

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



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

Following are the positions of the U.S. Delegation to the Global Fund to Fight AIDS, Tuberculosis and Malaria on the decisions made by the Global Fund at its 18th Board Meeting, held from November 7-8, 2008, in New Delhi, India.

### *Mid-Term Review of Second Voluntary Replenishment*

The U.S. Delegation endorsed the Decision Point and agreed that, with an increased demand for Global Fund resources, the midterm replenishment could provide a forum for donors to make future financial commitments based on these projections.

### *Product and Service Donations through the Global Fund*

While the United States generally supported the Decision Point, as a member of the Joint Steering Group, the United States did not support the recommendation put forward by the Technical Steering Committee with regard to the restriction on donations of health products including medicines, and filed a minority opinion to the committee record. As suggested in the work of the Joint Steering Group, the U.S. Delegation encourages the Board to re-evaluate the Fund's ability to accept donations of health products, including medicines, through the Voluntary Pooled Procurement Mechanism and other procurement tools. The U.S. Delegation further notes that the Decision Point does not limit a country's ability to accept product and service donations on a bilateral basis.

### *Budget 2009*

The U.S. Delegation endorsed the Decision Point. The Delegation does note that, while revisiting the budget envelope, it will support an outcome that maintains support for the increased activity of the Office of the Inspector General, accommodates fully the transition to a completely independent Swiss foundation, and fulfills the expanded scope of work assigned in the Local Fund Agent contracts.

The U.S. Delegation shared concerns of other Board members about the significant annual increases in operating expenses of the Fund Secretariat, and worked within the Finance and Audit Committee (FAC) prior to the Board meeting to deliver a smaller budget that still provided for a robust Secretariat. Because the Budget and staff size which is the largest component of the Budget is highly dependent on the resources managed by the Fund, the Secretariat will present a final, detailed budget proposal to

the FAC before the end of the calendar year based on decisions related to funding projections (see “Round 8 Funding and Approval” below). During the FAC’s review of the budget proposal, the U.S. Delegation will work closely with other Board members to address concerns regarding the operating expense envelope, while also trying to ensure the revised funding decision is based on appropriate analysis and rationale.

### *Affordable Medicines Facility-malaria*

At its seventeenth meeting, the Global Fund Board established an *Ad Hoc* Committee to further develop the process and policies for the implementation of the Affordable Medicines Facility – malaria (AMFm) pilot in response, in part, to concerns raised by the U.S. Delegation. The U.S. Delegation’s primary concerns were whether implementation of the AMFm is consistent with the Global Fund’s mandate as a financing organization rather than an implementing entity; whether the AMFm will be able to achieve its stated objectives; and the number of staff the Global Fund will require to manage the AMFm, should it go to Phase 2 implementation.

At the 18<sup>th</sup> Board meeting, the *Ad Hoc* Committee presented a Decision Point outlining a revised policy framework, governance arrangements, implementation plan, and financial requirements for a phased launch of AMFm. Critically, the Decision Point allows the Global Fund to move forward with an initial “Phase” of AMFm, on a pilot basis only, and calls for the Board to make a decision on whether to “expand, accelerate, terminate, or suspend” the AMFm in 2010, following an independent evaluation of the AMFm’s achievements.

While the U.S. Delegation remains concerned about the feasibility and potential costs of the AMFm, it was pleased that the *Ad Hoc* Committee had taken these concerns into consideration and made changes to the process and policies to begin to address these issues. Additionally, the U.S. Delegation was pleased that the *Ad Hoc* Committee recommended that companies continuing to market artemisinin tablets alone for treatment of malaria will not be eligible for the AMFm subsidy, as one of the objectives of the AMFm is to crowd oral artemisinin monotherapies out of the market. Thus, the U.S. Delegation abstained from joining consensus on the AMFm decision, but, as a result of the *Ad Hoc* Committee’s work, did not attempt to halt forward progress on the pilot.

### *Implementation of Recommendations From the Board Retreat*

The U.S. Delegation supported the decision to refer to the Policy and Strategy and Portfolio Committees recommendations from the Board Retreat. Issues related to technical assistance, program oversight, Country Coordinating Mechanisms and the Global Fund partnership model are critical to the Fund's success but require further discussion.

### *Approval of New Member for the Technical Evaluation Reference Group (TERG)*

The U.S. Delegation supported the nomination of Dr. Lixia Wang, of the People's Republic of China, to the membership on the TERG.

### *Amendments to the Policy on Ethics and Conflicts of Interest for Global Fund Institutions*

The U.S. Delegation supported the decision point to amend the Board's Policy on Ethics and Conflicts of Interest, which generally tracks U.S. domestic policies on these matters. The amendments to the policy include requirements that individuals file with the Ethics Committee requests for waivers of the "cooling-off period" prior to submitting applications for employment with the Global Fund Secretariat; strengthening of the protections against conflicts of interest within the Ethics Policy and Procurement Policy; and requirements for employees to request permission from the Executive Director to accept outside offices or honors in circumstances that could represent a conflict of interest.

### *Quality Assurance Policy for Pharmaceutical Products*

The U.S. Delegation strongly supported the updated draft of the Quality Assurance (QA) Policy for Pharmaceutical Products. The revised policy reflects a collaborative process in which the U.S. Government was a key participant.

The U.S. Delegation expressed its desire to conduct research in conjunction with the Secretariat into the availability of certain older malaria drugs (such as SP and quinine) that fulfill either Stringent Regulatory Authority (SRA) or World Health Organization Prequalification (PQ) standards. The U.S. Government remains concerned that there might not be a sufficient supply of these drugs that will meet the

QA qualifications, and, depending on the result of this research, could therefore recommend an exception. The U.S. Delegation was particularly pleased with the new policy's tighter standards for anti-retroviral medications, however.

### *Building and Sustaining a Response that Halves Tuberculosis (TB) Mortality and Prevalence*

The U.S. Delegation strongly supported the Global Fund *TB Strategy* and the call from the TB community, led by the Stop TB partnership, for urgent and accelerated action, particularly in the areas of integrating TB/HIV programs, improved case detection, and addressing drug resistant strains of MDR/XDR TB.

### *Round 8 Funding Decisions and Approval*

The U.S. Delegation strongly endorsed the decision taken by the Board regarding Round 8, and applauds the Board's spirit of collaboration and partnership in developing a consensus Decision Point that embraced both the Board's fiduciary responsibilities and the high success rate of Round 8 applicants.

Round 8 represented, by far, the largest round the Board has approved to date, with the Technical Review Panel (TRP) recommending for approval grants worth up to \$3.05 billion over their first two years (Phase I). The previous largest round provided \$1.1 billion for Phase I.

Without any additional action, the value of the recommended Round 8 proposals (assuming their five-year cost), support for ongoing grants through the Rolling Continuation Channel (RCC), and Phase II renewals, would mean that the Global Fund would have had a commitment to fund over \$5.6 billion in 2011, not including any allowance for further funding of new rounds.

The fiduciary responsibilities and long-term viability of the Global Fund weighed heavily on the Members of the Board as they attempted to balance their desire to approve as many technically sound proposals as possible with the financial reality that the Fund has never raised more than \$3.1 billion in any given year.

Based on the report of the TRP and experience with negotiating past grants, the Board thought that efficiencies could be achieved in the budgets of Round 8 grants. In the past, on average, grants have been funded at 90 percent of initial approval

levels for the first two years and 81 percent of overall approved funding for Phase II renewals (as of Rounds 1-4).

The adjustments adopted by the Board enable Round 8 to move forward while reducing the commitment in 2011 to approximately \$3.5 billion. The U.S Delegation strongly believes the consensus decision adopted by the Board finances ongoing grant commitments without reductions in programs, and allows for significant expansion of resources and services under new approvals in Round 9, which the Board will approve in November 2009.

Finally, the U.S. Delegation supported the agreement to undertake an aggressive resource-mobilization effort led by the Chairman of the Board, Rajat Gupta.

#### *Relationship between the Global Fund and the United Nations (UN)*

The U.S. Delegation concurred with the approach presented in the decision point, in particular the Global Fund's efforts to seek observer status at the UN General Assembly. With the termination of the Administrative Services Agreement with the WHO, the establishment of a formal relationship with the UN System is critical, as the WHO and other UN agencies have been and will continue to be crucial to the success of the Global Fund, especially in the area of technical support.

#### *Memoranda of Understanding with the Islamic Development Bank and the Stop TB Partnership*

The U.S. Delegation endorsed the Memoranda of Understanding (MoU) with the Stop TB Partnership and the Islamic Development Bank as key steps to strengthen the Global Fund's collaboration with its partners, subject to review by the Policy and Strategy Committee of any revisions to the texts before signature.

## *Gender Equality Strategy*

The Fund's *Gender Equality Strategy* accurately focuses on the Fund's priorities and comparative advantages, and how the organization will integrate gender into its work. The Strategy also recognizes that social inequalities between women and men, in conjunction with harmful gender-based cultural norms and practices, not only perpetuate women's vulnerability to HIV but also continue to fuel the HIV epidemic among both men and women. The United States supports the decision that the Fund Secretariat will develop a separate approach on men who have sex with men (MSM), transgender, bisexual and lesbian populations, with the understanding that the document will use language approved by the Programme Coordinating Board of the Joint UN Programme on HIV/AIDS (UNAIDS) to describe these populations.

## *Global Fund Architecture*

The U.S. Delegation supported the proposed rationalization of policies and procedures, albeit cautiously, as we expect the Fund's core principles to be preserved in any new "revised access to funding model." The U.S. Delegation therefore appreciates that the Policy and Strategy Committee's discussion stressed the importance of the Global Fund's core principles, including performance-based funding, the involvement of the TRP, and the role of the Country Coordinating Mechanism (CCM).

## *Phased Roll-out of National Strategy Applications, with First Learning Wave*

The U.S. Delegation generally supports the broad principles and attributes of the validation approach for National Strategy Applications (NSAs) outlined by the Policy and Strategy Committee. While the U.S. Government does not currently participate in the IHP+ Working Group on National Health Sector Policies, Strategies, Budgets, and Plans that is developing the approach on NSAs, the U.S. Delegation is cautiously supportive of the Decision Point. The U.S. Delegation appreciates that the attributes include the "[s]pecification of the approach for allocating funds to non-state actors (including civil society organizations, private sector, and, where applicable, people living with HIV) and across government sectors (where relevant);" the NSA channel must not allow Governmental domination of Global Fund processes nor create monopolies on the receipt of Fund financing. The Delegation also appreciates that the attributes focus on monitoring and evaluation (M&E).

### *Follow-up of the Five-Year Evaluation Study Areas 2 and 3*

The U.S. Delegation endorsed the Decision Point and appreciates the work of Macro on Study Area 2 (SA2) of the 5-Year Evaluation. The Delegation also welcomes the creation of an *ad hoc* committee to ensure follow-up to the recommendations of the evaluation. The U.S. Delegation also agrees with Macro and the TERG about the need to address the “critical issues of data quality that are potential threats to the validity and credibility of the Global Fund’s performance-based funding model and internal monitoring,” and, therefore, welcomes the endorsement of the TERG’s call for action to strengthen country monitoring and evaluation systems.

### *International Task Team on HIV-Related Travel Restrictions*

The U.S. Delegation worked with a small group of Board constituencies to draft a consensus Decision Point on the Report of the International Task Team on HIV-Related Travel Restrictions. The U.S. Delegation supported the Decision Point, which reflects the importance of removing travel restrictions while maintaining the Fund’s status as a financing institution focused on programs directly related to HIV/AIDS, malaria, and tuberculosis.

### *Policy on Grant Signature where there are Pending OIG Investigations*

Working with several other interested constituencies, the U.S. Delegation proposed to the Board a policy establishing the conditions that must be met prior to the signature of Board-approved proposals that nominate a Principal Recipient that is under investigation by the Office of the Inspector General of the Global Fund. The United States put forward the policy in the spirit of performance-based funding, as well as to protect the Board’s fiduciary duty. The Board endorsed the proposed Decision Point, and the U.S. Delegation supports further refinement of the details of the policy and its implementation by the Finance and Audit Committee.