



## ANNEX I

of the Commission Implementing Decision on the Annual Action Plan 2014 for the Human Development component of the Global Public Goods and Challenges (GPGC) Programme

Action Document for Multi-annual contribution 2014-16 to the Global fund to Fight Aids, Tuberculosis and Malaria (GFATM)

### 1. IDENTIFICATION

Title/Number	Multi-annual contribution 2014-16 to the Global fund to Fight Aids Tuberculosis and malaria (GFATM) CRIS number: DCI-HUM/2014/ 340-489
Total cost	<p>Total estimated cost: EUR 8 650 000 000 (12 billion USD)</p> <p>Total amount of EU budget contribution: EUR 150.5 million.</p> <p>For an amount of:</p> <p>EUR 101 893 980 from the general budget of the European Union for 2014,</p> <p>EUR 15 000 000 from the general budget of the European Union for 2015, and</p> <p>EUR 33 606 020 from the general budget of the European Union for 2016,</p> <p>subject to the availability of appropriations following the adoption of the relevant budget.</p> <p>This action is co-financed in joint co-financing by all major public and private donors of development aid, in particular:</p> <ul style="list-style-type: none"><li>- USA for an amount of 4 billion USD</li><li>- France for an amount of 1 080 000 000 EUR</li><li>- UK for an amount of 1 000 000 000 GBP</li><li>- Germany for an amount of 645 000 000 EUR</li><li>- Japan for an amount of 800 000 000 USD</li><li>- Canada for an amount of 650 000 000 CAD</li><li>- Sweden for an amount of 2 500 000 000 SKK</li><li>- Norway for an amount of 1 700 000 000 NOK</li><li>- Netherlands for an amount of 185 000 000 EUR</li><li>- Denmark for an amount of 495 000 000 DKK</li><li>- Italy for an amount of 100 000 000 EUR</li><li>- Ireland for an amount of 30 000 000 EUR</li><li>- Belgium for an amount of 38 000 000 EUR</li><li>- Luxembourg for an amount of 7 500 000 EUR</li></ul>

	<ul style="list-style-type: none"> <li>- Switzerland for an amount of 60 000 000 CHF</li> <li>- Australia for an amount of 200 000 000 AUD</li> <li>- Russia for an amount of 60 000 000 USD</li> <li>- Bill and Melinda Gates Foundation for an amount of 500 000 000 USD</li> </ul>		
Aid method / Management mode and type of financing	<p>Project Approach</p> <p>Centralised management (direct or indirect)</p> <ul style="list-style-type: none"> <li>• Indirect management with the World Bank Group or with the GFATM in case of assimilation to International Organisation; or</li> <li>• Direct management with direct award of grant to the GFATM with main purpose of sub-granting may also be an option.</li> </ul>		
DAC-code	12250 –	Sector	Infectious disease control

## 2. RATIONALE AND CONTEXT

### 2.1. Summary of the action and its objectives

The action concerns a multiannual contribution to the Global Fund to Fight Aids TB and malaria (GFATM), special purpose multilateral institution, managed by the WB. The multiannual character of this contribution is based on Article 6 (3) (a) CIR, due to the fact that the action is recurrent.

The overall objective of this action is to contribute to achieving the Millennium Development Goals (1, 4, 5 and 6) by reducing the number of cases of ill-health, death and disability due to HIV/AIDS, malaria and tuberculosis in a way that strengthens the overall ability of recipient countries to provide the necessary health services in a sustainable manner.

The EU contribution is un-earmarked will be used according to the GFATM and the WB rules and procedures to support programmes in developing countries.

#### Context

##### 2.1.1. Sector context: policies and challenges

The EU policy on HIV/AIDS, malaria and tuberculosis was first spelled out in a Communication adopted in October 2004. In April 2005, the European Commission adopted a European programme for action to confront HIV/AIDS, malaria and tuberculosis through external action 2007-2011, which proposes a series of actions at both country and global levels. The Programme for Action underwent a mid-term review in 2009. The Council conclusions adopted on 19 November 2009 reiterated the EU commitment to combating the diseases. The Communication on the EU role

in global health (2010) calls for EU support to focus on strengthening health systems and promote this approach through the governance of global initiatives such as the GFATM. The corresponding Council conclusions support this approach, value the contribution of initiatives such as the GFATM to global health, and ask for stronger EU involvement to ensure that the Fund aligns better with aid effectiveness principles.

The Global Fund is a public-private partnership and a global financial instrument designed to make available and leverage additional financial resources to fight HIV/AIDS, tuberculosis and malaria.

## **2.2. Lessons learnt**

Health aid provided through Global Health Initiatives like the Global Fund has shown to be particularly effective with interventions that can be easily integrated into existing delivery mechanisms like access to modern treatment or prevention, such as bed nets. For example, through Global Fund support, 6.1 million people have received lifesaving treatment for HIV, 11.2 million people treatment for TB, and 360 million bed nets have been distributed to protect children and mothers against malaria. The added value of Global Funds like GFATM is that they offer pooled procurement mechanisms for essential health commodities that do not only help directly in improving access to modern medical treatment for the world's poor (which are initially expensive when they are still on patent protection) but can also shape markets so that prices can come down and access to such treatments can be sustained by partner countries in the long term. Great care has been taken by the European Commission through its influential role on the board of directors that these initiatives better align to country systems and aid effectiveness principles.

It is clear that Global Initiatives cannot operate in a vacuum. They depend on strong health systems to sustain the gains achieved so far. Effective health systems improve compliance of medical treatments and prevent resistance, provide adequate surveillance and response systems, and allow the implementation of concepts such as 'treatment as prevention', all of which are important mechanisms for controlling HIV, TB, and malaria. That is why there is no 'either' – 'or'. Only when we are successful in helping to establish effective health systems, then the impact of important vertical initiatives like the Global Fund can make a full impact. A complementary approach that is coordinated in our partner countries is the goal that the Commission is working towards.

## **2.3. Complementary actions**

Support for the Global Fund to Fight AIDS, Tuberculosis and Malaria from the DCI is in addition to a contribution from the European Development Fund (EDF). The EU has pledged to contribute EUR 370 million in the period 2014-2016, shared between the thematic programme Global Public Goods and Challenges (EUR 150,5 million) and the 11th EDF Intra-ACP funds (EUR 215 million). An amount of EUR 4.5 million has already been contributed in 2014 from the DCI's "Investing in People" programme of the 2007-2013 MFF.

Between 2001 and 2013, the EU disbursed EUR 1227.5 million in payments to the GFATM, of which EUR 630 million came from the EDF and EUR 597.5 million from the EU budget. These disbursements represent 5.7% of the overall contributions

received by the Global Fund so far. The EU collectively has been the biggest contributor to the Global fund with about half of all contributions received. The US as next biggest donor contributed 33%. At a conference in Washington in December 2013 donors pledged another 12 billion USD to the Global Fund for the 2014-2016 period which represents an increase of about 20% to the previous period.

The Global Fund complements the on-going and often substantial investment by partner governments, bilateral and multilateral donors and development banks. In sub-Saharan Africa, the Global Fund may contribute a large proportion of the total in-country investment, particularly for malaria and tuberculosis.

## **2.4. Donor coordination**

The Global Fund has signed the Paris and Accra Declaration on Aid Effectiveness. It harmonises donor contributions to a common, untied fund at international level, and reflects many of the Paris principles in its founding documents. The Global Fund, along with other global initiatives, tracks indicators related to the Paris principles and learns lessons from putting the principles into practice. The new funding model of the GFATM that will be rolled out in 2014 will address EU commitments on aid-effectiveness much better than in the past.

The European Commission is represented on the Global Fund Board. In addition, it has been a member of the Board's Finance and Operational Performance Committee in 2012-2014 and has now been elected to the Strategy Committee of the Board. EU Member States are represented on the Board through constituencies formed with their partners. All views expressed by the Commission on the Board are closely coordinated with constituency members (Belgium, Italy, Spain and Portugal); the Commission organises regular consultations with all EU donors to the GFATM in advance of Board meetings or other important events which has been instrumental in the reforming the Global Fund more towards aid effectiveness principles.

## **3. DETAILED DESCRIPTION**

### **3.1. Objectives**

The objective of this action is to contribute to achieving the Millennium Development Goals (1, 4, 5 and 6) by reducing the number of cases of ill-health, death and disability due to HIV/AIDS, malaria and tuberculosis in a way that strengthens the overall ability of recipient countries to provide the necessary health services in a sustainable manner.

### **3.2. Expected results and main activities**

The Global Fund provides resources to enable beneficiary countries and their development partners to scale up national responses to the three diseases that are firmly grounded in comprehensive health strategies.

The expected result is to improve access to effective prevention and treatment for all populations infected or affected by the three diseases, in particular to increase the

- Number of people living with HIV receiving antiretroviral therapy
- Number of new TB cases identified and treated

- Number of insecticide-treated bednets distributed to malaria-affected populations

The GFATM is a financial instrument, not an implementing entity. It makes available and leverages additional financial resources to fight HIV/AIDS, tuberculosis and malaria by supporting programmes that reflect national ownership and respect country-led formulation and implementation processes.

Under the new funding model funding will be determined by country envelopes that comprise a fixed and a variable amount. The country envelope will be determined by need (disease burden, ability to pay) and other important variables (willingness to pay, other external financing, past performance, etc.). The rounds-system is abandoned and the new model much more differentiated to the needs of the particular country. Countries may apply at any time. Following an inclusive country dialogue and based on broader health (and disease) strategies where they exist, countries will submit a concept note followed by one technical peer review. The concept note will need to reference how the Global Fund fits into existing coordination mechanisms and how the disease strategies relate to the wider health strategy.

The Global Fund requires principal recipients to report results on a regular basis, and these reports are verified by independent consultants known as Local Fund Agents (LFAs).

Activities that may be supported by the Fund include: increased access to and improved quality of health services; provision of critical health products including drugs (bed nets, condoms, antiretrovirals, anti-tuberculosis and antimalarial drugs, treatment for sexually transmitted infections, laboratory supplies and materials, and diagnostic kits); training of personnel and community health workers; behaviour change and outreach; and community-based programmes including care for the sick and orphans.

### **3.3. Risks and assumptions**

The Global Fund seeks to minimise transaction costs while maintaining adequate safeguards to ensure that funds are used effectively and achieve results. It provides resources for three year programmes. This is subject to arrangements in place for local fiduciary procedures, procurement and monitoring. As the Global Fund is focusing on the least developed countries, safeguards need to be in place for minimising risks while allowing significant funds to be effectively channelled to those in need.

In implementing its reform, the Global Fund should continue to focus on incorporating coordination functions into existing country systems where they work. The Global Fund will need to better align improved internal control (Office of the Inspector General, LFA) and the aid effectiveness agenda (use of national audit, use of countries' internal control systems, TA managed by each country and based on the countries' own capacity analysis). The Commission is overseeing fiduciary control and risk management through its representation on the Board of Directors.

### **3.4. Cross-cutting issues**

Mother/child transmission together with social norms and behaviour and the persistence of gender inequalities have a major impact on the spread of these

diseases, in particular HIV/AIDS, which need to be addressed by the Global Fund through specific measures.

The Global Fund recognises that gender issues play an important role in the fight against HIV/AIDS, tuberculosis and malaria and intends to sharpen its gender focus. There is a need to strengthen and mainstream gender in the Secretariat's operations. In this regard, innovative approaches to more comprehensive sexual and reproductive health and rights and family planning programmes are being encouraged within the context of HIV/AIDS prevention and treatment. Additional criteria for grant eligibility, monitoring and evaluation are being developed to measure gender awareness, and additional guidelines on indicators to address gender equality and sexual and reproductive health will be included in the Monitoring and Evaluation Toolkit.

In line with the Global Fund Strategy 2011-2016, the Fund is focusing on human rights and will base funding decisions on compliance with minimum standards.

### **3.5. Stakeholders**

The Global Fund is governed by an international Board consisting of twenty voting members and four non-voting members. The Commission holds one of these board seats. Voting members include government representatives from donor and recipient countries and representatives of affected communities, private sector businesses, philanthropic foundations and NGOs. Representatives of UNAIDS and the World Health Organisation (WHO) also participate as ex-officio (non-voting) members, as does the World Bank, which serves as the Fund's trustee. The Board is advised by a number of committees set up to address specific areas of strategy development, fiduciary oversight, and audit.

The Fund's Secretariat is responsible for day-to-day operations, including mobilising resources from the public and private sectors, managing grants, providing financial, legal and administrative support, and reporting on the Fund's activities to the Board and the public.

To support the Fund in financing effective programmes, the Board relies on an independent panel of international experts on health and development. The Technical Review Panel (TRP) reviews eligible grant proposals on grounds of technical merit (soundness of approach, feasibility and potential for sustainability). Based on this review, the TRP recommends programmes for funding to the Board.

The Office of Inspector General (OIG) operates as an independent unit of the Fund, reporting directly to the Board. The overall and primary purpose of the OIG is to provide the Fund with independent and objective oversight to ensure the integrity and effectiveness of its programmes and operations, including compliance with policies and procedures. The OIG assists the Fund in protecting assets and preventing and detecting fraud, waste, abuse, malfeasance or mismanagement. The OIG has two specific responsibilities: investigation of potential fraud, abuse, misappropriation, corruption and mismanagement of funds; and audit and inspection of activities and transactions to assess the effectiveness of internal controls and to identify areas that will enable the Fund to achieve better results.

The Technical Evaluation Reference Group (TERG) is an advisory body providing independent assessment and advice to the Board on issues that, in its view, require

the Board's attention. The Board also directs the TERG to examine specific programming aspects of the Fund, as appropriate. The TERG advises the Secretariat on evaluation approaches and practices, independence, reporting procedures and other technical and managerial aspects of monitoring and evaluation at all levels. The members of the TERG are drawn from a range of stakeholders, including practitioners, research institutions, academics, donor and recipient countries, and non-governmental organisations. They are nominated and confirmed by the Board.

Country Coordinating Mechanisms (CCMs) are country-level partnerships tasked to develop and submit concept notes to the Fund based on existing strategies and priority needs agreed at national level. After the approval of grants, they oversee progress during implementation. CCMs have often been set up and run as separate entities. They now need to be better integrated into existing development partner groups where they exist. The CCMs include representatives from both the public and private sectors, including governments, multilateral or bilateral agencies, non-governmental organisations, academic institutions, private businesses and people living with the diseases.

EU Delegations are in a number of cases members of CCMs, playing a very active role in certain countries, in collaboration with the Member States. For each grant, the CCM nominates one or more public, private, or civil society organisation as the Principal Recipient.

The Fund does not have a country-level presence beyond its offices in Geneva, Switzerland. Instead, it hires Local Fund Agents (LFAs) to oversee, verify and report on grant performance. LFAs are selected through a competitive bidding process. The Fund normally has one LFA in each country where it has approved a grant. This gives it access to local knowledge that may be relevant to grant performance.

#### **4. IMPLEMENTATION ISSUES**

##### **4.1. Financing agreement**

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country, referred to in Budget Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

##### **4.2. Indicative operational implementation period**

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 36 months from the date of entry into force of the financing agreement or, where none is concluded, from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.



### **4.3. Implementation components and modules**

#### **4.3.1. *Indirect management with an international organisation***

This action with the objective of mitigating the impact of HIV/AIDS, tuberculosis and malaria may be implemented in indirect management with the World Bank Group in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation is justified because the Global Fund to Fight Aids, TB, and Malaria managed by the WB has the international mandate to pool and disburse external funding for health programmes with specific impact on AIDS, TB, and Malaria.

The entrusted entity would use its own procedures: request for submission of concept notes that describe how country allocations determined by country income and disease burden will be used effectively; definition of eligibility, selection and award criteria; peer review and evaluation of concept notes; award of grants, contracts and financial instruments; acting as contracting authority concluding and managing contracts, carrying out payments, recovering moneys due and cancelling debts that cannot be recovered.

The entrusted entity is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. In anticipation of the results of this review, the responsible authorising officer deems that, based on a preliminary evaluation and on the long-standing and problem-free cooperation with this entity, it can be entrusted with budget-implementation tasks under indirect management. However, the conclusion of the agreement corresponding to the implementation of the present action document is conditioned to the proper compliance with the above requirements.

However, it is expected that some difficulties may arise with regard to signing a contribution agreement between the Commission and the WB entity following the recent adoption of new Framework Agreement in 2014 which does not include provisions for financial intermediary funds (FIF).

Therefore, the action could also be implemented in indirect management with the GFATM should its assimilation as International Organisation be adopted meanwhile.

#### **4.3.2. *Grant: direct award (direct management)***

Given the uncertainties detailed above it is deemed necessary to ensure that the available budget will serve by all means the objectives i) to contribute to achieving the Millennium Development Goals (1, 4, 5 and 6) by reducing the number of cases of ill-health, death and disability due to HIV/AIDS, malaria and tuberculosis and ii) to confirm the European Union involvement and the political pledges.

Therefore, award of direct grant to the Global Fund to Fight AIDS Tb and Malaria could also be considered should indirect agreement with WB or GFATM not be possible.

Under the responsibility of the authorising officer by delegation, the recourse to an award of a grant without a call for proposals is justified because the GFATM is identified as beneficiary in the basic act on which this decision is based. The GFATM has the international mandate to pool and disburse external funding for health programmes with specific impact on AIDS, TB, and Malaria.

#### 4.4. Indicative budget

A budgetary commitment will be made for the about EUR 101.9 million contribution for 2014. Further contributions of EUR 15 million and EUR 33.6 million contribution will be committed respectively in 2015 and 2016, subject to the availability of appropriations following the adoption of the relevant budget.

<b>Objective</b>	<b>Amount in EUR thousands</b>	<b>Third party contribution EUR</b>
Contribution to the Global fund to Fight Aids Tuberculosis and malaria (GFATM)	150 500 000	
4.3.3.3. – Indirect management with WB		8 500 000 000
<b>Totals</b>	<b>150 500 000</b>	<b>8 500 000 000</b>

#### 4.5. Performance monitoring

The performance of the Fund is monitored at yearly intervals by assessing the results against a set of 16 key performance indicators at strategic, activity-specific, and operational level. The main service indicators used for routine reporting are: the number of people currently receiving antiretroviral (ARV) therapy, the number of new tuberculosis cases detected, successfully treated, the number of insecticide-treated bed nets distributed, the number of people receiving anti-malaria treatment, the number of people counselled and tested for HIV, the number of HIV-positive pregnant women receiving a complete course of ARV prophylaxis to reduce mother-to-child transmission, the number of condoms distributed.

Individual funded projects are monitored regularly where targets and indicators are agreed with recipient countries.

#### 4.6. Evaluation and audit

The individual grants are evaluated as part of the grant agreements between principal recipients and the Fund. The Fund also commissions independent evaluations of the grants, and it is evaluated itself at five-year intervals.

The Fund's Inspector General audits both internal secretariat processes as well as grant recipients. The mission of the Office of the Inspector General (OIG) is to provide the Global Fund with independent and objective assurance over the design

and effectiveness of controls or processes in place to manage the key risks impacting the Global Fund's programs and operations, including the quality of such controls and processes. All systems, processes, operations, functions and activities of The Global Fund and the programs it funds are within the scope of the OIG's review, evaluation, and oversight. The OIG may also act in an advisory role to further the Global Fund's mission and objectives. The activities of the OIG are: Internal audit; In-country reviews; Assurance validation; Inspection; Investigations; Counter-fraud measures and awareness training; and Consulting activities and advisory services. In March 2014 the OIG signed an administrative agreement with the Commission's anti-fraud office OLAF to improve collaboration in investigations.

The Global Fund will undergo a five-year evaluation in 2015.

The Fund's accounts are audited annually by independent auditors.

#### **4.7. Communication and visibility**

The EU's visibility, pivotal leadership, and fund mobilisation and monitoring role in the GFATM is strengthened through active participation in the Board, in the Board's Strategy Committee and in the Country Coordination Mechanisms of individual countries.

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action.

As far as possible, the GFATM partnership should identify potential areas where broader strategic communication could be sought. The European Commission – World Bank Group Joint Visibility Guidelines included in the Framework Agreement should be used as a reference.