Aide Mémoire setting out action points for restructured management of the grants.

- At the end of November, an East African regional meeting is held in Kigali, Rwanda. There, the first of the Global Fund’s fifth round of approved grant proposals, a health systems grant to Rwanda, is signed, just eight weeks after approval by the Board of the Global Fund at its September Board meeting.

**December**

- Newly-compiled performance results show that as of December, 384,000 people have begun antiretroviral treatment through Global Fund-supported programs, a 75 percent increase from June 2005 and nearly triple the number of recipients funded one year ago. Programs to combat malaria have distributed 7.7 million insecticide-treated bed nets, a 150 percent increase in six months, and TB programs have detected and treated more than one million TB cases, a 67 percent increase from June 2005.

- At the Twelfth Board Meeting, held in Marrakech, Morocco, the Board of the Global Fund votes to fully fund its fifth round of grant proposals, bringing the total resources allocated for new grants in 2005 to US$ 719 million. Key discussions held at this Board meeting include Phase 2 decision-making policies and procedures, the Secretariat budget for 2006 and the report of the WHO Office of Internal Oversight Services (IOS) regarding the allegations made in July. The IOS report concludes that no evidence of fraud, misuse of funds or violations of the organization’s Conflict of Interest policies was found.

- In conjunction with the Twelfth Board Meeting, a high-level session was held with health ministers from the North Africa and Middle East region. During this meeting, the ministers confirmed their political commitment to combating the three diseases and called on donors to ensure the region’s ability to become active donors and to examine the possibility of joining the French initiative of an airline ticket levy.

- As of 31 December 2005, US$ 1.9 billion has been disbursed.
The Global Fund was founded to channel massive amounts of additional financing to programs around the world effectively working to reduce the impact of AIDS, tuberculosis and malaria and thereby fostering economic development and stability. To achieve this mission, the Global Fund focuses on three core areas of work: resource mobilization, portfolio management and grant performance.

The resource mobilization approach was a central element of the Global Fund’s first voluntary replenishment process in 2005. During the Global Fund’s first three years, donors pledged funds largely on an ad hoc basis. While this generated the necessary resources, the calls from donors for a more predictable and long-term estimate of resource needs led the Global Fund to adopt the more systematic and sustainable approach offered by a formal replenishment process.

The Igihozo Association for people living with AIDS provides scholarships and micro-loans, and supports a wide range of income-generating activities, including mushroom cultivation.

To finance the fight against AIDS, tuberculosis and malaria, the Global Fund relies on financial pledges from public and private donors, including governments, foundations, corporations and individuals. While the primary responsibility for securing these pledges rests with the Board and the Secretariat, the Global Fund has been supported in this work by advocates around the world, whether it be communities of people affected by the diseases or celebrities and other high-profile individuals. As the Global Fund has matured, its fundraising efforts have increasingly focused on demonstrating its track record in effectively financing the scale-up of disease control interventions.

(See Figure 1)
The replenishment process, for which Kofi Annan, Secretary-General of the UN, served as Chair and Sven Sandstrom, Director of the International Taskforce on Global Public Goods, served as Vice-Chair, took place through three conferences held over the course of 2005, gener-
ously hosted by the governments of Sweden (Stockholm in March), Italy (Rome in June), and the United Kingdom (London in September). At these conferences, donors came together to review the Global Fund’s progress (including multiple analyses of the performance of its grant portfolio and impact in fragile nations) and its resource needs, with the ultimate goal of making new pledges for 2006-2007. A mid-term confer-
ence is scheduled for July 2006 to enable donors to review the Global Fund’s further progress and pledge additional funds to fill remaining gaps in its financial needs for those years.

Beyond the replenishment process, the Global Fund pursued three primary channels for raising additional resources in 2005: private sector initiatives, cultivation of new govern-
ment donors and engagement with innovative financing mechanisms.

While private contributions comprise a rel-
atively small portion of the Global Fund’s income to date, fundraising efforts gained a considerable boost through Product REI, an innovative initiative designed by the musician Bono and Bobby Shriver, Chairman of Debi,
AIDS, Trade, Africa (DATA). This initiative, the result of hard work by the Global Fund’s Private Sector Board Delegation and Secretariat throughout 2005, is to be launched at the World Economic Forum in January 2006 and has the potential to raise substantial new funds for and significantly raise the profile of the Global Fund around the world. Four companies – American Express, Gap, Giorgio Armani and Converse – are initially participating in the ini-
tiative with REI-branded products and it is hoped that more will join in 2006. In addition, at the third replenishment conference in September 2005, the Global Fund’s Private Sector Board Delegation launched a new strat-
egy to increase private contributions through similar public initiatives and other approaches. The bulk of the Global Fund’s resources to date have been provided by a limited number of donor governments. In 2005, the Global Fund sought to secure increased pledges from new donors with the means to make signifi-
cant contributions. These efforts focused primarily on oil-rich nations in the Middle East and culminated in a high-level ministerial meeting around the Global Fund’s Twelfth

Results: Resource mobilization

in total, donors pledged up to US$ 1.5 billion for 2005, enabling the Global Fund not only to renew well-performing programs which had reached their two-year performance review (Phase 2), but also to fully fund a fifth round of grant proposals approved by the Board in September. This income was achieved through continued increases in both the number and size of government contributions. These increases came about in response to calls from the U.S. and others that donors increase their contributions to enable the Global Fund to expand its activities while respecting the U.S. statement that it would contribute up to one-
third of the total.

Through the replenishment process, donors also pledged US$ 3.7 billion* for 2006-2007, with a number of donors, including France, Germany, Japan, Norway, Russia, Sweden, the UK and Portugal, significantly increasing or doubling previous pledges. These pledges are sufficient to meet the Global Fund’s estimated needs** for its Phase 2 grant renewals during those years (US$ 3.4 billion) but provide little financing to enable the launch of new funding rounds.

Non-financial private sector support for the Global Fund also grew throughout 2005, princi-

aply through pro bono contributions. Publicis

Groupe expanded its public awareness cam-
paign promoting the Global Fund to the major

donor markets of the UK, Germany and Italy

*Following in France in 2004. The value of

this campaign to the Global Fund in 2005 amounted to US$ 8.55 million.

**VHIV (Viacom) built on its successful public service announcements in the U.S. with the production of the documentary film “Prodigal Sons—the Monkeys”, which examined the life-

story of VIH’s work on behalf of the Global Fund was recognized through three awards at the Cable Television Public Affairs Association’s annual conference.

Other pro bono contributions included legal advice, consulting services and time

donated by celebrities (See Figure 2, above)

*As announced 5 September 2005: some pledges subject to confirmation of timing.

**As of 31 December 2005.
**Viewpoint on the Replenishment Mechanism**

Two participants in the replenishment process, Vice-Chair Sven Sandström and Richard Burzynski, a member of the Developed Country NGO delegation, were asked for their views:

**SVEN SANDSTRÖM**

You are not new to questions of replenishment. Did the Global Fund replenishment process strike you as different to others you have experienced?

It was a new experience for the Global Fund and an attempt to place the financial basis of the organization on a sounder footing. In other multilateral agencies, replenishment is an established process, with a fairly set timetable. The Global Fund’s schedule for completing the replenishment process was very tight, with three major meetings in a six month period. This left little time for preparation between meetings, but the quality of the materials prepared by the Global Fund was good and the meetings themselves went well.

The presence of civil society organizations in the replenishment process may have worried a few government representatives initially, but it soon became clear that they were working responsibly towards the same overall goal and indeed were sometimes able to make sure that difficult questions were not glossed over.

What would be the major lessons learned from the replenishment process?

The Global Fund was established over a very short period, in comparison with many other new international organizations, and it now needs to consolidate and develop a clearer strategy for how it is going to develop over the medium term. Reflections on these questions are already underway within the Executive Board and the Secretariat. The replenishment process and its successors will have to be a central pillar of this longer-term view.

What do you think are the major obstacles to the Global Fund achieving its objectives?

Well, some of them were identified in an independent assessment I commissioned for the replenishment process. I think the Global Fund has shown that it can make the money work, but will the total amount raised be enough? In this light, more will be needed to fund the organization.

**RICHARD BURZYNSKI**

How do you view the Global Fund replenishment process?

In my view, the replenishment process built upon and extended the basic architecture of the Global Fund. Transparency has been a fundamental principle since the beginning and so it was important for the replenishment process to display the same openness. This was achieved and was reinforced through the participation of civil society, as throughout the Global Fund structures. This was a new experience to most involved, as NGOs do not sit at the table when replenishment issues are being discussed in other multilateral organizations.

How do you think the presence of civil society within the structures of the Global Fund influenced the replenishment process?

Civil society played an essential role in lobbying in capitals, where funding decisions are ultimately made, promoting the Global Fund as worthy of financial support. Not just minimal support, but to fully fund the organization. Between meetings, grassroots organizations pressed for governments to live up to their responsibilities, even if some governments have difficulty in accepting the positive role that NGOs now play on healthcare issues. They worked effectively behind the scenes, giving continuity to the process and keeping the pressure on.

What will be the major challenges facing the Global Fund over the next few years?

Well, I think 2005 will be remembered as the year when universal access to prevention and treatment for AIDS was recognized by the leading industrialized nations. This was in part due to the effectiveness of civil society lobbying and the broad mobilization of public opinion which resulted. Delivering on this promise will be a central part of the Global Fund’s work up to 2010 and civil society will be active to ensure that this objective is met.

**Results: Communications and advocacy**

In many ways, 2005 was the year of development, with numerous efforts to highlight and build support for issues facing Africa and the rest of the developing world taking place throughout the year, from the G8 Summit in Gleneagles to the UN Millennium Conference to the Live 8 concerts and ‘Make Poverty History’ campaigns led by musicians Bono and Bob Geldof. The fight against AIDS, TB and malaria is central to the goals promoted through these efforts, and support for additional funding for the Global Fund was incorporated into many of them, including the Commission for Africa Report. At the G8 Summit, the goal of universal access to AIDS treatment by 2010 was agreed, providing additional force to the call for increased resources to fight AIDS worldwide.

For the Global Fund Secretariat, communicating the expanding results and performance information of its grant portfolio was a priority in 2005. In January at the World Economic Forum, Executive Director Richard Feachem announced the first calculation of the major portfolio-wide results achieved by Global Fund grants alongside the U.S. AIDS Coordinator, Ambassador Randall Tobias. Two subsequent analyses and announcements of results were made in July and December, marking the rapid growth in essential interventions such as antiretroviral treatment financed by the Global Fund. The Global Fund also prepared comprehensive progress reports for each of the replenishment conferences, containing detailed analyses of the performance of its grants and initial studies of their impact on the burden of three diseases. In addition, the Global Fund published a new organizational brochure in five languages to clearly communicate its mission, model and progress to broad audiences around the world.

Building on the success of similar organizations in Japan and the U.S., Friends of the Global Fund Europe (Les Amis du Fonds mondial, Europe) was launched in April 2005 with financial support from the MAC AIDS Fund. This newest member of the growing network of Friends organizations, which is based in Paris and which is headed by former French Minister of Health Michèle Barzach, aims to mobilize public and private initiatives in support of the Global Fund across Europe.

Media coverage of the Global Fund and its recipients also grew substantially in 2005, with more than 3,000 stories mentioning the organization in the last eight months of the year as compared to just 2,000 mentions in the first 18 months after its founding. The Global Fund’s website continued to maintain a high standard of transparency, with all reports on performance now available for downloading alongside other core grant-related documents.

Efforts to engage the general public in the work of the Global Fund and the fight against the three diseases were enhanced with the launch of a new website developed in partnership with Friends of the Global Fight in the U.S. This website focuses on attracting the attention of a general public that increasingly hears about the Global Fund but may find the Global Fund’s own website too technical. It joins similar websites maintained by Les Amis du Fonds mondial and Friends of the Global Fund, Japan.
## Pledges & Contributions to the Global Fund

### at 31 December 2005

**IN US$ '000s**

### DONORS

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#### SUPPORT FOR OPERATING EXPENSES

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#### OTHER PRIVATE SECTOR DONORS

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#### GRAND TOTAL

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**GRAND TOTAL** | 3,430,577 | 1,329,952 | 4,760,528 | 1,721,377 | 2,091,780 | 8,573,686 | 8,573,686 |
Portfolio Management

Proposals and approvals

The Global Fund pursues a demand-driven financing model in which affected countries submit proposals outlining their need for additional funding to fill gaps in national strategies to fight AIDS, TB and malaria. The Technical Review Panel (TRP) then reviews these proposals and recommends them to the Board for approval based solely on their technical merit. The full application process—from the call for proposals to review and approval—takes approximately six months and is conducted in funding rounds. The Global Fund approved its fifth round of funding in September and December 2005, maintaining its schedule of at least one round each year.

The overall size of the Global Fund’s grant portfolio grew substantially in 2005 due to the approval of Round 5 and the extension of existing grants into their second phase following performance review. (Initial grant commitments are for the first two years of predominantly five-year programs and are renewed based on performance.) At the close of the year, the total portfolio stood at more than US$ 4.8 billion committed to 385 programs in 131 countries around the world, with US$ 719 million of that added through newly-approved Round 5 grants. (See Figure 3)

For the first time in Round 5 the Global Fund accepted and approved proposals for strengthening the basic health systems that are essential to the scale-up of interventions to fight AIDS, TB and malaria. A number of innovative initiatives are now approved for funding, including a community health insurance program in Rwanda and an incentive system to retain skilled health workers in Malawi, though only ten percent of proposals submitted in this category were recommended by the TRP and approved by the Board. While the Global Fund already supports considerable health system development through all of its grants, this new proposal option enabled more targeted approaches.

Focusing solely on the technical merit of proposals submitted by recipient countries, the...
Global Fund has no policies or quotas determining the size or makeup of its grant portfolio. Nevertheless, the Global Fund has succeeded in focusing its resources on those countries most in need of financial assistance. To date, 64 percent of funding has been committed to countries classified as low-income by the World Bank and 57 percent to sub-Saharan Africa, the region hit hardest by the AIDS and malaria pandemics. The Global Fund has also emerged as an important source of financing for regions with relatively small but rapidly growing AIDS epidemics: 15 percent of funding to date has been committed to East Asia and the Pacific, five percent to South Asia, four percent to the Middle East and North Africa with the remaining 19 percent split between Latin America/the Caribbean and Eastern Europe/Central Asia.

The majority of Global Fund financing is committed to AIDS grants and in 2005, it was one of the three largest international financiers of AIDS programs alongside U.S. bilateral programs and the World Bank. The Global Fund has become the predominant international funder to fight TB and malaria, accounting for roughly two-thirds of total international spending for each disease in 2005.

Grant signing and management

Following board approval and any required clarifications of a proposal, the Secretariat works with a country to sign one or more grant agreements and disburse an initial tranche of funding to launch the program. By the end of 2005, the Global Fund had signed 332 grant agreements covering all proposals approved in the first four rounds and had signed its first Round 5 grant.

Over the course of the year, the Secretariat significantly reduced the time required to sign and launch new grants in 2005, signing Round 4 grants an average of 34 days faster than grants from the previous three rounds. Nevertheless, it has continued to strive for greater efficiency in this process and at the end of the year introduced a new tool to streamline the assessments of its PRs, a central and often lengthy aspect of the signing process.

In parallel with its efforts to increase the speed of grant signing, the Secretariat has also focused on improving the quality of its grant agreements. Working closely with its partners, it has sought to ensure that all programs have set clear performance targets for their work before agreements are signed. It has also worked to provide its recipients with assistance in developing plans to procure health products with grant funding, a central and often challenging component of grant implementation that can lead to significant delays.

Disbursement

The rate at which the Global Fund disbursed money to grant recipients continued to accelerate throughout 2005. By the end of the year, a total of US$ 1.9 billion had been disbursed by the Global Fund, more than double the amount in the previous year. (See Figure 4)

As part of its emphasis on performance-based funding, the Global Fund channels money to grant recipients incrementally on the basis of proven progress. To receive additional portions of its approved grant, a recipient submits a disbursement request which details how the previous funds were used to achieve the performance targets outlined in the grant agreement. Following verification by the Global Fund’s Local Fund Agent (LFA) for the country, the Secretariat uses that performance information to decide how much, if any, additional funding to disburse to the program.

In this system, the total amount of funds disbursed by the Global Fund will, by design, always be considerably below its total grant commitments. The best measure of the Global Fund’s progress in disbursing money to its recipients is therefore a comparison of the portion of grants disbursed with the age of the grant. Disbursements to a well-performing program should approximately match its pace of implementation. At the end of 2005, grant-funded programs across the Global Fund’s portfolio had received 60 percent of their allocated funding while 62 percent of their grant lifespan had elapsed, indicating that disbursements were roughly on track.

An analysis of 106 grants which had reached Phase 2 by end December shows that grant-funded programs that had met or exceeded their targets (rated A) received, on average, 88 percent of their grant funds over two years, while programs that significantly under-performed (rated C) received only 54 percent of their allotted funding.

While the Global Fund’s disbursement system has functioned relatively smoothly to date, a report released by the U.S. Government Accountability Office (GAO) in May 2005 recom
President’s Emergency Plan for AIDS Relief (PEPFAR) and other partners, the Global Fund has developed tools to process and build the monitoring and evaluation capacity of its recipients. To address the second GAO recommendation, the Global Fund has developed a disbursement protocol which covers the CCM and the Ugandan government, which established a high-level Commission of Inquiry to investigate the case, the Global Fund took steps to ensure that no essential services were interrupted due to the suspension. By November, a strengthened technical partnership structure was in place under the leadership of the PR – the Ministry of Finance – which met the Global Fund’s standards of accountability and transparency, prompting a lifting of suspension and resumption of program activities.

Managing performance-based funding

As the Global Fund’s portfolio has matured, its grant management has increasingly focused on the effective gathering of performance data and appropriate decision-making based on that information. The process at the heart of this performance-based funding system – Phase 2 review – was applied for the first time in 2005. The responsibility for this process rests jointly with the Secretariat and the Board. When a grant reaches 18 months of age, the CCM submits a request for continued funding to the Secretariat, which reviews the performance of the grant during its first phase and makes one of four possible recommendations: continue funding (“Go”); continue funding following reprogramming of the grant (“Re-Go”); continue funding with defined conditions (“Conditional Go”); or discontinue funding (“No Go”). The Board then reviews and agrees or disagrees with the Secretariat’s recommendation. In the event that the Board disagrees with a clarification, a clarification process is begun to provide Board members with further information in order to make a final decision regarding the future of the grant.

At the start of 2005, no Phase 2 requests had yet been reviewed by the Global Fund; by the year’s end, 103 requests had been reviewed and decided upon by the Board and 51 Phase 2 grant agreements had been signed, committing a total of US$ 428 million in additional funding. (See section on grant performance for additional information about Phase 2.) Two grants, a malaria grant to Senegal and an HIV/AIDS grant to South Africa, were cancelled. In total, 12.4 percent of the US$ 1.16 billion requested by grants entering Phase 2 was withheld on the grounds of performance, either through full cancellation of grants or revision of budgets.

Given the importance of the Phase 2 process and the paramount concern that the disbursement process be able to drive funding freed for programs which are able to use it more rapidly. Accordingly, in January, the Secretariat decided to discontinue negotiations on a Round 3 HIV/AIDS grant with Iran after agreement could not be reached despite a three-month extension of the deadline.

In August, the Global Fund cancelled three grants to Myanmar (Burma), the first such action taken outside of the normal Phase 2 review process, following travel restrictions placed on its staff and the PR by the government. These restrictions went against written agreements reached with the government during grant signing and would have prevented effective monitoring of program activities. A plan was developed to phase out Global Fund funding already active in the country so that there would be no interruption of essential services while the domestic or international funding was secured.

That same month, a review by the LFA in Uganda, PricewaterhouseCoopers, discovered that instances of serious mismanagement of Global Fund resources in the country. The Global Fund proactively identified the problems and issued a report to the country, setting out conditions to be met for the resumption of services, such as the development of a new program management structure, including the CCM and the Ugandan government, which established a high-level Commission of Inquiry to investigate the case, the Global Fund took steps to ensure

Strengthening grant performance

In general, Global Fund grants have performed well to date, with 78 percent of those who have gone through Phase 2 evaluation having met or surpassed the majority of their programmatic targets. Some, however, are struggling to achieve results, and while some weak performance must be expected in a portfolio of 385 grants across 131 countries, the Global Fund strives to maximize the impact of all its investments.

As a lead financing agency, the Global Fund has a small staff based only in Geneva, relying on its technical partners with local offices and staff to assist its recipients if they encounter obstacles in implementing grants. This approach is integrated into the basic architecture of the Global Fund, thereby ensuring that the Global Fund, together with technical agencies with local partners to monitor grant implementation and mobilize assistance as necessary. As the Global Fund has matured, however, it has become clear that, given the challenges facing many of its recipients, it must take a more active role in catalyzing and coordinating technical assistance.

At the heart of the Global Fund’s more proactive approach is its Early Alert and Response System (EARS). This system, which tracks key quantitative and qualitative performance indicators for all grants in the Global Fund’s portfolio and alerts the Secretariat when grants have fallen behind schedule, was launched in August 2005. When grant progress fails to meet early targets, a letter is sent to grant recipients notifying them of the identified problems and alerting them to the possibility that funding may be cancelled if performance does not improve. At the same time, a process has been established so that information on the grant will be shared with technical partners so that while the problems can be identified and an appropriate response arranged. For some countries, this is sufficient to put implementation back on track. Others, however, require more comprehensive assistance.

An important step forward in this regard was the creation of the Global Fund Implementation Support Team (GIST) in 2005. This team, composed of staff from the Global Fund, the World Bank, and AIDS-related UN agencies, meets on a monthly basis to coordinate an effective multilateral response to implementation bottlenecks experienced by developing countries. While GIST does not address challenges faced by TB and malaria programs, similar mechanisms are under discussion with the Stop TB and Roll Back Malaria Partnerships and may be launched in 2006.

Beyond GIST, Global Fund recipients benefited from a number of other technical support initiatives in 2005. The Stop TB Partnership launched a concerted global effort to provide countries with assistance in developing high-quality TB proposals for the Global Fund’s fifth round of financing. As a result, the Board approved 46 percent of submitted TB proposals, the second-highest success rate through all proposal rounds. The Partnership is now building on that success by working with countries to ensure that the approved grants are rapidly signed and effectively implemented. A range of other bilateral and multilateral agencies provided support throughout the year and the U.S. committed US$ 12 million of its 2005 budget to providing technical assistance to 38 countries around the world through its bilateral structures. The Secretariat also organized a series of meetings in each of its grant regions, which enabled technical staff to provide a wide range of grant representatives with in-person guidance on Global Fund policies and processes and created an opportunity for recipients to share best practices and local solutions with one another.

Another essential area of work for the Global Fund in maximizing the impact of its grant investments is ensuring that its systems and
processes are closely aligned with those of grant recipients and donor partners. In keeping with its founding principle of local ownership, the Global Fund strives to ensure that grant recipients are able to focus on delivering health interventions and not on managing duplicative systems and requirements. These efforts gained considerable momentum in 2005 through a number of global processes, notably the Global Task Team on Improving AIDS Coordination among Multilateral Institutions and International Donors and the High-level Forum on the Health Millennium Development Goals (GTT).

Based on a series of consultations among donor and recipient representatives, the GTT recommended a number of concrete steps the Global Fund should take to better coordinate with its multilateral partners. The Global Fund has welcomed these recommendations, incorporating many of them into its work priorities and already completing several, including an independent study of its comparative advantages with the World Bank and participation in the newly-formed GIST.

Beyond the GTT, the Secretariat engaged in a number of efforts to increase its coordination with partners, including a meeting in Washington between its grant management staff and their counterparts from U.S. programs and a joint assessment of AIDS programs in the Caribbean with the World Bank, WHO, UNAIDS, and other partners, leading to productive discussions on ways to better coordinate efforts to address the challenges identified. To reduce duplication of information reporting requirements, the Global Fund participated in the launch of the joint facility for monitoring and evaluation (M&E) in March and held a series of regional training workshops on the use of the M&E Tool Kit, a technical document jointly produced with a number of related agencies outlining procedures and selected indicators applicable to Global Fund-supported programs.

Increasing harmonization with other donors through implementation of the GTT recommendations and other initiatives will be a continued priority for the Global Fund in 2006. In addition, the Policy and Strategy Committee of the Board began the development of a new four-year strategy in 2005 which will explore fundamental shifts in the Global Fund’s business model to improve its work in this and other important areas.

Local Fund Agents

An essential element of the Global Fund’s lean approach to development finance is its system of LFAs. These locally-based, competitively-contracted organizations, including private firms such as PricewaterhouseCoopers (PwC) and public institutions like the United Nations Office of Project Services (UNOPS), conduct the ongoing assessment, monitoring, and verification essential to the Global Fund’s grant operations and its performance-based funding model. (Figure 5 shows the LFA coverage by country.) It is largely due to this system that the Global Fund is able to maintain a small staff based solely in Geneva and consistently devote less than three percent of the value of its grants to operating expenses.

The LFA model is a new approach in the field of development finance. With this in mind, the Global Fund conducted a thorough review of its experience with the system in 2004. The review found that the model had, for the most part, effectively fulfilled the Global Fund’s needs, but that there was room for improvement.

Country Coordinating Mechanisms

After four years of operation, the impact of the Global Fund’s CCms is visible in many countries. A range of local partners involved in the fight against the diseases – from government ministers to representatives of people living with AIDS – are engaging in regular dialogue. For the first time, many nongovernmental constituencies have been given a seat at the table in shaping national strategies to fight the three diseases. (For a breakdown of CCM composition see Figure 6.) In some countries, however, CCms are not yet operating with the desired degree of participation and effectiveness.

As a result, at its Ninth Meeting in November 2004 the Global Fund’s Board approved the first firm requirements for CCM operation. These included, among others, that all CCms must have at least one representative of communities living with the diseases and that NGO representatives must be chosen by members of their own sector through a transparent process. These measures came into effect in 2005, with CCms being required to fulfill them in order to be eligible to apply for funding in Round 5 or (as of June 2005) receive Phase 2 financing. There is evidence that these requirements prompted important reforms in CCms around the world.

To systematically measure the progress made by CCms, the Technical Evaluation Reference Group (TERG), an independent body of experts which evaluates aspects of the Global Fund’s work at the request of the Board, commissioned the Futures Group to conduct a comprehensive analysis of compliance with the new requirements. This study, which took place before the requirements came into effect, established a baseline against which future analyses of CCM performance can be measured.

The Board took a further step in improving the effectiveness of CCms in April 2005 when it approved a policy enabling some countries to use Global Fund grant resources to support their CCM Secretariats. This arose from evidence that some CCms were not able to engage in the necessary communication and coordination due to lack of full-time staff to support them. In order to qualify for this exceptional support, a CCM must have first exhausted other sources of funding such as bilateral donor agencies and private foundations. To date, several countries have applied for and received this funding.

Lastly, building on recommendations made at the Global Fund’s first Partnership Forum in July 2004, the Secretariat held a series of regional CCM workshops in the spring of 2005. These workshops brought together a range of CCM representatives from countries to share each region to share experiences and lessons learned.
While its grant portfolio is still relatively young (at the end of December 2005, the average age of grants was 18 months), Global Fund investments have begun to deliver results, financing a massive scale-up of services for HIV/AIDS, TB and malaria during 2005. By the end of the year, programs financed by the Global Fund had provided 384,000 people with antiretroviral treatment, driving, alongside PEPFAR and other partners, a three-fold increase in access to these treatments across the developing world over the last two years. The majority of people reached (70 percent) were in sub-Saharan Africa, with substantial progress also having been made in East Asia and the Pacific (19 percent) and Latin America and the Caribbean (seven percent). In addition, Global Fund-financed programs reached one million people with effective TB treatment under the DOTS strategy and distributed 7.7 million insecticide-treated bed nets to protect families from malaria. Each of these results represent dramatic increases over the levels supported by the Global Fund at the end of 2004 (see Figure 7).

Global Fund investments have significantly contributed to worldwide increases in the provision of these and other important disease control interventions. As Figure 9 demonstrates, grants within its current portfolio will finance even greater growth of these services over the next four years, playing a major role in efforts to reach global targets such as getting as close to possible universal access for HIV/AIDS prevention, treatment and care by 2010, the Abuja Targets on Malaria, and the Millennium Development Goals (MDGs). These targets include only those grants...
These results represent only a portion of the services delivered by Global Fund-financed programs. Other interventions ranging from indoor residual spraying to treating infections among injecting drug users to treatment of multi-drug-resistant tuberculosis in line with international best practice are being implemented around the world with support from Global Fund monies. While portfolio-wide results for these interventions are not currently available, progress achieved by individual grants can be viewed in the documents on the Global Fund’s website. Ultimately, the success of the Global Fund must be determined by the impact its investments have on the burden (morbidity and mortality) of the three diseases. It is still too early to measure that impact for AIDS and TB, though there is anecdotal evidence that Global Fund financing has already contributed to significant reductions in malaria prevalence and deaths in some areas. In order to effectively measure this impact across its portfolio in future years, the Global Fund is ensuring that grants include impact measurement among the performance indicators they must report on in the second grant phase.

### Accelerating grant performance

These aggregate results were driven by strong performance by individual grants throughout the Global Fund’s portfolio. An analysis of the first 108 Global Fund grants to reach Phase 2 evaluation found that 78 percent showed excellent or adequate performance (rated A or B1). 18 percent showed inadequate performance (B2-rated) but demonstrated potential and four percent showed unacceptable performance (C-rated).

Among these grants, those with civil society PRs displayed stronger performance than those with governmental PRs; TB grants performed more strongly on average than did HIV/AIDS and malaria grants. Grant performance did not vary significantly between regions of the world. In total, these grants have achieved between 61 and 154 percent of various programmatic targets. This includes 86 percent of ARV targets, 104 percent of TB treatment targets under the DOTS strategy and 154 percent of artemisinin-based combination therapy targets for malaria. The only area where these grants fell significantly short of their aggregate target was in the distribution of insecticide-treated bed nets. This shortfall was largely due to implementation delays in one large grant which aimed to distribute two million bed nets in the first grant phase. Based on initial poor performance, the Board developed a set of stringent conditions for the grant to receive Phase 2 funding.

Within four months and before the next malaria season (one of the Board’s conditions), the program was able to deliver all two million bed nets with results verified through site visits conducted by the LIA. If included in the results of the 108 grants evaluated for Phase 2 eligibility, this massive distribution would increase their collective performance from 61 percent to 94 percent of target for bed nets. This significant turnaround is an example of the Global Fund’s performance-based funding model at work, to the benefit in this case of two million families now protected against malaria.

To foster accountability throughout the year, the Global Fund continued to incorporate performance-based funding throughout the grant lifecycle, from ongoing disbursements to the major progress review which is Phase 2. As a result, by the time a grant is reviewed for Phase 2 there is a comprehensive performance record and analysis consisting of:

1. Five initial assessments of the PR;
2. Three to six progress updates with financial and performance data;
3. An independent review of each update with performance recommendation by the LIA;
4. Annual reviews giving the opportunity to the PR to submit contextual information or for joint donor reviews to be included as a primary means of evaluation;
5. A Phase 2 process where the PR and the CCM can submit full additional performance and contextual information reviewed independently by the LIA;
6. A Secretariat review of performance, finance and grant management information submitted to the Secretariat Panel and Board for decision.

In 2005, the Global Fund radically simplified its performance reporting to focus on the number of people reached by services in the short term and on impact on the three diseases in the medium term. At the same time, powerful incentives were built into grants by linking funding decisions to performance. At each stage, performance evaluation of grant-funded activities is country driven. The Global Fund encourages countries to use and strengthen existing monitoring and evaluation systems.
systems. This creates the space for country ownership in implementation and simplifies reporting by avoiding duplicate systems.

Some of the challenges of driving accountability in existing systems are capacity building and data quality. The Global Fund recommends that five to ten percent of grant funding be used to strengthen health monitoring and evaluation systems to ensure that grants can manage and report their performance and respond to underperformance. In 2006, additional strengthening measures are planned in collaboration with Health Metrics Network, WHO, Measure and other partners.

The Global Fund has adopted a four-tiered framework to measure its own performance. This framework has four levels, building from operational and grant performance.

1. **Operational Performance** Measures the core functions of the Global Fund and its Secretariat, including resource mobilization, grant management, proposal and grant signing, disbursements and Secretariat costs.

2. **Grant Performance** Measures the performance of grant-funded programs based on indicators agreed with technical partners, already used in countries and published in the Monitoring and Evaluation Toolkit.

3. **System Effects** Measures the impacts (positive and negative) that the Global Fund has on the existing health and development systems through which it works, in particular at the national level. Measurement guidelines were published in 2005.

4. **Impact** Measures the impact in the fight to turn the tide of the three diseases.

### Collective efficiency: harmonization of monitoring & evaluation

**In order to see high-level performance achieved by grant-funded programs, the Global Fund** must mobilize a wide range of partners to be available for support as needed at all levels – from grant proposal-writing through implementation to reporting – and to harmonize its monitoring and reporting requirements with existing systems. This supports the collective efficiency needed to make an impact on the three diseases and on adult and child mortality in general.

In simplifying its reporting requirements in 2005, the Global Fund supported open monitoring and evaluation systems, enabling grant recipients to use overall national results for a variety of country and donor reporting needs, including reports to the Global Fund. This was a major step forward in supporting the “Three Ones” for HIV/AIDS and extending it to include TB and malaria. Three particularly important developments in the area of monitoring, evaluation and reporting included:

- **Harmonized reporting** Joint partner agreement on common indicators to measure both coverage and impact for HIV/AIDS, TB and malaria was reached and made available through a new edition of the Monitoring and Evaluation Toolkit, co-produced with eight bilateral and multilateral partners. The Global Fund does not have its own required set of indicators but uses a subset of those agreed on and used by recipient countries and partners to show the number of people reached by services and to measure impact.

- **International data-sharing** Regular meetings were initiated among partners (including PEPFAR, WHO, UNAIDS, DFID, World Bank and the Global Business Coalition) to share data and improve the consistency and coordination of international data.

- **Joint monitoring and evaluation support** A Joint Facility for M&E support to countries was launched. The Joint Facility matches country requests for technical support with partner capacity and availability in order to strengthen overall monitoring and evaluation systems.

**The Global Fund values and actively encourages independent assessments of its work and studies of its programs or activities, using them to enhance its operations. The following evaluations were conducted and can be downloaded from the Global Fund’s website:** www.theglobalfund.org.

**Civil Society Participation in Global Fund Governance: Recommendations and Actionable Items**

**The Global Fund to Fight AIDS, TB and Malaria Is Responding to Challenges but Needs Better Information and Documentation for Performance-Based Funding**

**Global Task Team on Improving AIDS Coordination Among Multilateral Institutions and International Donors**

**Added Value of Global Partnerships and Global Funds to Development Cooperation**

**Comparative Advantage Study**

**The principles of the Three Ones, established by UNAIDS, are: one national plan to fight HIV/AIDS, one national coordinating body and one national monitoring and evaluation system.**
A number of challenges can come to the surface in a performance-based funding system, given that programs are often being implemented in environments that have a poor health infrastructure. Encouragingly, results show that despite often struggling with weak health systems, the lowest-income countries and sub-Saharan Africa as a whole did not fare worse than others in the Global Fund’s performance-based funding system.

There was no greater percentage of underperforming grants in sub-Saharan Africa than in other regions. This is because a crucial principle of performance-based funding at the Global Fund is that it is rooted in country-owned targets, enabling performance to be measured in the context of that country’s conditions, rather than as absolute performance.

However, sub-Saharan Africa did have a lower percentage of over-performing or A-rated grants, which affected the speed of program scale-up. Technical support needs to be focused not just on chronic poorly-performing programs. Currently, the greatest potential to scale up results in sub-Saharan Africa lies in turning adequate programs into excellent performers, rather than focusing solely on turning poor performers into adequate ones. This may be an important blind spot in international technical support strategies which may often focus only on the poorest performers.

In addition, the Global Fund needs to improve opportunities for civil society to implement programs. Civil society-implemented programs showed the best performance of any category of grant recipients. While public sector programs are often larger and more complex, which makes simple comparisons difficult, it remains the case that effective civil society programs are not always integrated into national disease control strategies.

Finally, the strong performance of TB programs as compared to AIDS and malaria programs suggests that much can be learned by sharing best practices among ministries, agencies and organizations fighting the three diseases. The complete package of coordinated support provided by the global Stop TB Partnership, which spans management, procurement and technical issues may hold important lessons for other sectors.

The Global Fund is one of the main financiers in the fight against AIDS, TB and malaria and has a critical role to play in funding the ambitious scale-up necessary to meet the MDGs and universal access to ARV therapy. Projected targets for the current portfolio of grants through 2009 are but the first step. The Global Fund has adequate funds pledged for existing grants but requires a greatly increased and sustainable resource base to fund new programs. This is a challenge for everyone. Mobilizing resources and commitment from new and existing donors, technical partners and implementers from both public sector and civil society will enable the Global Fund to dramatically expand support for country-driven initiatives against the three diseases, in accordance with its mandate.

In terms of performance, 2005 showed clear evidence that international financing, delivered in focused and innovative ways, can lead to rapid scale-up and has the potential to help the world reach its ambitious targets for turning the tide against the three diseases.

The Global Fund made a lot of difference for PLWHAs who are now able talk openly about their status, thus helping to reduce stigma and discrimination. Most encouraging is that the PLWHAs are now coming forward to access treatment.

Mrs. K. Damayanthi
Head of Andra Pradesh State AIDS Control Society, India

With Global Fund support, Ulziisaikhan Bordun’s café in Ulaanbaatar provides lunch every day for poor TB patients before they take their pills.
Secretariat Management

Strengthening the Global Fund’s small Secretariat to meet the demands of its growing grant portfolio was identified at the outset of 2005 as one of the key priorities for the year. Accordingly, the Secretariat was bolstered with the addition of 92 new staff members over the course of 2005, recruited in line with a policy that seeks to maintain a diverse workforce reflecting the global nature of the organization’s work. Over 20 percent of Global Fund staff are from Africa, 14 percent from Asia and the Middle East and 11 percent from Eastern Europe and Latin America, representing small increases from the start of the year. In all, Global Fund staff represent almost 60 countries. The number of staff members living with HIV also grew during 2005. While women continued to make up the majority of staff (58 percent), the number of women in senior management did not improve significantly.

A particularly significant recruitment was that of the first Deputy Executive Director of the Global Fund, Helen Evans. In addition to leading the overall organizational development of the Secretariat, Ms Evans temporarily took on the role of Interim Chief of Operations on December 1 following the departure of Brad Herbert, who had served the organization since shortly after its launch.

The Global Fund took a number of important steps in 2005 to ensure that the Secretariat operates within structures that enable it to most effectively and efficiently carry out its work. Following the signing of a headquarters agreement in December 2004, which granted the Global Fund privileges and immunities in Switzerland similar to those of international organizations, the Global Fund secured new office space at the Blandonnet International Business Centre, which paved the way for the Global Fund to move into new premises by mid-2005. This move has greatly improved internal communication as all staff are now together again in one space, something which had not been possible in the previous building.

Work also continued on exploring options to potentially move the Global Fund Secretariat beyond the current administrative arrangement with WHO, which has provided administrative support to the Global Fund since its inception in 2002. Independent consultants will be engaged in early 2006 to work with Secretariat staff to exam-
### FIGURE 12
SECRETARIAT EXPENDITURES AS A PERCENTAGE OF TOTAL EXPENDITURES

<table>
<thead>
<tr>
<th></th>
<th>USD Millions</th>
<th>% of Total Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GRANTS</strong></td>
<td>1,509.3</td>
<td>96.1%</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(excluding donated services)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secretariat expenses</td>
<td>38.9</td>
<td>2.5%</td>
</tr>
<tr>
<td>LFA fees</td>
<td>19.2</td>
<td>1.2%</td>
</tr>
<tr>
<td>Board &amp; TRP expenses</td>
<td>3.9</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
<td>1,571.3</td>
<td>100.0%</td>
</tr>
<tr>
<td>(excluding donated services)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donated services</td>
<td>11.8</td>
<td></td>
</tr>
<tr>
<td>Total expenditure</td>
<td>1,583.1</td>
<td></td>
</tr>
<tr>
<td>per the audited financial statements</td>
<td></td>
<td></td>
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</tbody>
</table>

### FIGURE 13
ANNUAL OPERATING EXPENSES

- Operating Expenses
  - As % of disbursements
  - As % of total expenditure
  - As % of grants under management

#### Table Notes:
1. Operating expenses comprise Secretariat expenses plus fees of Local Fund Agents in the year.
2. Allocation of funds is based on final Phase 2 investments per the audited financial statements.
3. Excluding donated services.

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The Global Fund also established an Office of the Inspector General (OIG) with the pro bono assistance of the international law firm DLA Piper Rudnick Gray Cary - to focus on the prevention, detection and resolution of fraud and abuse by recipients of Global Fund grants and on the effectiveness of the Global Fund’s internal management processes. Ibrahim Zeekeh, recruited from the International Atomic Energy Agency in Vienna, took up the post in December 2005.

In July 2005, allegations regarding the internal operation of the Secretariat were brought to the Executive Director, Chair and Vice-Chair of the Board. In keeping with the Global Fund’s commitment to transparency, the Chair, Vice-Chair and Executive Director requested WHO’s Office of Internal Oversight Services (IOS) to conduct a full audit of these issues. The final IOS Report was presented to the Board alongside the Secretariat Management’s Response and action plan for addressing the identified issues at its Twelfth Meeting in December 2005. The Board concluded that while there was no evidence of fraud, misuse of funds or violations of the organization’s Conflict of Interest policies, there were instances where established rules and procedures had not been followed. In response to these findings, the Board approved the actions proposed by the Secretariat, which included the strengthening of management oversight systems, clarification of policies and enhanced training of staff. It established an ad hoc Oversight Committee to guide the implementation of these measures.

Overall, the Secretariat continued to operate with an exceptional level of efficiency in 2005 as total operating expenses made up just 3.9 percent of the value of the Global Fund’s total expenditures. Moreover, the investment income generated by the Global Fund’s resources (USD 59 million) covered nearly all operating costs over the year (USD 62 million).
Eritrea

While there is still no end in sight for its border dispute with Ethiopia, Eritrea is waging another major battle, this one against AIDS. Vulnerable groups such as its 250,000-strong army are now being targeted with aggressive prevention and treatment interventions.

Tedros Ghebrezgiabher, 25 years old, has been waiting to learn his HIV status for a few minutes when the nurse, Nigisti Aregay, enters the room with the result. An average of 20 people are counseled and tested for AIDS every day at the Health Information Center in Keren, 100 km from Asmara, the capital city of Eritrea.

“The busiest time for voluntary counseling and testing (VCT) in Eritrea is in the months preceding January when most weddings take place, after the harvests,” explains Nigisti. “HIV testing is compulsory in Eritrea for those who are preparing to get married.”

Tedros, who was first tested when he was in the army two years ago, is not getting married but has decided to undergo VCT in the course of a general health check-up for his own peace of mind. He gets what he came for: he is HIV-negative.

Setting up free VCT centers in six regions of the country and scaling up existing counseling and testing activities is part of the aggressive AIDS control strategy being put in place in Eritrea with a grant from the Global Fund. More than 100,000 people were tested in 2004 and 2005 in 50 freestanding and facility-based VCT sites supported with funding from this grant.

AIDS prevention efforts are critical in Eritrea. It is estimated that around three percent of the population of 1.5 million people is HIV-positive (about 100,000 people). This rate is on the rise and could face a major increase when the lingering border dispute with Ethiopia comes to an end. “A lot of young people are in the army now,” explains Dr. Aria Berhan, Director of HIV/AIDS treatment in the National AIDS and Tuberculosis Care Division of the Ministry of Health. “Once demobilization starts, they will go all over the country, to every village. This is why our plan includes … counseling and testing centers for the military.”

Apart from the 250,000-strong army (which had a 4.6 percent HIV prevalence rate in 2001), Eritrea’s HIV prevention activities target other vulnerable groups such as commercial sex workers. In addition, 22 peer support groups with 20 people each have been set up in Asmara to perform home-based care and support for other persons living with HIV. They meet on a weekly basis to help and train each other on prevention methods such as male and female condom use. Their video and training equipment was procured through the Ministry of Labour and Human Welfare with Global Fund support. Two thousand truck drivers have also taken part in weekly training sessions on the prevention of HIV, malaria and tuberculosis provided by the National Confederation of Eritrean Workers.

In other parts of the country, BIDRO, the national association of people living with HIV and a Global Fund sub-recipient, plays a major role in supporting vulnerable groups and training them in new income-generating activities such as weaving and chicken farming. Twenty former commercial sex workers in Mandafrica have started a weaving business after a one-year training program and in Tsaeda Christian, a village outside Asmara, fifteen people living with HIV now raise 2,000 chickens and sell 8,400 eggs every week.

On the treatment side, the Global Fund grant helps in procuring drugs for opportunistic infections and antiretroviral therapy, as well as buying laboratory equipment. By the end of 2005, two thousand people in Eritrea living with HIV were receiving ARVs with Global Fund support. With its newly approved Round 5 program, Eritrea aims to scale up treatment efforts so as to be able to provide treatment to every citizen who needs it.
COUNTRY PROFILE

Jamaica

The Caribbean nations are best known for their sugar-white beaches, majestic cascading waterfalls, tropical flora and breathtakingly beautiful mountain peaks. However, the region also has a rate of HIV infection second only to sub-Saharan Africa.

Although HIV/AIDS is a growing problem in the Caribbean, Jamaica has so far avoided a widespread epidemic. With a population of approximately 2.6 million, about 20,000 to 22,000 inhabitants are living with HIV/AIDS, giving it a prevalence of 1.2 percent, a figure which is not nearly as high as that of neighbors Haiti and the Dominican Republic.

As in most other Caribbean countries, HIV/AIDS in Jamaica has spread to the general population, fuelled by commercial sex workers. Thirty-five percent of all reported HIV/AIDS cases in Jamaica are found in those aged from 30 to 39 years of age and twenty percent of all cases are in those aged 20 to 29.

In 2003, the government of Jamaica successfully applied for Global Fund support to scale up existing efforts in the fight against the pandemic and to expand the national response to HIV/AIDS in the country. With the support of the Global Fund and other partners, the country has been able to launch more effective treatment efforts and has expanded its prevention programs. The Global Fund grant, worth more than US$ 23 million over five years, targets specific communities such as youth, commercial sex workers and men who have sex with men, all of this underpinned by a drive to establish a national HIV/AIDS policy that reduces stigma and discrimination throughout society.

Jamaica recognizes the crucial role that access to antiretroviral therapy also plays in effective HIV prevention. Only when treatment and prevention efforts are integrated can the stigma of HIV infection be lessened and people be persuaded to come forward for testing. The Principal Recipient of the grant, the Jamaican Ministry of Health, uses a significant portion of the grant to provide antiretroviral treatment to people living with HIV. Up until now, close to 1,600 adults and children with advanced HIV have received antiretroviral therapy and this number continues to grow.

In order to provide these important services to people living with HIV, Jamaica has now opened sixty treatment centers with the help of Global Fund resources. Besides offering sex education and counseling to urban residents, sex workers and nightclub dancers, the centers also give targeted, multi-disciplinary education and treatment training programs for health care providers.

The country is working hard to expand its voluntary counseling and prevention program. More and more people are encouraged to undergo HIV tests, and a large number of condoms and lubricants are being distributed to vulnerable populations.

Grant money is also financing a mass media campaign in print and audiovisual media to promote abstinence or delaying the initiation of sexual activity, to increase condom use and to promote voluntary counseling and testing. To improve knowledge among Jamaican youth about reproductive health practices and the risks of sexually transmitted infections (STIs) in particular, the country established a hotline for youth, where trained counselors answer telephone calls and give information and advice related to relations, sex and STIs. Upon request, the hotline also provides referrals to youth-oriented organizations for services ranging from face-to-face counseling to voluntary counseling and testing. Jamaica is battling to stem the growth of its AIDS epidemic. The resources provided by the Global Fund assist in this fight and provide hope that Jamaica can halt and reverse the epidemic, given time and support.
**Country Profile**

**Madagascar**

The small island nation of Madagascar is an excellent example of government and civil society working together effectively to implement public health strategies.

At the time that its first grants were approved in Rounds 1 and 2, Madagascar was undergoing a period of political instability and it was decided to award the responsibility of being Principal Recipient (PR) to international nongovernmental organizations (NGOs), a decision later endorsed by the government.

Madagascar has a total of eight grants from the Global Fund: three for HIV/AIDS, four for malaria and one for tuberculosis, with a total commitment of US$ 50 million over two years.

The eight grants are managed by four Principal Recipients: CRESAN, a project team within the government’s health ministry; CNEs Madagascar’s national AIDS control council; and two international NGOs: Population Services International (PSI) and Catholic Relief Services. With the exception of PSI, which directly implements grant activities, these PRs focus on managing their grants and carry out implementation through a number of sub-recipients.

All of the PRs, both governmental and nongovernmental, work closely together, coordinating efforts based in the same national strategy and using complementary approaches. As an example, Madagascar recently changed its national malaria treatment policy from chloroquine to artemisinin-based combination therapy (ACT). CRESAN is rolling out ACT through its national health centers, where it provides training to staff in using the new drug. While this policy is gradually being implemented, PSI carries out the community-based distribution of chloroquine in areas where ACTs are not yet in use and where chloroquine is still effective. Activities across the malaria programs include both prevention and treatment components. Prevention efforts focus mainly on the distribution and use of insecticide-treated bed nets (1.8 million have been distributed as of the end of 2005, far exceeding original targets). Other elements of the malaria strategy include building the capacity of community health workers; creating a surveillance system to detect malaria epidemics; and establishing a system to monitor resistance to malaria drugs.

The HIV/AIDS grants also demonstrate a unique level of partnership between government and nongovernmental partners. While HIV prevalence is currently relatively low (1.7 percent, according to WHO’s 2004 update), a very high rate of sexually transmitted infections places the country at risk of a rapidly expanding HIV/AIDS epidemic.

Madagascar’s initial HIV/AIDS grants were focused on prevention efforts, including community sensitization, life skills education, condom distribution through social marketing, the prevention and treatment of sexually transmitted infections and the expansion of voluntary counseling and testing. This led to the development of an innovative program in later grants whereby the private sector provides de facto infrastructure for implementing the national strategy targeting youth aged 15 to 24.

Under this program, a franchise system of private health clinics has been established with the brand name “Top Réseau”: adolescent-friendly clinics providing high-quality information and treatment and care of sexually transmitted infections. By joining the network and agreeing to the standards of care and youth-friendly services (rigorously enforced through supervision and inspections), these private clinics benefit from free training and peer education. Some ten percent of all private physicians are now affiliated with Top Réseau. By working through the existing private sector rather than creating a new government system, Madagascar has been able to quickly and effectively implement a national infrastructure of clinics providing consistent, high-quality and nonjudgmental education, treatment and care.

In addition to working with the private sector, the HIV/AIDS grant-funded programs have also enlisted the aid of local NGOs. Catholic Relief Services, PR for one of the Round 2 grants, works through a number of sub-recipients in the form of local organizations, thereby ensuring a broad national reach, most notably in the area of HIV/AIDS education.

Madagascar’s innovative programs are beginning to attract international attention as well. American actress Ashley Judd visited some of the country’s HIV/AIDS activities, and her visit to Global Fund-supported programs was documented in the film *Tracking the Monster*, which was shown on U.S. television in the summer and fall of 2005.

A US$ 9 million grant for tuberculosis was approved in Round 4 and will be utilized to improve detection rates, expand treatment and provide training to health workers on a national basis.
While many people live the traditional, nomadic life of herders, growing numbers live in the capital. Nearly one million of Mongolia’s 2.8 million people are registered residents of the city of Ulaanbaatar. However, unofficial figures put this number as high as 1.3 million, due to the increasing number of people migrating from the provinces to look for work, many of whom live in ger (white felt tents) on the outskirts of the city.

The country’s most serious public health issues due to infectious diseases can also be described in terms of extremes. TB is Mongolia’s most serious infectious disease problem right now. By contrast, HIV is currently among the smallest public health issues in terms of incidence but enormous in terms of potential. The sixteenth case of HIV was confirmed in December 2005, but while the first five had been diagnosed over the previous twelve years, the last 11 cases were all diagnosed in 2005. The risk factors are all there, with many of them as serious for TB as they are for HIV.

One million migrant workers cross Mongolia’s borders every year, and the country’s two next-door neighbors, China and the Russian Federation, have serious and growing HIV epidemics as well as the world’s second- and twelfth-highest TB burdens, respectively. In addition, Mongolia has high rates of other sexually transmitted diseases: the health infrastructure in rural areas is poor; knowledge of the methods of HIV transmission is low; and poverty levels are high. Finally, much of the population is mobile, traveling to Ulaanbaatar or other countries for jobs or trade, going to mining sites for seasonal work or moving with their herds.

During the trading season, long queues at the Russian border indicate that traders are on their way to Irkutsk, a city with one of the Russian Federation’s highest rates of HIV infection. Educators go down the lines educating the mobile traders on HIV transmission and distributing condoms. HIV prevention education also takes place in the hotels near border crossings in order to catch as many traders as possible before they go. The Round 2 Global Fund grant that supports these activities is being implemented by the National AIDS Foundation and National Center for Communicable Diseases, with efforts focused on intensive prevention activities, including blood safety, condom distribution, education and awareness-raising among vulnerable groups and strengthening services for sexually transmitted infections. A Round 5 HIV grant agreement will be signed in mid-2006.

The National Center for Communicable Diseases and the Mongolian Anti-TB Association are working with Global Fund support to increase TB case detection and treatment under the DOTS strategy in all 21 provinces and all nine districts of the capital, with a particular focus on the poor and increasing the quality of treatment in rural areas.

In Mongolia, half of TB patients are unemployed and 70 percent are poor, which means that even when receiving treatment, most are not getting adequate nutrition. In addition to funding treatment, the Global Fund’s Round 1 TB grant is providing lunch programs in cafés for poor TB patients in every district of Ulaanbaatar and a number of towns in the provinces. Once they have completed the intensive phase of treatment in hospital, patients visit privately-owned cafés where they are provided with lunch during the subsequent phase of treatment. This is very popular with the patients, some of whom gain much-needed weight due to the nutritious lunches.

The cafés also serve as central locations for treatment under DOTS, as health volunteers go to the cafés each day to dispense and observe treatment after lunch, to weigh patients periodically and to record any side-effects or other ill health and refer patients to a doctor when necessary. As a result of the program, the percentage of TB patients in the lunch programs that complete treatment is extremely high. In addition, café owners say they have learned a great deal about TB by being involved in the program, and some of them now provide leaflets to educate their other customers about the disease. The Global Fund also supports a daily lunch and treatment program for TB patients at Ulaanbaatar’s Charity Hospital.

In addition, Global Fund grant funding has paid for extensive renovations and equipment in TB wards and labs at the Charity Hospital and in the TB section of the country’s main prison hospital. The Charity Hospital did not previously have a TB ward, and the prison hospital was run down and poorly equipped. The reference laboratory at the national Center for Communicable Diseases was renovated and equipped, and a specially ventilated ward for multidrug-resistant TB was added. Finally, education campaigns about TB are carried out among vulnerable populations in order to educate them about TB symptoms, diagnosis and treatment.
**Country Profile**

**Niger**

The African nation of Niger leapt into international headlines in 2005 when famine engulfed the country.

Swarms of locusts and sustained drought combined to devastate the livestock and crops which serve as the livelihood for Niger’s largely rural population, leaving millions in desperate need of food. Sadly, this situation is not unique; as the least-developed country in the world, Niger is no stranger to hunger and poverty. A range of infectious diseases fuel the cycle of poverty that entraps many households by killing or debilitating breadwinners and forcing families to spend whatever money they have on healthcare.

As the international community mounted efforts to mitigate the immediate food crisis, plans moved forward to tackle one such disease – malaria. More than 90 percent of Niger’s population is at risk of the mosquito-borne disease and hundreds of thousands contract the illness each year. Young children are the hardest hit: malaria is responsible for half of all deaths in children under the age of five.

Controlling malaria in Niger is a formidable task. The dispersed nature of the population makes it difficult to deliver medications and other essential interventions through central health facilities. Increasingly, the deadly malaria parasite has developed resistance to chloroquine, the cheap and effective treatment which was the staple of malaria control for decades. And the floodplains of the winding river from which the country earns its name serve as prime breeding grounds for disease-carrying mosquitoes.

It was with these challenges in mind that Niger, with support from partners such as the World Health Organization, applied for financial support from the Global Fund for innovative approaches to reduce the burden of malaria. The first malaria grant, approved by the Global Fund’s Board in 2003, provides funding for the purchase and distribution of the most effective malaria medications, artemisinin combination therapies (ACTs), which not only rapidly cure the disease but also prevent the development of resistance by attacking the parasite with multiple agents. With the availability of Global Fund finance, Niger, like many other African nations, was able to shift to this treatment, which is 10 to 15 times more expensive than chloroquine. When the famine hit, this grant also provided funding for the emergency distribution of 50,000 long-lasting insecticide-treated bed nets – a new technology which retains the nets’ insect-repellent qualities for years without maintenance – to protect malnourished people coming to feeding centers. The recipients of this grant plan to distribute a further 200,000 nets by the end of 2006.

The most significant progress, however, has been achieved through the second malaria grant. Building on similar programs in Zambia and Togo, the Red Cross worked with other partners in Niger to secure Global Fund funding for a massive distribution of long-lasting nets in tandem with regular vaccinations for polio. Throughout Africa, vaccination campaigns have developed an extensive infrastructure which enables them to reach the great majority of targeted women and young children. As these are the same groups most at risk of malaria, health experts have recently begun to link the disease efforts by distributing a bed net or voucher to every caretaker that brings a young child to the vaccination stations.

Launched in late December 2005, the Niger bed net distribution campaign was the most ambitious in Africa to date, seeking to reach 3.5 million children with long-lasting nets. The campaign was funded not only through the Global Fund (US$ 10 million), but also the Canadian International Development Association (US$ 1.7 million) through the Canadian, American and Norwegian Red Cross Societies. The results were dramatic. In just a few days, the Niger Ministry of Health, working with local partners, distributed nets to more than 2 million families, reaching, according to an initial study led by the U.S. Centers for Diseases Control and Prevention, 70 percent of households with young children. A follow-up distribution of an additional 265,000 nets will take place in March 2006 in areas of the country not covered by the first effort. The Red Cross plans to send thousands of volunteers to educate families around the country about the use of the nets before the malaria season begins the following June.

While it is still too early to determine the impact of this campaign on the burden of malaria, the partners hope that the extensive coverage of nets will save tens of thousands of lives in the first year alone and eventually lead to a significant decrease in the prevalence of the disease in Niger. The Center for Medical Research and other partners will continue to watch and study the outcomes of the campaign, gathering information which can be used to guide similar efforts in other countries. Plans are already in place for the Global Fund to support three more such campaigns in 2006: Angola in June, Kenya and Rwanda in August.

In addition to malaria, Niger has received a US$ 8 million grant from the Global Fund to significantly increase HIV/AIDS prevention and treatment to maintain and eventually reverse its current low prevalence of the disease (1.2 percent). Implementation of this grant encountered a number of initial obstacles, but a concerted problem-solving effort by local NGOs and technical partners through the Global Implementation Support Team helped the country overcome some of those challenges and, as a result, 630 people living with AIDS are now receiving antiretroviral treatment, exceeding the program’s initial target.

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COUNTRY PROFILE

Ukraine

Ukraine, a country creating its own form of democracy as it emerges from its communist past, has also to confront a serious internal threat in the form of the spread of HIV/AIDS.

While the epidemic is thus far concentrated within most-at-risk groups, primarily injecting drug users (IDUs), it is on the verge of breaking out into the general population. Prevention and education are therefore becoming an important part of the national health agenda, thanks largely to vigorous advocacy efforts by networks of nongovernmental organizations representing or working most closely with people living with or affected by the disease.

Ukraine was awarded a US$ 91 million grant for HIV/AIDS in Round 1. However, it soon became clear that the program was exceeding all expectations, the grant was re-engineered so that eventually up to 6,000 people will be able to receive treatment through this program – well on the way towards universal access in Ukraine. And for the first time the program is able to make post-exposure prophylaxis and services for the prevention of mother-to-child transmission freely available to everyone. Other programs include training results as peer educators, providing home-based care and establishing regional clinics.

One of the interesting aspects of this grant is that while the Ukrainian government is very much involved, as are its bilateral and multilateral partners such as WHO, UNAIDS and USAID, it is civil society – particularly the networks of people living with the disease – which has been largely responsible for bringing the AIDS epidemic into the national spotlight.

The involvement of the Global Fund in Ukraine has paralleled the incredibly rapid growth of the network of people living with HIV. Three years ago almost no one was talking about HIV/AIDS. Now there are more than 300 people actively involved in various organizations of people living with HIV, and representatives meet with the Ukrainian president in efforts to keep the issue on the forefront of the political agenda. The Ukrainian network is one of the strongest single networks in the world and serves as a focal point for the entire Eastern European region. The Ukrainian network is also carrying on advocacy efforts on an international level as members of two Global Fund Board delegations: the Communities delegation and the Eastern European delegation.

In a population where the point of entry of the epidemic is drug users, it is impossible to combat the disease without also addressing the issue of drug substitution therapy. Global Fund-supported substitution therapy programs are now delivering both antiretroviral treatment adherence services and essential HIV prevention services to this most-at-risk group. The drug user population will not be fully reached with currently available Global Fund grant amounts, but it represents an important basis upon which others can build.

Tuberculosis is also a major – and growing – threat in Ukraine, including the emergence of multi-drug resistant strains of the disease, particularly among prison populations.

There are still many challenges to be faced in Ukraine, particularly in an environment where the focus is now on moving from implementation to long-term sustainability in a political environment that is often characterized by short-term planning. But ongoing efforts of civil society and the continued support of the government will ensure that HIV/AIDS remains on the forefront of the national agenda.

The Global Fund’s involvement in Ukraine has served as a catalyst for rapid change, bringing hope to hundreds of thousands of people affected by these diseases. As Ukraine continues to take its destiny into its own hands, this level of cooperation between government and civil society can only strengthen its ability to respond to challenges both internal and external.
**Viet Nam**

A commercial sex worker in Hanoi, Nhi had no means to seek treatment for her HIV-positive baby and left him on the steps of a center caring for injecting drug users, commercial sex workers and children living with HIV in Ha Tay province. Months later, Nhi returned to the center hoping to see her son but expecting to be arrested or turned away.

Instead she was welcomed into the Social Labor Center, and she now works as one of a number of volunteer surrogate mothers, caring for her child and two other HIV-positive children who were abandoned there.

Nhi’s story is an example of innovative strategies through which the government of Viet Nam is seeking to provide care and support to groups vulnerable to HIV. With a population of more than 82 million, Viet Nam faces a rapidly-expanding epidemic, despite a prevalence rate which is still relatively low as a percentage of the population (.04 percent). While in 2001 the number of reported cases was approximately 43,000 by the beginning of 2004, an estimated 220,000 Viet Name people were living with HIV/AIDS.

The government of Viet Nam has shown a strong commitment to the prevention and control of HIV since 1996, when the Ministry of Health adopted an initial strategy to combat the epidemic. In 2004, the Prime Minister of Viet Nam approved the National Strategy on HIV/AIDS through 2010, endorsing a comprehensive approach to prevention, treatment and care that includes services for the most vulnerable.

Viet Nam’s Round 1 Global Fund grant, worth US$ 12 million over a four-year lifespan, is funding programs in 20 provinces to advance treatment, care, counseling and support services for people living with HIV, to develop a model for managing care for pregnant women living with HIV and prevent mother-to-child transmission of HIV and to establish a community-based network for people living with HIV. The Viet Nam Administration of HIV/AIDS Control (VAAC), which lies within the Ministry of Health, played an essential role in implementing grant-funded programs, which then demonstrated rapid progress. Programs also benefited from significant collaboration between the Global Fund and its partners working in Viet Nam, primarily PEPFAR and WHO. Despite procurement delays of more than a year which resulted in little progress towards the goal of scaling up antiretroviral therapy in the grant’s first phase, obstacles which had hampered this process were able to be resolved. By the end of 2005, the initial order of ARVs procured with Global Fund resources had arrived in Hanoi, and VAAC expected to accelerate treatment scale-up in the second phase of the grant beginning in 2006. Collaboration with PEPFAR also helped to compensate for delays, as some recipients were able to begin ARV therapy with drugs purchased by PEPFAR while Global Fund resources were used to provide treatment for opportunistic infections.

Over the first two years since programs began to receive support from the Global Fund, more than 20,000 people have received voluntary counseling and testing services, and grant implementers have set the ambitious target of 140,000 people counseled and tested by the end of the grant’s second phase (January 31, 2008). This grant target builds on extensive efforts to train more than 10,000 health workers, trainers and counselors in all areas of service during the grant’s first phase.

In addition to the provision of services, grant-funded programs aim to establish a non-discriminatory environment for people living with HIV, with a particular focus on vulnerable groups such as women and children, the young, the poor, commercial sex workers and injecting drug users (IDUs).

Although the HIV prevalence of the general population is low for the time being, 30 percent of IDUs in Viet Nam are living with HIV, and in some urban centers where the epidemic is most concentrated this prevalence rate soars to 60 percent. The need to address stigma and discrimination associated with HIV is a core grant activity: with this aim in mind, the Social Labor Center where Nhi works as a surrogate mother will open an elementary school integrating the HIV-positive children living at the center with others in the community in order to diminish discrimination on the basis of HIV status.

Community- and home-based care, support and counseling programs represent another pillar of Viet Nam’s grant-supported activities. In Thai Nguyen province, the HIV Club for the Bright Future is a model of successful peer-to-peer outreach, which forms an important component of Viet Nam’s strategy to prevent and control HIV/AIDS. All of the club’s counselors are people living with HIV and they work to educate, counsel and combat stigma within their communities. They also provide social support to HIV-positive members and their families, as well as simple first-line health care and drugs to fight opportunistic infections.

The strong performance of Viet Nam’s programs to prevent and control HIV/AIDS is complemented by a Round 1 grant to combat TB, which was used to develop and implement a joint HIV/TB strategy. Programs targeting TB are now incorporating a strong emphasis on training, with more than 200 community health workers trained to counsel clients on HIV/TB prevention, testing and treatment. Viet Nam’s much-younger grant to combat malaria, only begun in January 2005, has also shown strong performance against targets in its first year of program implementation.

**COUNTRY PROFILE**

**DISEASE**

<table>
<thead>
<tr>
<th>Disease</th>
<th>Dollar Amount</th>
<th>Dollar Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIV/AIDS</td>
<td>US$ 12,000,000</td>
<td>US$ 22,787,909</td>
</tr>
<tr>
<td>Malaria</td>
<td>US$ 12,000,000</td>
<td>US$ 10,000,000</td>
</tr>
<tr>
<td>Tuberculosis</td>
<td>US$ 12,000,000</td>
<td>US$ 10,000,000</td>
</tr>
</tbody>
</table>

The amounts shown are the five-year budget amounts.

**Number of PLWHAs receiving community-based care and support**

<table>
<thead>
<tr>
<th>Percentage of Target</th>
<th>Number of PLWHAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>101%</td>
<td></td>
</tr>
</tbody>
</table>

**Number of people completing counseling and testing processes**

<table>
<thead>
<tr>
<th>Percentage of Target</th>
<th>Number of PLWHAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>106%</td>
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</table>

**Number of pregnant women receiving counseling and testing services**

<table>
<thead>
<tr>
<th>Percentage of Target</th>
<th>Number of PLWHAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>178%</td>
<td></td>
</tr>
</tbody>
</table>

**Number of service deliverers trained including health workers, trainers, counselors in care and support for PLWHAs, VCT, PMTCT & Universal precautions**

<table>
<thead>
<tr>
<th>Percentage of Target</th>
<th>Number of PLWHAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>199%</td>
<td></td>
</tr>
</tbody>
</table>
COUNTRY PROFILE

Yemen

Due to a serious recession in the 1990s following the first Gulf War and the forced return of close to one million workers from Saudi Arabia, all malaria vector-control activities had been discontinued in Yemen, leading to a substantial increase in malaria cases. With a US$ 12 million grant from the Global Fund, Yemen now fights back.

IT IS BEDTIME IN AL-GABIAH, a small, remote Yemeni village in the district of Bakil Al-maiz, close to the border with Saudi Arabia. Now that Ali Hadi Mekan, his wife Aida and their three children are sleeping under insecticide-treated mosquito nets, they can expect a restful night. Unlike previous malaria seasons, this time around they have yet to get malaria and the chances of getting through the whole rainy season without any attacks are good. This is quite a change for someone who lives in the lowlands of the Tihama region, where two-thirds of Yemen’s estimated 1.5 to 3 million clinical cases are diagnosed every year.

So far, 150,000 Yemeni families have been protected from malaria after having received insecticide-treated bed nets procured with the Global Fund malaria grant. After some initial procurement delays, bed net distribution throughout Yemen is now set to reach 1.2 million nets by the end of 2008 with the aim of covering 60 percent of pregnant women and children under five.

Al-Gabiah is part of a large number of scattered mountain villages which are cut off from the rest of the country during the rainy season, making insecticide-treated nets the simplest and cheapest way to fight malaria. In other parts of Tihama, where transportation is easier, the Global Fund grant supports residual house spraying, which also protects families from mosquitoes. Twice a year in the Wadi Mour area (one of three areas targeted with this program) teams of sprayers wearing masks and dressed in protective gear treat every inhabited but throughout the area of 160 villages.

The large-scale-up of bed net distribution in Yemen and the residual house spraying activities depend largely on female volunteers for their successful implementation. These women, trained with Global Fund support, visit households to brief families in malaria prevention through the use of bed nets and the spraying of houses with insecticide.

In three years, thanks to such combined efforts, the number of malaria cases in Tihama has been reduced by 75 percent. Besides supporting prevention activities, the largest part of the malaria grant, worth US$ 11.9 million over five years, is used to strengthen the infrastructure of the National Malaria Control Program (NMCP) in order to ensure its sustainability. This is being achieved through the construction of a regional center in Hodeida (the capital of Tihama) and the new national headquarters of the NMCP in the capital city, Sana’a. The NMCP center, which is also meant to help support programs in the surrounding countries on the Arabian Peninsula and Africa, will be staffed with national specialists and technicians in specialties such as laboratory diagnosis, vector control, entomology, monitoring and evaluation. The Global Fund supports the training of these specialized personnel and the development of a computerized network to monitor and coordinate Yemen’s fight against the disease.

This fight extends to Socotra, the Yemeni island off the northeastern tip of Somalia where, until the late 1990s, malaria had reached catastrophic proportions. “Almost everyone had malaria. Even if they didn’t have the symptoms, it was in their blood. This year we have reported only 30 malaria cases on the whole island out of 50,000 inhabitants,” recalls Dr. Jamal Amran, General Director of the National Malaria Program at the Ministry of Public Health and Population. “We are reaching a percentage of prevalence 0.045 percent during the malaria season, as compared to 30 to 80 percent in the past five years.”

Now that construction work at the two NMCP sites is nearing completion and training of the staff is well under way, Dr. Jamal dreams of spreading Socotra’s success story to the Tihama region as well as the rest of the country.
Organization & Grants

List of Approved Grants

The principal work of the Global Fund is accomplished by awarding and managing grants to finance the battle against the world’s three great health pandemics: HIV/AIDS, tuberculosis and malaria. Following approval of proposals by the Board, grant agreements commit funds for an initial two-year period, and periodic disbursements are made on the basis of requests and performance. At the end of the initial two-year period, countries request funding for the remainder of the original proposal’s timeframe (typically five years). Approval of this secondary funding is known as Phase 2.

Figure 14, below, gives a summary of all grants approved by the Board through five rounds of proposals. The list of approved grants details for each country which diseases are being funded and in which round the grants were approved. The LFA and PRs for each country are also shown.

“Funds Committed” indicates the maximum amount allocated by a signed grant agreement. This amount committed through a signed grant agreement can on occasion be less than the total amount originally approved by the Board as a result of negotiations during the grant signing process.

“Total Funds Approved” includes all proposals approved by the Board and incorporates any adjustments per TPF clarifications and/or grant negotiations.

“Funds Committed” includes all funds committed with the Global Fund Trustee, per signed grant agreements.

“Local Fund Agent:” an LFA is listed only if a signed grant agreement can on occasion be less than the total amount originally approved by the Board as a result of negotiations during the grant signing process.

“Principal Recipients” listed are those with whom grant agreements have been signed (funds committed). All figures are shown in US$ as of 31 December 2005.

### FIGURE 14
APPROVALS, COMMITMENTS AND DISBURSEMENTS BY ROUND

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>PROGRAMS Approved for Funding</th>
<th>ROUNDS OF APPROVAL</th>
<th>TOTAL FUNDS Approved</th>
<th>FUNDS COMMITTED (PHASE 1)</th>
<th>FUNDS COMMITTED (PHASE 2)</th>
<th>FUNDS DISBURSED</th>
<th>LOCAL FUND AGENT</th>
<th>PRINCIPAL RECIPIENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>HIV/AIDS, TB and malaria</td>
<td>1, 2 and 5</td>
<td>168,880,404</td>
<td>8,149,007</td>
<td>3,268,394</td>
<td>700,000</td>
<td>KPMG</td>
<td>The Lutheran World Federation</td>
</tr>
<tr>
<td>East Timor</td>
<td>HIV/AIDS, TB and malaria</td>
<td>2, 3 and 5</td>
<td>112,843,130</td>
<td>376,159</td>
<td>2,053,424</td>
<td>485,000</td>
<td>KPMG</td>
<td>The Ministry of Health of the Government of the Democratic Republic of Timor-Leste</td>
</tr>
<tr>
<td>Indonesia</td>
<td>HIV/AIDS, TB and malaria</td>
<td>2 and 5</td>
<td>27,127,603</td>
<td>8,584,137</td>
<td>2,831,480</td>
<td>3,873,882</td>
<td>KPMG</td>
<td>The Ministry of Health of the Government of the Republic of Indonesia</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>HIV/AIDS, malaria and TB</td>
<td>1, 2 and 4</td>
<td>12,588,360</td>
<td>6,773,394</td>
<td>2,053,424</td>
<td>4,264,374</td>
<td>KPMG</td>
<td>The Secretariat of the Lao People’s Democratic Republic</td>
</tr>
<tr>
<td>Mongolia</td>
<td>TB, HIV/AIDS</td>
<td>1, 2 and 4</td>
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### NOTES
- Funds Committed includes all funds approved through five rounds of proposals.
- “Total Funds Approved” includes all proposals approved by the Board and incorporates any adjustments per TPF clarifications and/or grant negotiations.
- “Funds Committed” includes all funds committed with the Global Fund Trustee, per signed grant agreements.
- “Principal Recipients” listed are those with whom grant agreements have been signed (funds committed).
- All figures are shown in US$ as of 31 December 2005.
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<th>COUNTRY</th>
<th>PROGRAMS APPROVED FOR FUNDING</th>
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## Global Fund Annual Report 2005

### Latin America & The Caribbean

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<td>1,475,537</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>TR, HIV/AIDS and malaria 1, 2, 4 and 5</td>
<td>KPMG</td>
<td>52,749,384</td>
<td>232,166,253</td>
<td>1,475,537</td>
<td>133,893,126</td>
<td>133,893,126</td>
<td>2,220,231</td>
</tr>
<tr>
<td>Kenya</td>
<td>HIV/AIDS, malaria and TB 1, 2, 4 and 5</td>
<td>KPMG</td>
<td>93,579,060</td>
<td>60,567,310</td>
<td>—</td>
<td>41,444,023</td>
<td>—</td>
<td>1,475,537</td>
</tr>
<tr>
<td>Rwanda</td>
<td>HIV/TB, HIV/AIDS, malaria, and TB 1, 3, 4 and 5</td>
<td>PwC</td>
<td>132,451,315</td>
<td>22,570,383</td>
<td>—</td>
<td>12,557,000</td>
<td>—</td>
<td>12,557,000</td>
</tr>
<tr>
<td>Tanzania</td>
<td>HIV/AIDS, malaria and HIV/TB 1, 3 and 4</td>
<td>PwC</td>
<td>207,567,852</td>
<td>37,929,878</td>
<td>—</td>
<td>9,340,642</td>
<td>—</td>
<td>9,340,642</td>
</tr>
<tr>
<td>Uganda</td>
<td>HIV/AIDS, malaria and TB 1, 2, 3 and 4</td>
<td>PwC</td>
<td>201,877,933</td>
<td>70,903,651</td>
<td>—</td>
<td>7,090,318</td>
<td>—</td>
<td>7,090,318</td>
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<tr>
<td>Zambia</td>
<td>HIV/AIDS, malaria and TB 1 and 4</td>
<td>PwC</td>
<td>223,987,560</td>
<td>121,995,762</td>
<td>—</td>
<td>82,299,604</td>
<td>—</td>
<td>82,299,604</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REGION</th>
<th>PROGRAMS APPROVED FOR FUNDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa: East Africa</td>
<td></td>
</tr>
<tr>
<td>Botswana</td>
<td>HIV/AIDS and TB 2 and 5</td>
</tr>
<tr>
<td>Mozambique</td>
<td>HIV/AIDS, malaria and TB 2 and 5</td>
</tr>
<tr>
<td>South Africa</td>
<td>HIV/TB and HIV/AIDS 1, 2 and 3</td>
</tr>
<tr>
<td>Swaziland</td>
<td>HIV/AIDS, malaria and TB 2, 3 and 4</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>HIV/AIDS, malaria and TB 1 and 4</td>
</tr>
</tbody>
</table>

| Sub-Saharan Africa: Southern Africa | |
| Lesotho | HIV/AIDS and TB 2 and 5 | 12,557,000 | 9,638,741 | 7,090,318 | 14,342,025 | 7,090,318 | — |
| Malawi | HIV/AIDS, malaria and HSS 1, 2 and 4 | 70,903,651 | 70,903,651 | 53,250,967 | 28,879,113 | — | — |
| South Africa | HIV/TB and HIV/AIDS 1, 2 and 3 | 70,903,651 | 70,903,651 | 53,250,967 | 28,879,113 | — | — |
| Swaziland | HIV/AIDS, malaria and TB 2, 3 and 4 | 72,109,855 | 48,356,510 | — | — | — | — |
| Zimbabwe | HIV/AIDS, malaria and TB 1 and 4 | 82,299,604 | 17,016,250 | 9,638,741 | 9,638,741 | — | — |
**COUNTRY**

**PROGRAMS APPROVED FOR FUNDING**

<table>
<thead>
<tr>
<th>REGION</th>
<th>Sub-Saharan Africa: West &amp; Central Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>COUNTRY</td>
<td>Burkin Faso</td>
</tr>
<tr>
<td>HIV/AIDS, malaria and TB</td>
<td>3 and 4</td>
</tr>
<tr>
<td>TOTAL FUNDS APPROVED</td>
<td>31,422,915</td>
</tr>
<tr>
<td>FUNDS COMMITTED (PHASE 1)</td>
<td>22,135,793</td>
</tr>
<tr>
<td>FUNDS DISBURSED</td>
<td>16,223,822</td>
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<tr>
<td>LOCAL FUND AGENT</td>
<td>PwC</td>
</tr>
<tr>
<td>PRINCIPAL RECIPIENTS</td>
<td>The United Nations Development Programme</td>
</tr>
<tr>
<td>FUNDS COMMITTED (PHASE 2)</td>
<td>21,392,049</td>
</tr>
<tr>
<td>TOTAL FUNDS APPROVED</td>
<td>58,215,475</td>
</tr>
<tr>
<td>FUNDS COMMITTED (PHASE 1)</td>
<td>40,913,717</td>
</tr>
<tr>
<td>FUNDS DISBURSED</td>
<td>21,392,049</td>
</tr>
<tr>
<td>LOCAL FUND AGENT</td>
<td>PwC</td>
</tr>
<tr>
<td>PRINCIPAL RECIPIENTS</td>
<td>The Ministry of Public Health of the Government of the Republic of Cote d’Ivoire; CARS International in Cote d’Ivoire</td>
</tr>
</tbody>
</table>

**COUNTRY**

**PROGRAMS APPROVED FOR FUNDING**

| COUNTRY | Cameroon |
| HIV/AIDS, malaria and TB | 3, 4 and 5 |
| TOTAL FUNDS APPROVED | 58,215,475 |
| FUNDS COMMITTED (PHASE 1) | 40,913,717 |
| FUNDS DISBURSED | 21,392,049 |
| LOCAL FUND AGENT | PwC |
| PRINCIPAL RECIPIENTS | The United Nations Development Programme |

**COUNTRY**

**PROGRAMS APPROVED FOR FUNDING**

| COUNTRY | Guinea-Bissau |
| HIV/AIDS and malaria | 3 and 4 |
| TOTAL FUNDS APPROVED | 14,403,954 |
| FUNDS COMMITTED (PHASE 1) | 14,403,954 |
| FUNDS DISBURSED | 14,403,954 |
| LOCAL FUND AGENT | KPMG |
| PRINCIPAL RECIPIENTS | The United Nations Development Programme |

**COUNTRY**

**PROGRAMS APPROVED FOR FUNDING**

| COUNTRY | Guinea |
| HIV/AIDS, malaria and TB | 2 and 3 |
| TOTAL FUNDS APPROVED | 15,024,778 |
| FUNDS COMMITTED (PHASE 1) | 11,698,205 |
| FUNDS DISBURSED | 8,357,016 |
| LOCAL FUND AGENT | KPMG |
| PRINCIPAL RECIPIENTS | The Ministry of Public Health of the Government of the Republic of Guinea |

**COUNTRY**

**PROGRAMS APPROVED FOR FUNDING**

| COUNTRY | Sierra Leone |
| HIV/AIDS, malaria and TB | 2 and 3 |
| TOTAL FUNDS APPROVED | 23,155,993 |
| FUNDS COMMITTED (PHASE 1) | 20,029,481 |
| FUNDS DISBURSED | 15,286,390 |
| LOCAL FUND AGENT | PwC |
| PRINCIPAL RECIPIENTS | The Sierra Leone Red Cross Society; The Sierra Leone National AIDS/STI Secretariat |

**NOTES**

1. The Multi-country Western Pacific region includes: Cook Islands, Fiji, FSM ( Federated States of Micronesia), Kiribati, Nauru, Palau, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu
2. The Multi-country Americas (Uruguay) region includes: Costa Rica, El Salvador, Guatemala, Panama and Venezuela
3. The Multi-country Americas (Central America) region includes: Antigua & Barbuda, Belize, Costa Rica, Dominica, Dominican Republic, El Salvador, Guatemala, Haiti, Jamaica, St Kitts & Nevis, St Lucia, St Vincent & the Grenadines, Suriname and Trinidad & Tobago
4. The Multi-country Americas (LAC+1) region includes: Antigua & Barbuda, Belize, Costa Rica, Dominica, Dominican Republic, Guadeloupe, Haiti, Jamaica, St Kitts & Nevis, St Lucia, St Vincent & the Grenadines, Suriname and Trinidad & Tobago
5. The Multi-country Americas (Mexico) region includes: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama
6. The Multi-country Americas (ECURO) region includes: Antigua & Barbuda, Dominica, Grenada, St Kitts & Nevis, St Lucia and St Vincent & the Grenadines
7. The Multi-country Africa region includes: Mozambique, Southern Africa and Swaziland
List of Board Members 2005

An international, multi-sectoral, 24-member Board (20 voting and four non-voting) governs the Global Fund, approves grants and mobilizes external resources to meet the Global Fund’s financial needs.

Voting Members

**CANADA (GERMANY, SWITZERLAND)**
Dr. Ernest Lawrence
Director General, Global Affairs Canada
Canada

**COMMUNITIES (NGOs, REPRESENTATIVE OF THE COMMUNITIES LIVING WITH THE DISEASES)**
Ms. Anandi Timaraj
Program Officer, India (UNAIDS)
India

**DEVELOPED COUNTRY NGO**
Mr. Peter van Rossum
Staf ADVISORY
The Netherlands

**DEVELOPING COUNTRY NGO**
Ms. Rita Azur Molina
President, Fundacion Nuevas Alternativas (Nicaragua)

**EUROPEAN UNION (ROMANIA)**
Mr. Eugen Nicolascu
Minister of Health
Romania

**EASTERN MEDITERRANEAN REGION (SUBSOUTH)**
H.E. Mr. Abdullah Abdillahi Miguil
Prime Minister’s Office
 Djibouti

**EASTERN & SOUTHERN AFRICA (ANGOLA)**
Mr. Dave Burrows
Director, Management Sciences for Health
Zimbabwe

**EUROPEAN COMMISSION (BELGIUM, PORTUGAL)**
Dr. Jean-Francois
Head of Unit, Human and Social Development, Directorate General for Development
European Commission
Belgium

**FRANCE (LUSSOBURG, SPAIN)**
Mr. Serge Thomas
Directeur Adjoint du Développement Social et de la Coopération Éducative – ODH
Ministry of Foreign Affairs
France

**ITALY**
Mr. Giuseppe Dondato
Director, General Development Cooperation, Ministry of Foreign Affairs
Italy

**JAPAN**
Mr. Masao Toygi
Deputy Director General, Global Issues Department, Ministry of Foreign Affairs
Japan

**LATIN AMERICA & CARIBBEAN (BARRANCO)**
Dr. Carol Jacobs (Chair)
Chairman, National HIV/AIDS Commission, Prime Minister’s Office
Barbados

**POINT SEVEN (DENMARK - IRELAND, NETHERLANDS, NORWAY, SWEDEN)**
Mr. Camren Staur
State Secretary, Ambassador, Ministry of Foreign Affairs
Denmark

**PRIVATE FOUNDATIONS**
Dr. Haynes D. Gayle
Director, Global AIDS Policy
Private Sector
USA

**PRIVATE SECTOR**
Mr. Raju Gupta
Senior Director
Worldwide McKinsey & Company
USA

**SOUTH EAST ASIA (INDIA)**
Dr. Ashwini Ramasubramanian
Secretary for Health and Family Welfare, Ministry of Health and Family Welfare
India

**UNITED KINGDOM (AUSTRALIA)**
Dr. Caroline Prenner
United Kingdom Mission
Geneva, Switzerland

**USA**
Ambassador Randall Tobias
Coordinator for U.S. Government Activity to Combat HIV/AIDS
U.S. Department of State
United States

**WEST AND CENTRAL AFRICA (CAMEROON)**
Mr. Urbain Olanguena Awono
Minister of Public Health
Cameroon

** WESTERN PACIFIC REGION (CHINA)**
Dr. Huang Jiqin
Vice Minister of Health
China

Ex-Officio Members without voting rights

**UNAIDS**
Dr. Peter Piot
Executive Director, UNAIDS
**WHO**
Dr. Jang-Whok Lee
Director-General, World Health Organization (WHO)

**WORLD BANK**
Mr. Geoffrey Lamb
Vice President, Concessional Finance and Global Partnership, The World Bank
United States

Board-Designated non-voting Swiss Member

Mr. Edmond Tavernier
Managing Partner, Tanner Kroeker (Liechtenstein)
Switzerland

HIV/AIDS

Dr. Peter Godfrey-Faussett (Vice Chair)
United Kingdom
Professor of Infectious Diseases and International Health
London School of Hygiene and Tropical Medicine
Dr. David Hoos
United States
Director, Multiple-Country Cohort/Intervention Program
Columbia University
Dr. Némora Tregnago Barcellos
Brazil
Doctor
Health State Secretariat
Prof. Papa Salifou Sow
Senegal
Head of Department of Infectious Diseases
Fann Hospital, Dakar University
Dr. Kasia Malinowska-Sempruch
United States
Director, International HIV Education Development Program
Open Society Institute
Dr. Geoffrey Sidibe
Zimbabwe
Principal Program Associate
Management Sciences for Health
Mr. Dave Barnes
Australia
Director
AIDS Projects Management Group
***MALARIAS***
Dr. Gianncarlo Majeri
Italy
Director of Viral Disease and International Health Unit
National Institute of Health of Italy
Dr. John Mologa-Chimambwa
Zambia
Eastern Africa Roll Back Malaria Fiscal Point
Roll Back Malaria Secretariat, UNICEF

Technical Review Panel Members 2005

The Technical Review Panel (TRP) is an independent, impartial team of experts appointed by the Board to review applications requesting support from the Global Fund and to make recommendations to the Board for approval. The TRP guarantees the integrity and consistency of an open and transparent proposals review process.

**CANADA**
Mr. Malcolm Clark
United Kingdom
Principal Program Associate
Management Sciences for Health
Dr. Glenn L. Post
United States
Senior Medical Officer, Office of HIV/AIDS
UNAIDS

**CHINA**
Mr. Dehui Li
China
Senior Technical Officer
Dr. Peter Piot
United Kingdom

**DENMARK**
Dr. Kaarle Olavi Elo
Brunet Institute
Dr. Michael James Toole
Australia
Director, Centre for International Health
Brunet Institute

**FRANCE**
Dr. Andrei Beljaev
Russian Federation
Dr. Helene D. Gayle
United States
Director, HIV/AIDS, TB and Reproductive Health, Bill and Melinda Gates Foundation

**GERMANY**
Dr. Josef Decosas
Dr. Jonathan Broomberg (Chair)
Dr. Andrew McKenzie
Dr. David H. Peters
Dr. Glenn L. Post
Dr. Peter Piot
Dr. Kaarle Olavi Elo
Dr. Michael James Toole
Mr. Malcolm Clark

**JAPAN**
Mr. Shigeru Omi
Japan
Director General, CIDA/PAHMD
Dr. Ernest Loevinsohn
Director General, USAID

**KENYA**
Mr. David H. Peters
Dr. David H. Peters
Mr. Malcolm Clark

**NORWAY**
Dr. Tom Christensen
Mr. Malcolm Clark

**SWITZERLAND**
Dr. Peter Piot
Mr. Malcolm Clark

**THAILAND**
Mr. Peter Piot
Mr. Malcolm Clark

**UNITED KINGDOM**
Mr. Malcolm Clark
Mr. Malcolm Clark

**UNITED STATES**
Mr. Malcolm Clark
Mr. Malcolm Clark

**VOTING MEMBERS**
Mr. Malcolm Clark
Mr. Malcolm Clark

**EX-OFFICIO MEMBERS**
Mr. Malcolm Clark
Mr. Malcolm Clark

**UNITED STATES**
Mr. Malcolm Clark
Mr. Malcolm Clark

**UNITED STATES**
Mr. Malcolm Clark
Mr. Malcolm Clark

**UNITED STATES**
Mr. Malcolm Clark
Mr. Malcolm Clark

**UNITED STATES**
Mr. Malcolm Clark
Mr. Malcolm Clark

**UNITED STATES**
Mr. Malcolm Clark
Mr. Malcolm Clark

**UNITED STATES**
Mr. Malcolm Clark
List of Staff 2005

The secretariat of the Global Fund continued to benefit in 2005 from the services of many individuals, including those on short-term contracts and secondments. Based in Geneva (the Global Fund has no country offices), the staff includes almost sixty nationalities and is led by Richard Feachem, Executive Director since July 2002. Listed here (by individual department) are all those who have either been recruited through international competition to fixed-term (two-year) contracts or who worked at the Global Fund for at least six months in 2005. For each individual, his or her job title and country of origin are also indicated.

An asterisk (*) indicates those individuals who left before 31st December 2005. A double asterisk (**) specifies a change in position.

An asterisk (*) indicates those individuals who left before 31st December 2005. A double asterisk (**) specifies a change in position.

### Office of the Executive Director

**OFFICE OF EXECUTIVE DIRECTOR**

Richard Feachem
Executive Director

United Nations

Vinand Naamola
Senior Health Advisor

Uganda

Michael Lawaloyi (MD)
Senior Advisor

France

Christian Schade
Advisor to the Executive Director

Ghana

Esther Elston-Wellingtom
Executive Assistant

Ghana

Sian Hamilton-Rouset
Assistant

United Kingdom

Nicole Gloor
Assistant

Australia

Helen Sharwood
Assistant

United Kingdom

Heidi Drosha
Assistant

United Kingdom

### DEPUTY EXECUTIVE DIRECTOR

Helen Evans
Deputy Executive Director

Australia

David Salinas
Manager, Strategy

Japan

Lorenae Ward
Strategy Officer

United States

Louise Grant
Assistant

United Kingdom

### Business Services Unit

**OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER**

John Burks
Chief Administrative Officer

Ireland

**ADMINISTRATION AND CONTRACT SERVICES**

Jean-Claude Crepy
Manager, Administrative and Contract Services

France

**ADMINISTRATIVE SERVICES**

Julia Van Rael Janssen
Administrative Officer

Ireland

Danielle Ferris
Project Officer

Ireland

Stephanie Contratto
Receptionist

France

Helen Griffin
Receptionist

Ireland

Emmanuelle Curril
Administrative Assistant

Ireland

Frances Larrey
 Clerk / Messenger

Ghana

Kim Judd-Lehmann
Project Officer

United States

### CONTRACTS

Salome Gabriel
Manager, Contracts

France

Patricia Chatuka
Contracts Analyst

Malawi

Thomas Warren
Contracts Officer

United States

Milan Banovonic
Contracts Analyst

Serbia And Montenegro

Camillo Serrat
Contracts Assistant

France

### LEGAL

Bartolomeo Mignone
Legal Counsel

Italy

David Sullivan
Senior Legal Officer

United States

Tarmisna Bezi
Legal Officer

United Kingdom

Tal Sagonosky
Legal Officer

Canada

Catherine Lajinsky
Junior Officer (Paralegal)

United States

Heidi Zimmer
Legal Assistant

Namibia

### INFORMATION SYSTEMS

Douamint Abi-Saleh
Manager IT

Lebanon

Andrew Ritchie
Database Administrator

United Kingdom

Alexandre Tanner
IT Officer

Switzerland

Naveen Ahmed
Information Officer

India

Guine Le Baux
Data Warehouse Developer

France

Rene Frederic Plain
Applications Developer

France

Thomas Zumbrahmen
Applications Developer

Switzerland

Crystal Terris
Applications Developer

France

### External Relations Unit

Barry Greene
Chief / Financial Officer

Ireland

David Ball
Senior Accountant / Finance Officer

United Kingdom

Eric Godfrey
Finance Officer

United States

Olivier Faure-Vincent
Finance Officer

France

Mark Trougel
Finance Analyst

United States

Nijat Mohammad Bawa
Assistant, Finance

Pakistan

### Human Resources Unit

Anna Duke
Manager, Human Resources

United Kingdom

Jacqueline Adnou
Human Resources, Recruitment, Compensation & Benefits

Kenya

Alexandra Marretti
HR Specialist Staff Development Learning

Italy

Sally Seeve
IR Specialist Recruitment

United Kingdom

### GLOBAL PARTNERSHIPS

Kingedey Moghal, Manager, Global Partnerships / External Relations

Nigeria

Mick Matthews
Civil Society Officer

United Kingdom

Nobolokkuma Mathia
Civil Society Officer / Private Sector Officer

South Africa

Robert Eljep (73%)
Global Partnerships Officer

Germany

### COMMUNICATIONS

Jon Laiden
Head of Communications

Norway

Robert Bonsgen
Manager, Online Communications

United Kingdom

Tim Clark
Senior Writer

United Kingdom

Julie Archer
Communications Officer

Canada / Ireland

Rose Vanac
Media Relations Officer

United States

John Busch
Web Development Officer

Netherlands
Financial statements of  

The Global Fund to Fight AIDS, Tuberculosis and Malaria  

as of 31 December 2005  

prepared in accordance with International Financial Reporting Standards 

together with the Report of the independent auditors 

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### Statement of Financial Position  

**at 31 December 2005**

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank balances</td>
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<tr>
<td>Funds held in trust</td>
<td>2.4, 2.5, 3.1, 3.2</td>
<td>2'731'758</td>
<td>2'205'078</td>
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<tr>
<td>Promissory notes maturing within one year</td>
<td>2.6, 3.3</td>
<td>35'112</td>
<td>23'744'9</td>
</tr>
<tr>
<td>Contributions receivable within one year</td>
<td>2.6, 3.4</td>
<td>121'138</td>
<td>93'239</td>
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<tr>
<td>Prepayments and miscellaneous receivables</td>
<td></td>
<td>8'167</td>
<td>57'06</td>
</tr>
<tr>
<td><strong>Total ASSETS</strong></td>
<td></td>
<td>3'034'453</td>
<td>2'672'557</td>
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<tr>
<td><strong>LIABILITIES and FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Undisbursed grants payable within one year</td>
<td>2.7, 3.6</td>
<td>1'170'878</td>
<td>919'047</td>
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<tr>
<td>Accrued expenses</td>
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<td>5'026</td>
<td>4'235</td>
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<td><strong>Total LIABILITIES</strong></td>
<td></td>
<td>1'570'804</td>
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<tr>
<td>FUNDS</td>
<td></td>
<td>1'464'394</td>
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<tr>
<td><strong>Total LIABILITIES and FUNDS</strong></td>
<td></td>
<td>3'034'453</td>
<td>2'672'557</td>
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</table>

The notes represent an integral part of the Statement of Financial Position
### Statement of Activities

**for the year ended 31 December 2005**

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>2.6, 3.5</td>
<td>1'430'329</td>
<td>1'254'688</td>
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<tr>
<td>Bank and trust fund income</td>
<td>2.9</td>
<td>58'941</td>
<td>33'819</td>
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<tr>
<td><strong>Total INCOME</strong></td>
<td></td>
<td><strong>1'489'270</strong></td>
<td><strong>1'288'507</strong></td>
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<tr>
<td><strong>EXPENDITURE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>2.7, 3.7</td>
<td>1'509'271</td>
<td>854'368</td>
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<tr>
<td>Operating expenses</td>
<td>3.8</td>
<td>73'840</td>
<td>50'747</td>
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<td><strong>Total EXPENDITURE</strong></td>
<td></td>
<td><strong>1'583'111</strong></td>
<td><strong>905'115</strong></td>
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<tr>
<td>(DECREASE) / INCREASE IN FUNDS for the year</td>
<td>(93'841)</td>
<td>383'392</td>
<td></td>
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</table>

The notes represent an integral part of the Statement of Activities.

### Statement of Cash Flows

**for the year ended 31 December 2005**

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2005</th>
<th>2004</th>
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</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Contributions received</td>
<td>3.5</td>
<td>1'584'342</td>
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<tr>
<td>Bank and trust fund income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants disbursed</td>
<td>3.7</td>
<td>(1'054'325)</td>
<td>(627'506)</td>
</tr>
<tr>
<td>Payments to suppliers and personnel</td>
<td>(63'685)</td>
<td>(43'065)</td>
<td></td>
</tr>
<tr>
<td><strong>Total CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td>(1'118'010)</td>
<td>(670'571)</td>
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<tr>
<td><strong>CASH AND CASH EQUIVALENTS at beginning of the year</strong></td>
<td>2.4, 3.1</td>
<td>2'206'959</td>
<td>1'742'193</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS at end of the year</strong></td>
<td>2.4, 3.1</td>
<td>2'732'232</td>
<td>2'206'959</td>
</tr>
</tbody>
</table>

The notes represent an integral part of the Statement of Cash Flows.
## Financial Statements

### Statement of Changes in Funds
at 31 December 2005

<table>
<thead>
<tr>
<th>In thousands of US dollars</th>
<th>Notes</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>FUNDS at the beginning of the year</td>
<td></td>
<td>1'558'235</td>
<td>1'174'843</td>
</tr>
<tr>
<td>(DECREASE) / INCREASE IN FUNDS for the year</td>
<td>(93'841)</td>
<td>383'392</td>
<td></td>
</tr>
<tr>
<td>FUNDS at the end of the year</td>
<td></td>
<td>1'464'394</td>
<td>1'558'235</td>
</tr>
</tbody>
</table>

Attributed as follows:

- **Foundation capital**: 50  
- **General Funds**: 1'464'344  1'558'185

The notes represent an integral part of the Statement of Changes in Funds.

---

1. **Activities and Organization**

The Global Fund to Fight AIDS, Tuberculosis and Malaria (the "Global Fund") is an independent, non-profit foundation that was incorporated in Geneva, Switzerland on 22 January 2002. The purpose of the Global Fund is to attract and disburse additional resources to prevent and treat AIDS, tuberculosis and malaria. The Global Fund provides grants to locally-developed programs, working in close collaboration with governments, non-governmental organizations, the private sector, development agencies and the communities affected by these diseases.

The Global Fund has been founded on the following principles:

- Rely on local experts to implement programs directly;
- Make available and leverage additional financial resources to combat the three diseases;
- Support programs that reflect national ownership and respect country-led formulation and implementation processes;
- Operate in a balanced manner in terms of different regions, diseases and interventions;
- Pursue an integrated and balanced approach covering prevention, treatment and care, and support in dealing with the three diseases;
- Evaluate proposals through independent review processes based on the most appropriate scientific and technical standards that take into account local realities and priorities;
- Seek to establish a simplified, rapid, innovative grant-making process and operate in a transparent and accountable manner based on clearly defined responsibilities. One accountability mechanism is the use of Local Fund Agents to assess local capacity to administer and manage the implementation of funded programs.

Financial contributions to the Global Fund are held in the Trust Fund for the Global Fund to Fight AIDS, Tuberculosis and Malaria (the "Trust Fund") until disbursed as grants or for operating expenses. The Trust Fund is administered by the International Bank for Reconstruction and Development (the "World Bank"), as Trustee. The responsibilities of the Trustee include management of contributions and investment of resources according to its own investment strategy. The Trustee makes disbursements from the Trust Fund only upon written instruction of the Global Fund.

Most contributions are received directly in the Trust Fund. Some contributions for the benefit of Global Fund are also received by the United Nations Foundation and are held in trust for the Global Fund until subsequently transferred to the Trust Fund.

Personnel and administrative services to support the operations of the Global Fund are provided by the World Health Organization ("WHO") under an agreement between WHO and the Global Fund. The Global Fund bears in full the cost of these personnel and services. Funds remitted to WHO for this purpose are treated as funds held in trust by WHO for the benefit of the Global Fund until an expenditure obligation is incurred.

These financial statements were authorized for issuance by the Board on 28 April 2006.
2. Significant Accounting Policies

2.1 Statement of Compliance

The financial statements have been prepared in accordance with and comply with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These standards currently do not contain specific guidelines for non-profit organizations concerning the accounting treatment and presentation of the financial statements. Consequently Statement of Financial Accounting Standard ("SFAS") 116: “Accounting for Contributions Received and Contributions Made” has been applied in respect of the recognition of contributions and grants.

2.2 Basis of Presentation

The financial statements are presented in US dollars, the Global Fund’s operating currency, rounded to the nearest thousand. Management elected not to operate and report in Swiss Francs, the domestic currency, as its cash flows are primarily in US dollars.

The financial statements are prepared under the historical cost convention. The fair value of non-current contributions receivable, promissory notes and undisbursed grants has been determined as indicated in Notes 2.6 and 2.7.

The preparation of the financial statements requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and reported amounts of income and expenses during the reporting period. If in the future such estimates and assumptions, which are based on management’s best judgment at the date of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified through the statement of activities as appropriate in the year in which the circumstances change.

2.3 Foreign Currency

All transactions in other currencies are translated into US dollars at the exchange rate prevailing at the time of the transaction. Monetary assets and liabilities in other currencies are translated into US dollars at the year-end rate.

2.4 Cash and cash equivalents

The Global Fund considers that cash and cash equivalents include cash and bank balances and funds held in trust that are readily convertible to cash within three months.

2.5 Funds held in Trust

The financial statements include funds that are held in trust solely for the benefit of the Global Fund by the World Bank, the World Health Organization and the United Nations Foundation. Assets held in trust by the World Bank are maintained in a commingled investment portfolio for all of the trust funds administered by the World Bank. These investments are actively managed and invested in high-grade instruments according to the risk management strategy adopted by the World Bank. The objectives of the investment portfolio strategy are to maintain adequate liquidity to meet foreseeable cash flow needs, preserve capital (low probability of negative total returns over the course of a fiscal year) and maximize investment returns.

The movement of fair value of funds held in trust is recognised in the statement of activities.

2.6 Contributions

In accordance with SFAS 116 contributions governed by a written contribution agreement are recorded as income when the agreement is signed. Other contributions are recorded as income upon receipt of cash or cash equivalents, at the amount received.

Contributions are considered received when remitted in cash or cash equivalent, or deposited by a sovereign state as a promissory note, letter of credit or similar financial instrument.

Contributions receivable under written contribution agreements signed on or before the date of the statement of financial position but which have not been received at that date are recorded as an asset and as income. Contributions and promissory notes receivable later than one year after the date of the statement of financial position are discounted to estimate their present value at this same date.

Foreign currency exchange gains and losses realized between the date of the written contribution agreement and the date of the actual receipt of cash and those unrealized at the date of the statement of financial position are recorded as part of Contributions income.

Non-cash contributions donated in the form of goods or services (in-kind contributions) are recognized at the time of receipt and reported as equal contributions and expenses in the Statement of Activities, at their estimated economic value to the Global Fund.
2. Significant Accounting Policies (continued)

2.7 Grants

All grants are governed by a written grant agreement and, in accordance with SFAS 116, are expensed in full when the agreement is signed.

Grants or portions of grants that have not been disbursed at the date of the statement of financial position are recorded as liabilities. The long-term portion of such liabilities represents amounts that are due to be disbursed later than one year after the date of the statement of financial position, discounted to estimate its present value at this same date.

Foreign currency exchange gains and losses realized between the date of the written grant agreement and the date of the actual disbursement of cash and those unrealized at the date of the statement of financial position are recorded as part of Grants expenditure.

2.8 Local Fund Agent Fees

Fees to Local Fund Agents to assess local capacity prior to and during grant negotiation, and to manage and monitor implementation of funded programs as grants are disbursed, are expensed as the work is completed.

2.9 Bank and Trust Fund Income

Bank and trust fund income includes deposit interest on bank balances, realized and unrealized gains and losses on investments and currencies on funds held in trust.

2.10 Employee Benefits

All personnel and related costs, including current and post employment benefits are managed by the WHO and charged in full to the Global Fund. There are no additional obligations for employee benefits outside of the Global Fund’s obligations to the WHO.

3. Details relating to the financial statements

In thousands of US dollars

3.1 Cash and Cash Equivalents

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank balances</td>
<td>474</td>
<td>1'981</td>
</tr>
<tr>
<td>Funds held in Trust</td>
<td>2'731'758</td>
<td>2'205'078</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2'732'232</td>
<td>2'206'959</td>
</tr>
</tbody>
</table>

3.2 Funds held in Trust

<table>
<thead>
<tr>
<th>Fund</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank</td>
<td>2'717'288</td>
<td>2'192'288</td>
</tr>
<tr>
<td>World Health Organization</td>
<td>12'665</td>
<td>12'154</td>
</tr>
<tr>
<td>United Nations Foundation</td>
<td>1'805</td>
<td>636</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2'731'758</td>
<td>2'205'078</td>
</tr>
</tbody>
</table>

3.3 Promissory Notes

<table>
<thead>
<tr>
<th>Note</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promissory notes to be encashed</td>
<td>72'391</td>
<td>216'201</td>
</tr>
<tr>
<td>Unrealized (losses) / gains on foreign currency promissory notes to be encashed</td>
<td>( 3'422)</td>
<td>21'248</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>68'969</td>
<td>237'449</td>
</tr>
</tbody>
</table>

| Maturing in 2005 | 237'449 |
| Maturing in 2006 | 35'112  |
| Maturing in 2007 | 33'857  |
| **Total**        | 68'969  |

3.4 Contributions receivable

<table>
<thead>
<tr>
<th>Note</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions receivable*</td>
<td>236'680</td>
<td>201'516</td>
</tr>
<tr>
<td>Unrealized (losses) / gains on foreign currency contributions receivable</td>
<td>( 11'985)</td>
<td>20'927</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>224'695</td>
<td>220'543</td>
</tr>
</tbody>
</table>

| Receivable within one year                | 121'138|
| Receivable after one year                 | 103'947|
| **Total**                                 | 225'085|

* Comprises amounts receivable under written contribution agreements signed on or before 31 December 2005 and 2004 respectively that had not been received at that date.
3. Details relating to the financial statements (continued)

3.5 Contributions

In thousands of US dollars

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governments</td>
<td>1'416'945</td>
<td>1'195'170</td>
</tr>
<tr>
<td>Private sector</td>
<td>107'384</td>
<td>99'758</td>
</tr>
<tr>
<td></td>
<td>1'524'329</td>
<td>1'294'928</td>
</tr>
</tbody>
</table>

Cash received including encashed promissory notes

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>to be encashed</td>
<td>1'584'734</td>
<td>1'101'008</td>
</tr>
<tr>
<td></td>
<td>174'989</td>
<td>174'989</td>
</tr>
</tbody>
</table>

Increase / (decrease) in contributions receivable

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1'182'525</td>
<td>7'266</td>
</tr>
</tbody>
</table>

Contributions in kind

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1'524'329</td>
<td>1'294'928</td>
</tr>
</tbody>
</table>

3.6 Undisbursed grants payable

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undisbursed grants payable</td>
<td>1'398'455</td>
<td>1'110'887</td>
</tr>
<tr>
<td>Unrealized losses on foreign currency</td>
<td>1'424</td>
<td>1'424</td>
</tr>
</tbody>
</table>

Total undisbursed grants payable

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1'565'039</td>
<td>1'110'887</td>
</tr>
</tbody>
</table>

Payable within one year

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1'170'878</td>
<td>919'047</td>
</tr>
</tbody>
</table>

Payable after one year

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3'89'161</td>
<td>2'191'840</td>
</tr>
</tbody>
</table>

3.7 Grants expenditure

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursed in the year</td>
<td>1'035'325</td>
<td>627'506</td>
</tr>
</tbody>
</table>

Movement in undisbursed grants

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>424'946</td>
<td>226'762</td>
</tr>
</tbody>
</table>

|                      | 1'559'271| 854'268  |

3.8 Operating expenses

In thousands of US dollars

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretarial expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>25'054</td>
<td>16'854</td>
</tr>
<tr>
<td>Trustee fees</td>
<td>2'300</td>
<td>2'150</td>
</tr>
<tr>
<td>Administrative services fee</td>
<td>986</td>
<td>982</td>
</tr>
<tr>
<td>Other professional services</td>
<td>5'985</td>
<td>3'521</td>
</tr>
<tr>
<td>Travel and meetings</td>
<td>5'925</td>
<td>4'673</td>
</tr>
<tr>
<td>Communication materials</td>
<td>8'567</td>
<td>7'729</td>
</tr>
<tr>
<td>Office rental</td>
<td>1'644</td>
<td>754</td>
</tr>
<tr>
<td>Office infrastructure costs</td>
<td>1'423</td>
<td>485</td>
</tr>
<tr>
<td>Other</td>
<td>990</td>
<td>485</td>
</tr>
<tr>
<td></td>
<td>54'440</td>
<td>38'571</td>
</tr>
</tbody>
</table>

Local Fund Agent fees

|                      | 19'090   | 12'176   |

Total operating expenses

|                      | 73'930   | 50'747   |

Included in Operating expenses above are contributions in kind attributed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other professional services</td>
<td>4'077</td>
<td>706</td>
</tr>
<tr>
<td>Communication materials</td>
<td>7'748</td>
<td>6'560</td>
</tr>
<tr>
<td></td>
<td>11'825</td>
<td>7'266</td>
</tr>
</tbody>
</table>

3.9 Personnel

As described in Note 1, personnel to support the operations of the Global Fund are provided by the WHO under an agreement between the WHO and the Global Fund. At 31 December 2005 there were 198 personnel assigned to the Global Fund (2004: 127). Of these, 117 (2004: 74) are assigned under fixed-term contracts, typically of two years duration. All other personnel are assigned under contracts of shorter duration.

3.10 Taxation

The Global Fund is exempt from tax on its activities in Switzerland.

3.11 Commitments

At 31 December 2005, the Global Fund has the following outstanding operating lease commitments:

<table>
<thead>
<tr>
<th>Year</th>
<th>Office space</th>
<th>Office equipment</th>
<th>Vehicle</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1'686</td>
<td>27</td>
<td>9</td>
</tr>
<tr>
<td>2007</td>
<td>1'686</td>
<td>27</td>
<td>3</td>
</tr>
<tr>
<td>2008</td>
<td>1'686</td>
<td>27</td>
<td>-</td>
</tr>
<tr>
<td>2009</td>
<td>1'686</td>
<td>27</td>
<td>-</td>
</tr>
<tr>
<td>2010</td>
<td>1'686</td>
<td>27</td>
<td>-</td>
</tr>
<tr>
<td>Beyond 2010</td>
<td>5'762</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>14'192</td>
<td>135</td>
<td>12</td>
</tr>
</tbody>
</table>
4. Financial Instruments

As described in Note 2.5, those funds held in trust by the World Bank, acting as Trustee for the Global Fund, are actively managed and invested in a commingled investment portfolio in accordance with the investment strategy established for all trust funds administered by the World Bank.

Other than those funds held in trust by the World Bank, as mentioned above, the Global Fund employs the following risk management policies to financial instruments:

**Currency risk:** The risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Global Fund hedges its exposure to currency risk by matching grant liabilities in a given currency with assets in the same currency to the extent possible.

**Interest rate risk:** The risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Global Fund does not use derivative financial instruments to reduce its exposure risk on interest from variable rate bank balances and funds held in trust.

**Market risk:** The risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Global Fund has assigned the management of market risk primarily to the Trustee, and does not use derivative financial instruments to reduce its market risk exposure on other financial instruments.

**Credit risk exposures:** Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. The Global Fund does not use derivative financial instruments to reduce its credit risk exposure.

The Global Fund’s maximum exposure to credit risk in relation to cash and bank balances, funds held in trust, promissory notes and contributions receivable is the carrying amount of those assets as indicated in the statement of financial position. The Global Fund places its available funds with high quality financial institutions to mitigate the risk of material loss in this regard. With respect to the Global Fund’s contributions receivable, management believes these will be collected as they result from mutually signed contribution agreements primarily with governments.

5. Comparative financial information

Certain comparative balances have been itemized in the notes to the financial statements for compliance with the current year presentation. There is no other impact on the Statement of Changes in Funds.