ADMINISTRATION AGREEMENT FOR EUROPEAN UNION CONTRIBUTIONS, AS REPRESENTED BY THE COMMISSION, TO THE TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA

MTO 069001
FED/2011/282-362

Article 1

Subject

Section 1.01. In pursuance of the Trust Funds and Cofinancing Framework Agreement between the European Union, represented by the European Commission (the "Commission"), and the International Bank for Reconstruction and Development ("IBRD"), the International Development Association ("IDA"), and the International Finance Corporation ("IFC") (collectively, the World Bank Group) dated March 20, 2009 (the "Framework Agreement"), the Commission hereby agrees to make available a Contribution for an amount referred to in Section 3.01 (the "Contribution"), and to be administered by the IBRD for the Trust Fund MTO 069001 (the "Trust Fund") for the Global Fund to Fight AIDS, Tuberculosis and Malaria (the "GFATM").

Section 1.02. The Contribution shall be used exclusively for the purposes set out in Annex I, in the founding charter (the Framework Document) of the GFATM, and in the Strategy in force and endorsed by the Global Fund Board (the "Strategy"). The Strategy includes operations principles and strategic objectives for the GFATM.

This Administration Agreement is provided according to the terms and financing eligibility rules of the Cotonou Agreement. The Commission understands that the Trust Fund has been established as an un-earmarked trust fund.

Section 1.03. The IBRD and the GFATM shall administer the Contribution in accordance with the provisions of:

- the Framework Agreement;
- this Administration Agreement;
- the attached General Conditions applicable to European Union contribution to the Trust Fund for the Global Fund to fight Aids, Tuberculosis and Malaria; and
- the Trust Fund Agreement dated of May 31, 2002, as amended, between the GFATM (the "Trust Fund Agreement") and the IBRD.

In the event of a conflict between the provisions of the Framework Agreement, Trust Fund Agreement and this Administration Agreement, the provisions of this Administration Agreement shall take precedence. IBRD shall disburse the Contribution funds in accordance with the terms and conditions of the Trust Fund Agreement.

The attached Annex II "General Conditions applicable to European Union Contributions to the Trust Fund for the Global Fund to Fight AIDS, Tuberculosis and Malaria (the "General Conditions") and Attachment 4 to the Framework Agreement, as annexed to this Administration Agreement, shall be applicable to both the GFATM and the IBRD. Attachment 3 to the Framework Agreement, as annexed to this Administration Agreement, shall apply only to IBRD.
Section 1.04. The Contribution is provided under Joint Management\(^1\) for all purposes of this Administration Agreement.

Section 1.05. The Project is a Multi-Donor Trust Fund\(^2\) for all purposes of this Administration Agreement.

Section 1.06. The trust fund is an Exceptionally large trust fund for the purposes of Section 16.03 of the General Conditions.

Article 2

Entry into force and Implementation Period

Section 2.01. This Administration Agreement shall enter into force when the last of the three Parties signs and will remain in force until the End Date.

Section 2.02. Expenses financed under the Contribution must be incurred after the date following that on which the last of the three parties signs.

Section 2.03. It is expected that an amount of the trust fund equal to the Contribution will be fully utilized in accordance with the provisions of this Administration Agreement by 31 December 2013 ("End Disbursement Date"). The End Disbursement Date can only be modified with the agreement of all Parties pursuant to Article 9 of the General Conditions.

Section 2.04. The IBRD shall only disburse the European Union's pro rata share of the funds remaining in the Trust Fund, as determined by the GFATM, after the End Disbursement Date with the prior written agreement of the Commission.

Article 3

Amount of the Contribution

Section 3.01. The Commission undertakes to make a Contribution of **EUR 150 million** to the Trust Fund.

Section 3.02. Indirect Costs of the GFATM shall not exceed 0% of the final amount of the eligible Direct Costs of the Contribution.

Section 3.03. In order to assist in the defrayment of the costs of administration and other expenses incurred by IBRD in administering the Trust Fund, IBRD may recover such costs and expenses in accordance with the Trust Fund Agreement.

No other administrative or staff cost of the IBRD may be charged to the Trust Fund.

Article 4

Payment schedule and Reporting

Section 4.01. Payments will be made in accordance with Article 15 section 15.01 option 2 of the General Conditions and therefore in accordance with the following payment schedule:

An advance payment\(^3\) \[\text{EUR 50 000 000}\]

(subject to the provisions of the General Conditions)

\(^1\) As defined in Article 1 of the Framework Agreement.

\(^2\) As defined in Article 1 of the Framework Agreement.
One Intermediate payment  

EUR 42 500 000
(subject to the provisions of the General Conditions)

One Intermediate payment  

EUR 42 500 000
(subject to the provisions of the General Conditions)

Final payment  

EUR 15 000 000
(subject to the provisions of the General Conditions)

Section 4.02. Narrative progress report(s) and financial information shall be provided consistent with Article 2 of the General Conditions.

Article 5
Communications and addresses

Any communication relating to this Administration Agreement shall be in writing, shall state the number and title of the trust fund, and shall use the following addresses.

Payment requests and attached reports, including requests for changes to bank account arrangements pursuant to Section 9.02 of the General Conditions, shall be sent to:

For the Commission:

European Commission  
Directorate-General for Development and Cooperation — EuropeAid  
For the Head of Unit for Finances, Contracts and Audit  
B-1049 Brussels  
Belgium  
Fax : +(32) 2 2995431

Copies of the documents referred to above, and correspondence of any other nature, shall be sent to:

European Commission  
Directorate-General for Development and Cooperation — EuropeAid  
For the attention of the Head of Unit for Regional programmes Sub-Saharan Africa and ACP wide  
B-1049 Brussels  
Belgium  
Fax: + 32 2 2994947
For the IBRD:

Director
Multilateral Trusteeship and Innovative Financing
Concessional Finance and Global Partnerships
The World Bank
1818 H Street, NW
Washington, DC 20433
U.S.A.
Fax: +202-614-0790

For the Global Fund:

Director - External Relations
The Global Fund to Fight AIDS, Tuberculosis and Malaria
Chemin de Blandonnet 8
1214 Vernier
Geneva
Switzerland

Article 6
Annexes

Section 6.01. The following documents are annexed to this Administration Agreement and form an integral part thereof:

Annex I: Description of the Project: Action Fiche
Annex II: General Conditions applicable to European Union Contributions to Trust Fund for the Global Fund to Fight AIDS, Tuberculosis and Malaria.
Annex III: Attachment 3 to the Framework Agreement: Verification
Annex IV: Attachment 4 to the Framework Agreement: Visibility

Section 6.02. In the event of a conflict between the provisions of the Annexes and those of this Administration Agreement, the provisions of this Administration Agreement shall take precedence.

Article 7
Other conditions applying to the Project

Section 7.01. Pending possible approval of the GFATM Board, section 10.04 of the General Conditions will read as follows: "The GFATM shall take remedial action upon determination by the Inspector General of the GFATM of credible and substantive evidence of fraud, abuse, misappropriation or corruption involving Global Fund grants and determination by the Legal Counsel of the GFATM of an entitlement by the GFATM to a claim of recovery"

Section 7.02. Sections 10.02, 10.03, 10.04 and 14.03 of the General Conditions shall be deemed to have been complied with, provided the amount contributed by the other donors to
the Multi-Donor Trust Fund is sufficient to cover those amounts which are ineligible under the European Union rules including cost recovery fees.

Section 7.03. Pending possible approval of the GFATM Board, section 18.05, second paragraph of the General Conditions will read as follows:

"Before the End Disbursement Date, the Commission agrees that any such recovery amount may be committed to other grants under the GFATM rules and procedures."

Section 7.04. In addition to the financial information and narrative reports listed in Article 2 of the General Conditions, the following information shall be forwarded to the Commission by the GFATM and shall accompany every request for a further instalment of financing submitted by the GFATM:

- an annual list of GFATM's Principal Recipients in ACP countries detailing the amounts of grants committed and grant disbursed, and
- an annual list of the total amounts of the GFATM grants disbursed to Principal Recipients in each ACP country

This agreement is drawn up in four originals, two for the Commission, one for the Global Fund to Fight AIDS, Tuberculosis and Malaria and one for the World Bank Group entity.

For the European Union, represented by the Commission of the European Communities

Name: F. Mosca
/s/ F. Mosca
Date: 22 December, 2011

For the Global Fund to Fight AIDS, tuberculosis and malaria

Name: K. Kazatchkine
/s/ M. Kazatchkine
20/12/2011

For the International Bank for Reconstruction and Development

Name: A. van Trotsenburg
/s/ A. van Trotsenburg
22/12/2011
Annex I: Description of the Project

1. IDENTIFICATION

<table>
<thead>
<tr>
<th>Title/Number</th>
<th>Contribution to the Global Fund to fight AIDS, Tuberculosis and Malaria</th>
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<tr>
<td></td>
<td>Cris number: 21-985.</td>
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<tr>
<td>Total cost</td>
<td><strong>EU Contribution: EUR 150 000 000 from the Intra-ACP Envelope of the 10th European Development Fund (EDF)</strong></td>
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<td></td>
<td>13040</td>
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<td>Sector</td>
<td>Infectious disease control</td>
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<tr>
<td></td>
<td>Sexual transmitted diseases control including HIV/AIDS</td>
</tr>
</tbody>
</table>

2. RATIONALE

2.1. Sector context

2.1.1 HIV/AIDS

The United Nations Joint Programme on HIV/AIDS (UNAIDS) estimates that 33.4 million people are infected with HIV, while 2.7 million new infections and 2 million deaths occurred during 2008. Within these figures, Sub-Saharan Africa remains the region most heavily affected by HIV, accounting for 67% (22.4 million) of all people living with HIV and for 70% (1.4 million) of AIDS deaths.

After sub-Saharan Africa, the Caribbean is the next hardest-hit region. National adult HIV/AIDS prevalence has stabilized in several Caribbean countries, including the Dominican Republic and Haiti, where declines have been observed in some urban areas. In Haiti, for example, the national adult HIV prevalence rate is estimated at around 5.5%.

2.1.2 Tuberculosis

More than 2 billion people, equal to one-third of the world’s population, are infected with tuberculosis (TB) bacilli.

There were an estimated 9.4 million new TB cases in 2008 (3.6 million of whom are women) including 1.4 million cases among people living with HIV. The estimated global incidence rate fell to 139 cases per 100 000 population in 2008 after peaking in 2004 at 143 cases per 100 000.

1.8 million people died from TB in 2008, including 500 000 people with HIV - equal to 4 500 deaths a day. Both the highest number of deaths and the highest mortality per capita are in the Africa Region.

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2 2009 update TUBERCULOSIS FACTS, factsheet provided by Stop TB partnership and WHO
A particularly dangerous form of drug-resistant is defined as the disease caused by TB bacilli resistant to at least isoniazid and rifampicin, the two most powerful anti-TB drugs. While drug-resistant TB is generally treatable, it requires extensive chemotherapy (up to two years of treatment) with second-line anti-TB drugs which are more costly than first-line drugs, and which produce adverse drug reactions that are more severe, though manageable.

The emergence of extensively drug-resistant TB, particularly in settings where many TB patients are also infected with HIV, poses a serious threat to TB control, and confirms the urgent need to strengthen basic TB control and to apply the new World Health Organisation (WHO) guidelines for the programmatic management of drug-resistant TB.

2.1.3 Malaria

Malaria, one of the world's most common and serious tropical diseases, is a protozoal infection transmitted to humans by mosquitoes. Each year, malaria causes at least one million deaths, 90% of which occur in Sub-Saharan Africa\(^3\), mostly in young children. Malaria is Africa's leading cause of under-five mortality (20%) and constitutes 10% of the continent's overall disease burden. It accounts for 40% of public health expenditure, 30-50% of inpatient admissions, and up to 50% of outpatient visits in areas with high malaria transmission\(^4\).

There were an estimated 247 million malaria cases among 3.3 billion people at risk in 2006, causing nearly a million deaths, mostly of children under 5 years. 109 countries were endemic for malaria in 2008, 45 within the WHO African region\(^5\).

One of the greatest challenges facing Africa in the fight against malaria is increasing drug resistance. Consequently, many countries are updating their treatment policies and use drugs which are more expensive, including combinations of drugs, which it is hoped will slow the development of resistance\(^6\).

In March 2010 the World Health Organization (WHO) released new guidelines for the treatment of malaria and guidance on procuring safe and efficacious anti-malarial medicines. In recent years the new type of treatment called artemisinin-based combination therapy (ACTs) has transformed the treatment of malaria, but if not used properly the medicine could become ineffective. The Guidelines for the Treatment of Malaria (second edition) provide evidence-based and current recommendations for countries on malaria diagnosis and treatment. The main changes from the first edition of the guidelines (published in 2006) are the emphasis on testing before treating and the addition of a new ACT to the list of recommended treatments.\(^7\)

2.1.4 EU Policies

In 2000, the EU redefined its role and accelerated its response to fight HIV/AIDS, malaria and tuberculosis in a coherent and comprehensive framework\(^5\). Based on this framework, the European Commission adopted in 2001 its Programme for Action\(^8\), which defined key actions to improve the effectiveness of existing initiatives targeting the major communicable diseases and poverty reduction, make pharmaceuticals more affordable and support the research and development of global public goods to confront these diseases.

\(^3\) WHO Rollbackmalaria.org info sheet "Malaria and Africa"
\(^5\) 2008 World Malaria Report, WHO 2008
\(^6\) Ibid.
\(^8\) Accelerated Action Targeted at Major Communicable Diseases within the context of Poverty Reduction (COM (2000) 585)
The EU policy on HIV/AIDS, malaria and tuberculosis is further spelled out in the Communication from the Commission adopted in October 2004, entitled "A Coherent European Policy Framework for External Action to Confront HIV/AIDS, malaria and tuberculosis (TB)".

In April 2005, the European Commission adopted a new Programme for Action (PfA): "A European Programme for Action to Confront HIV/AIDS, malaria and tuberculosis through External Action 2007-2011". This programme was endorsed by EU Member States in May 2005. A series of target actions at country and global level levels are proposed namely: At country level, emphasis is put on capacity building including enhancing human resource capacity to mitigate brain-drain, broad-based cooperation between stakeholders, investing in social services, and surveillance and monitoring of health outcomes. At global level, the PfA focus on five areas: affordable pharmaceutical products; strengthening regulatory capacity in developing countries; developing new tools and interventions (such as vaccines and microbicides); strengthening partnerships with multilateral agencies and other institutions; and maintaining a strong European voice in the context of the G8 and EU summits.

In May 2009 a progress report on the implementation of the European Programme for Action to Confront HIV/AIDS, Malaria and Tuberculosis through External Action 2007-2011 has been prepared in a consultative process with Member States and other stakeholders, aiming to review progress and constraints, update policy areas, stimulate joint EU actions and develop recommendations on priorities for such actions. The report concluded that strong and continued leadership of the EU in confronting the three diseases is of critical importance to ensure that the progress and investments already made are not eroded. Such leadership should be based on the commitments and directions set out in the European Consensus on Development, and the EU Agenda for Action on the Millennium Development Goals (MDGs) and underpinned by the common values of country ownership, gender equality and human rights. The progress report confirms the important role played by the Global Fund in the fight against the three poverty-related diseases and argues in favour of a continued strong support for the Global Fund.

The Action Plan 2008-2010 included in the Africa-EU Strategic Partnership, and adopted in EU-Africa Summit held on 8-9 December 2007 in Lisbon, also mentions the Global fund to fight AIDS, Tuberculosis and Malaria (GFATM) as one of the actors and sources of finance that will implement the "Africa-EU Partnership on the Millennium Developments Goals", particularly under the priority actions to ensure the finance and policy base for achieving the MDGs, and to accelerate the achievement of the health targets of the MDGs.

The response to HIV/AIDS and other poverty diseases, such as malaria and tuberculosis is an important part of the European Commission/EU development agenda as outlined in the European Consensus on Development and in the Joint Statement signed on 20 December 2005, which states that the Global Fund is to be supported by the European Commission.

At their 1st Meeting which was held from 25 to 26 October 2007 in Brussels, Belgium, the Ministers responsible for Health in the African, Caribbean and Pacific (ACP) Group of States, issued a Brussels Declaration on Health for Sustainable Development and its Framework for Action in which they reaffirmed their commitment to enhance the fight against communicable diseases, such as HIV/AIDS, Tuberculosis and Malaria.

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10 COM (2005) 179 final. Action N°16 of the indicative monitoring framework precise “Adequate and predictable funding of the global fund, including a significant EU contribution.”
12 COM (2006) C46/01 The European Consensus, joint EU development policy statement. Point 3.4 states explicitly the global fund to fight HIV/AIDS as a global initiative to be supported by the EC.
14 COM (2006) C46/01 The European Consensus, joint EU development policy statement. Point 3.4 states explicitly the global fund to fight HIV/AIDS as a global initiative to be supported by the EC.
The Intra-ACP Cooperation Strategy for the period 2008-2013, agreed upon between the European Commission on behalf of the EU and the ACP Group of States, foresees that EUR 300 million should be dedicated to the Global Fund.

2.2. Lessons learnt

The Fund, as a financing instrument, seeks to provide additional resources to enable countries to formulate and implement policies in the field of HIV/AIDS, Malaria and Tuberculosis. The design of national plans on these three health fields has drawn on best practice. The regular evaluations undertaken of the plans as well as of related initiatives have actively informed the process.

By December 2009 the Global Fund grants had provided: 2.5 million people with antiretroviral treatment; 105 million HIV counselling and testing sessions were conducted; 4.5 million orphans were provided with medical services, education and community care; 790,000 HIV-positive pregnant women have received Prevention from Mother to Child Transmissions (PMTCT) treatment. In the area of fighting tuberculosis and malaria, the Global Fund has provided: 6 million additional cases of infectious tuberculosis were detected and treated; 48% of the 2009 estimated international targets for detection of TB cases and treatment using DOTS were contributed by Global Fund supported programs; 104 million bed nets were distributed to protect families from transmission and 108 million malaria drug treatments were delivered.

The Global Fund has approved a total of US$ 19.3 billion to more than 550 grants in 144 countries, including the latest grants to receive approval for Phase 2 funding (years three to five of the grant lifespan). Of the US$ 19.3 billion approved, US$15 billion have been granted and US$ 10.3 billion have been disbursed to public and private recipients in 144 countries, and 87% of approved grants have signed grant agreements.

For the Commission, there are two issues that should be looked into to further improve the performance and results of the Global Fund:

- At the local level, there is a need to better guarantee that projects financed by the Fund are implemented in an integrated manner; achieving a better balance between health systems and disease-specific interventions. This would improve the response capacity of health systems as a whole and would contribute to avoid bottlenecks or the diversion of scarce means to specific diseases.

- At the level of the EU Delegations, there is a need to further involvement in country discussions to ensure more complementarity and coherence between projects financed by the Global Fund and the EU bilateral and multilateral initiatives at Country level.

In order to address the above issues and following a recommendation of the Court of Auditors that argued in favour of an increased involvement of the EU Delegations in the policy dialogue about the three diseases at country level the European Commission services prepared, in 2009, guidelines addressed to EU Delegations in that sense.

In early 2007, the Fund Board agreed upon a strategy up to 2010, reflecting the Global Fund's commitment to refining its procedures to better meet the needs of its grant recipients. Within its strategy, the Global Fund has outlined the following:

- The weight of Global Fund could increase to US$ 9-10 billion in 2010 and potentially reach US$ 14-15 billion by 2013 to cover the delivery of current services as well as the new needs of people affected by the diseases in countries.

\[\text{\textsuperscript{15}bid.}\]
- It is necessary to **better align with country cycles and procedures**, by combining multiple grants into a single grant; fixing the rounds dates to increase the predictability of funding; and allowing flexibility in the timing of the Phase 2 review.

- The Fund should help the main actors at local level (Principal recipients and Country Coordinating Mechanisms, CCM) to improve the quality of projects' implementation and oversight.

- The Fund should contribute more to **strengthen countries' health systems** and to **maximize effective delivery of services** to combat AIDS, tuberculosis and malaria, and should further develop the modality for such financing.

In view of ensuring **sustainable** funding and improving participatory **ownership of national health programs**, it is necessary to:

- incentivise country stakeholders to develop national strategy applications;
- allow applications to continue funding high-performing grants for up to six years through the Rolling Continuation Channel, a streamlined process operating on a quarterly schedule;
- recommend that proposals to the Global Fund include Principal Recipients (PRs) from both the government and nongovernment sectors;
- strengthen community systems and favour an increased representation of vulnerable groups in the CCM; and
- improve access to funding for CCM administration and increased transparency about civil society access to such funding.

### 2.3. Complementary actions

The Global Fund is instrumental to achieve the MDGs and in particular MDG 6 "Combat HIV/Aids, Malaria and other diseases", which aims at:

- have halted by 2015 and begun to reverse the spread of HIV/AIDS;
- achieve, by 2015, universal access to treatment for HIV/AIDS for all those who need it;
- halt by 2015 and begin to reverse the incidence of malaria and other major diseases.

The Fund intends to complement the ongoing and often substantial investment by bilateral and multilateral donors and development banks; it only finances programmes when it is shown that its assistance does not replace or reduce other sources of funding. The Fund support represents over two-thirds of international financing for TB and malaria and, in 2006, about 22% of the international support regarding AIDS.

The EU has contributed € 872.5 million (55% from the EDF through Joint Decisions with the ACP Group of States and 45% from the EU budget) to the Global Fund between 2001 and 2009.

Donors will continue to contribute to improved outcomes in relation to the three diseases through multiple instruments including technical assistance, targeted projects and budgetary support. Particularly, the United States, through the President's Emergency Plan for AIDS Relief (PEPFAR), has already committed US$ 18.8 billion to the fight against global HIV/AIDS over the past five years (including US$ 2.5 billion allocated to the Global Fund) and on July 2008 reauthorized PEPFAR to spend during the next five years up to US$ 59, US$ 5 and US$ 4 billions, respectively, to fight AIDS, tuberculosis and malaria.

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2.4. **Donor coordination**

The Global Fund has signed the Paris Declaration on Aid Effectiveness. The Fund harmonizes donor contributions to a common, unified fund at the international level, and reflects many of the Paris principles in its funding documents. The Global Fund, with other global initiatives, is tracking indicators related to the Paris principles and learning lessons from putting the principles into practice. The Global Fund is fully committed to this effort by:

- participating in the Measurement Working Group;
- working with the Organisation for Economic Cooperation and Development (OECD) to develop and implement the survey instrument to track progress in reaching the Paris Declaration targets;
- participating in the Global Programs Learning Group also attended by other global initiatives, including the GAVI Alliance, the Global Environment Facility (GEF), and the Education for All-Fast Track Initiative (EFA-FTI);
- Publishing baseline data and monitoring Global Fund results and 2010 targets.

**EU Coordination**

The European Commission supports a coordinated European stance towards the Fund. The European Commission is part of a Constituency formed together with Belgium, Finland and Portugal. All views expressed by the European Commission in the Board are closely coordinated with the other Constituency members. In addition, the European Commission facilitates consultations with EU donors prior to Board meetings. The European Commission is also a member of the Board's Policy and Strategy committee. The European Commission will draw on its global presence, backed up from an extensive network of delegations, and its close cooperation with Member States, some of them also members of the Board, to continue to play an active role in the Board. As in previous Board Meetings, representatives of the ACP Group of States should continue to be invited as observers and the concerns of the ACP Group to be communicated to the Board via the European Commission.

**Country Coordination**

At country level, proposals are submitted through a Country Coordinating Mechanisms (CCM), a grouping of all stakeholders active in efforts to fight the three diseases. This coordinated identification of needs and interventions intends to maximise the potential for the Fund to support additional investment, to fill gaps in the national response.

3. **DESCRIPTION**

The Global Fund is a global financing instrument that makes available and leverages additional resources to fight HIV/AIDS, tuberculosis and malaria.

The Fund provides grants to public, private and non-governmental programmes by issuing open calls for proposals. Proposals are submitted through country coordination mechanisms to ensure local ownership and participatory decision-making. No applications are accepted directly from individual agencies or organisations. Proposals are evaluated through an independent review process based on the most appropriate scientific and technical standards, taking into account local realities and priorities.
3.1. Objectives

The overall objective of this intervention is to contribute to the achievement of the Millennium Development Goals (1, 4, 5 and 6)\(^{19}\) through the reduction of cases of ill-health, death and disability due to HIV/AIDS, malaria and tuberculosis and the reduction of their impact on society.

The specific objective is to make a sustainable contribution to mitigating the impact caused by HIV/AIDS, tuberculosis and malaria in ACP countries.

3.2. Expected results and main activities

The expected results in ACP countries targeted for the 10\(^{th}\) EDF contribution are:

- increased coverage, distribution and utilisation of effective country-owned interventions and greater commodity security to fight against the three diseases;
- strengthened health systems.

3.3. Risks and assumptions

The Fund seeks to minimise transaction costs while maintaining adequate safeguards to ensure that funds are used effectively and achieve results. The Fund provides resources for the first two years of what will normally be part of a five-year programme. This will be subject to satisfactory arrangements in place in relation to the local fiduciary arrangement, procurement and monitoring. The provision of continuing resources for the third year and beyond will be subject to the demonstration of results and the ability to absorb available resources.

3.4. Crosscutting Issues

The Fund will have no impact on natural environments.

The Fund is expected to increase interventions targeting women and children, who are particularly vulnerable to HIV and malaria infections. The transmission mother/child, as well as social norms and behaviours and the persistence of gender inequalities have an important impact on the spreading of these diseases, in particular HIV/AIDS, which need to be addressed by the Fund through specific measures. To this aim, the Board of GFATM approved, in November 2008, a “Strategy for Ensuring Gender Equality in the Response to HIV/AIDS, Tuberculosis and Malaria (“The Gender Equality Strategy”).

A significant proportion of the Fund is channelled through Non Governmental Organisations (NGOs), community based organisations and the private sector in support of culturally sensitive interventions. It shall also be noted that five of the 20 members of the Global Fund's board are representatives of the civil society/private sector.

3.5. Stakeholders

The Fund is governed by an international Board consisting of twenty voting members and four non-voting members. Voting members include government representatives from donor and recipient countries as well as representatives from affected communities, private sector businesses, philanthropic foundations and NGOs. UNAIDS, WHO and the World Bank also participate as ex-officio (non-voting) members. One additional non-voting seat has been created in 2009, to enable the participation of organisations supporting the work of GFATM, either politically or technically, such as UNITAID, Stop TB Partnership and Roll Back malaria.

\(^{19}\) MDG 1- Eradicate extreme poverty and hunger; MDG 4- Reduce child mortality; MDG 5- Improve maternal health; MDG 6- Combat HIV/AIDS, malaria and other diseases
Country Coordinating Mechanisms (CCMs) are central to the Fund's commitment to local ownership and participatory decision-making. These country-level partnerships develop and submit grant proposals to the Fund based on priority needs at the national level. After grant approval, they oversee progress during implementation.

One or several Principal Recipients (PRs), which are the beneficiaries of Fund's grants, are identified by the CCM among reliable local organisations, either public or private. PRs provide regular statements of expenditure to the Local Fund Agent and an annual report of programme progress.

The Local Fund Agent (assigned through open competition) assesses the status of the financial management and procurement of the Principal Recipient.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

In accordance with Art. 14.6 of Annex IV of the ACP-EC Partnership Agreement, a Financing Agreement will be signed between the European Commission and the ACP secretariat. The method of implementation is Joint Management. The implementation of this EUR 150 million EDF contribution will be done through the signature of an Administration Agreement between the European Commission, the World Bank and the Global Fund as was done for the previous EDF contributions.

The IBRD shall administer the contribution in accordance with the provisions of the Framework Agreement and the terms and conditions of the agreement dated as of May 23, 2002 between the Global Fund to Fight Aids, Tuberculosis and Malaria ("The Trust Fund Agreement") and IBRD.

4.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures established and approved by the Board of the Global Fund, such as those included in the Global Fund's Framework Document.

4.3. Budget and calendar

The present EUR 150 million is the 10th EDF contribution for the period 2011-2013. The operational implementation period of the Financing Agreement will be 48 months as of the date of signature of the Financing Agreement. The EUR 150 million contribution will be disbursed to the International Bank for Reconstruction and Development (IBRD)/World Bank through regular annual payments of EUR 50 million, during the period 2011-2013.

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<td>Total</td>
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4.4. Performance monitoring

The performance of the Fund is monitored by assessing the result against a set of service indicators agreed by all stakeholders. These Key Performance Indicators (KPI) are revised, assessed and adapted by the Board's Policy and Strategy Committee every six months, and reported to the Board with recommendations to the Secretariat.

The Global Fund has also adopted some impact indicators to be used rather for medium-term reporting (one to five years).
Individual funded projects are monitored regularly. The monitoring to measure performance begins at the time of grant agreement signing, when targets and indicators are agreed upon between recipients and the Global Fund. Only those grant recipients that can demonstrate measurable and effective results will receive additional funding.

4.5. Evaluation and audit

The individual grant projects are evaluated as part of the contract agreements between principal recipients and the Fund. The latter also commissions independent evaluations of the project, while the Fund itself is actually evaluated at its five-year interval.

Since the five-year lifecycle of the first grants are nearing completion, the Global Fund has launched a Five-Year Evaluation. Under the independent oversight of the Global Fund’s Technical Evaluation Reference Group (TERG) and with the support and participation of 25 countries, the Five-Year Evaluation examines the Global Fund’s organizational efficiency, the effectiveness of its partner environment and the combined impact that the Global Fund, domestic investments, and other donors have had on the reduction in burden of AIDS, TB and malaria during the past few years.

The Five-Year evaluation of the Global Fund (years 2002-2007) was initiated in April 2007 and was finalized in April 2009.

The European Commission services have undertaken, in May 2009, an assessment of the Global Fund. The objective of this assessment is to provide the European Commission with sufficient information to determine the degree to which the Global Fund fulfils the criteria established for the implementation of tasks in the decentralised management mode. A first draft of this assessment has been release in August 2009. Overall, the auditors were of the opinion that the Global Fund "currently benefits from an internal control environment which is based on the principles of proper segregation of duties and the adequate management control of country and regional financial reporting. This provides reasonable assurance that there are mechanisms and controls in place to ensure that any funds received from the European Commission will be used for their intended purpose".

The auditors have been asked to look into the recently approved document "The Risk Management Framework for the Global Fund" and provide an opinion about whether this document responds in adequate manner to address the risks that an organisation like the Global Fund is confronted with. The European Commission is still waiting for the final audit report.

4.6. 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 and in the Board's Policy and Strategy Committee as well as through the Country Coordination Mechanisms of individual countries.
ANNEX II OF THE ADMINISTRATION AGREEMENT

GENERAL CONDITIONS APPLICABLE TO EUROPEAN UNION CONTRIBUTIONS TO TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA

GENERAL PROVISIONS TO THE ADMINISTRATION AGREEMENT

ARTICLE 1

General obligations of the World Bank Group entity and the Global Fund to Fight AIDS, Tuberculosis and Malaria

Section 1.01. The World Bank Group entity, according to the Description of the Project in Annex I, serves as trustee of the Trust Fund for the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Trust Fund) which is a Financial Intermediary Fund (FIF), and disburses the funds in the Trust Fund at the instruction of the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) in accordance with the World Bank Group entity's and the GFATM's policies and procedures and as agreed in the Agreement for the Trust Fund between the GFATM and the International Bank for Reconstruction and Development (IBRD) dated May 31, 2002, as amended (the Trust Fund Agreement).

Section 1.02. Not applicable

Section 1.03. Not applicable

Section 1.04. The World Bank Group entity and the GFATM will be responsible only for performing those functions specifically set forth in the Administration Agreement, in these General Conditions, unless agreed otherwise with the Commission, and in the Trust Fund Agreement, and will not be subject to any other duties or responsibilities to the Commission, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in the Administration Agreement, in these General Conditions, or in the Trust Fund Agreement, will be considered a waiver of any privileges or immunities of the GFATM and the relevant World Bank Group entity under its Articles of Agreement or any applicable law, all of which are expressly reserved.

Section 1.05. The GFATM shall take measures to prevent irregularities, fraud, corruption or any other illegal activity in the management of the Project in accordance with its policies and procedures.

In accordance with its applicable policies and procedures, including those pertaining to protection of confidential information and the integrity of the investigative process, the GFATM shall keep the Commission informed of the progress of any formal investigation concerning the misuse of funds provided under this Administration Agreement and will report to the Commission without delay the conclusions of such findings as well as measures taken to address fraud and corruption consistent with its applicable policies and procedures on anti-corruption.

In accordance with its policies and procedures, the GFATM shall undertake remedial measures, including termination and/or suspension of grant agreements with Principal
Recipients when Principal Recipients have been found to have been involved in fraud or corruption in connection with the Trust Fund funds financed by the Commission. In such cases, the GFATM shall apply its applicable policies and procedures in consultation with the donor(s), to the extent appropriate, to recover the ineligible expenditures.

Section 1.06. The GFATM undertakes to ensure that the general principles set forth under Section 1.05, and Articles 4, 5, 6, 10, 14 and 16 of these General Conditions also apply to the GFATM Principal Recipients and to sub-recipients involved.

ARTICLE 2
Obligations regarding financial information and narrative reports

Section 2.01. The GFATM shall provide the Commission with information on the progress and results of the GFATM's activities financed under the Contribution. To that end the GFATM shall prepare narrative annual report and results report containing information set forth in Section 2.03. The GFATM will also provide the Commission with financial information including audit statements regarding the activities. The narrative report(s) as well as the financial information shall cover the entire Project described in the Administration Agreement regardless of whether or not the Project is entirely financed by the Commission.

Section 2.02. The GFATM shall provide to the Commission the Office of the Inspector General's progress reports as soon as such reports are released to the Global Fund Board, which is expected to be every six months.

The World Bank entity shall provide the Commission with Trustee reports every six months. The World Bank entity shall provide financial statements annually in accordance with the Trust Fund Agreement.

Section 2.03. The narrative progress report(s) shall provide for comparison of the objective(s) of the GFATM, the results expected and obtained and the budget details for the Project. The level of detail in the narrative report(s) should match that of the Description of the Project as specified in the Administration Agreement Section 1.02.

The narrative reports should include:
- Activities carried out during the reporting period;
- Difficulties encountered and measures taken to overcome challenges;
- Changes introduced in implementation;
- Achievements/results by using Global Fund Key Corporate indicators;
- Description of the overall impact and results for each country receiving funds through grants provided by the GFATM.

The progress financial information shall provide for a history of contributions received by the GFATM and GFATM grant-making expenditures. It shall allow the Commission to assess whether the incurred expenditures generally comply with the Administration Agreement.

Section 2.04. Not applicable

Section 2.05. The reports shall be presented in English.

Section 2.06. The GFATM shall submit to the Commission the narrative progress and results report(s) on an annual basis as soon as such reports are released to the donors and by 30 June the latest.
Narrative progress and results report and progress financial information shall accompany each payment request for a further instalment of financing, and shall also be submitted within six (6) months after the End Disbursement Date specified in Section 2.03 of the Administration Agreement.

Within six (6) months after the End Disbursement Date specified in Section 2.03 of the Administration Agreement, the GFATM shall deliver to the Commission a confirmation in writing stating that the amounts received as the contributions have been fully utilised.

Section 2.07. The progress financial information shall be made available pursuant to Section 2.01 and 2.02 following the signature of the Administration Agreement. The final financial information shall be made available by the GFATM pursuant to Section 2.01 within six (6) months after the End Disbursement Date specified in Section 2.03 of the Administration Agreement without prejudice to the obligations set out in Section 16.06 of these General Conditions.

Section 2.08. The Commission may request clarification on the narrative or financial information providing the reasons for the request. Such information shall be provided as soon as available but no later than forty-five days (45) days of the request.

Section 2.09. In addition to the above mentioned reports, each of the World Bank Group entity and the GFATM will ensure that any other of its respective reports, publications, press releases and updates relevant to the Administration Agreement are communicated to the Commission promptly following their issuance.

The Commission may request reasonable additional information from the World Bank Group entity and the GFATM on a case by case basis, providing the reasons for the request. Such information shall be supplied within forty-five days (45) days of the request. Within the limits of their respective responsibilities, the World Bank Group entity and the GFATM will endeavour to promote close collaboration and exchange of information on the Project with the Commission.

Section 2.10. The GFATM shall promptly inform the Commission of any event which, in its opinion, interferes or threatens materially to delay or interfere with the overall successful implementation of the Project financed by the Contribution.

ARTICLE 3

Liability

Other than for failure to perform its obligations set forth in these General Conditions, in the Administration Agreement and in the Trust Fund Agreement, the Commission shall not under any circumstances whatever be liable for damages caused either to or by the World Bank Group entity, the GFATM or third parties, during the performance of the Administration Agreement. No claim can be submitted to the Commission for compensation or for restoration of any such damage or loss. The Commission will not be responsible for the activities of any person or third party engaged by the World Bank Group and/or the GFATM as a result of the Administration Agreement, nor will the Commission be liable for any costs incurred by the World Bank Group and/or the GFATM in terminating the engagement of any such person.

ARTICLE 4

Conflict of interest
The World Bank Group entity and the GFATM undertake to take necessary precautions to avoid conflicts of interest in accordance with their applicable policies and procedures.

ARTICLE 5

Disclosure

The obligations on confidentiality and disclosure of information are included in Article 10 of the Framework Agreement, with all references in such Article to “World Bank Group entity” being interpreted as “World Bank Group entity and the GFATM”.

ARTICLE 6

Visibility and Transparency

Section 6.01. The GFATM and the World Bank Group entity shall list in its financial reporting individual contributions received by the Trust Fund from the European Union Member States and from the European Commission as well as provide collective total amount received from them.

The measures taken to identify the European Union as a/the source of financing are subject to Article 8, which also applies to the GFATM, and Attachment 4 of the Framework Agreement.

Section 6.02. With due regard to the World Bank Group entity's and the GFATM’s applicable rules on confidentiality, security and protection of personal data, the obligations on publication of Beneficiaries shall be governed by Article 9 of the Framework Agreement, with all references in such Article to “World Bank Group entity” being interpreted as “World Bank Group entity and the GFATM”.

ARTICLE 7

Ownership/use of results and equipment

Section 7.01. The GFATM shall own all rights, title and interest to all industrial and intellectual property rights and materials used for and produced by a Project in relation to this Administration Agreement. However the GFATM hereby grants the Commission a non-exclusive right to use free of charge and as it sees fit any of these materials produced by a Project provided said use does not thereby breach existing industrial and intellectual property rights and the GFATM’s policies and Article 5 of these General Conditions.

Section 7.02. Unless otherwise agreed in the Administration Agreement the equipment, vehicles and supplies paid for by the Contribution shall be transferred to Principal Recipients, local authorities or to the sub-_recipients (excluding commercial contractors) of the activities financed by the Trust Fund by the end of the Project in accordance with the GFATM policies on asset management. The documentary proof of those transfers shall be kept for verification along with the documents mentioned in Section 16.06.

ARTICLE 8

Participation in Supervision of the Project

Section 8.01. Representatives of the Commission shall be invited to participate in Supervision missions, when applicable, led by the GFATM relating to the Project financed under the Contribution. The GFATM shall keep the Commission informed of the findings of such missions and provide the Commission with summaries of any reports resulting from such missions.
Section 8.02. Notwithstanding the Commission's participation in a GFATM's Supervision mission, the Commission as a donor may wish to carry out Supervision missions independently at its own cost. Supervision missions by representatives of the Commission should be planned and carried out in a collaborative manner between the GFATM staff and the Commission's representatives, keeping in mind the commitment of both to coordination and collaboration for the effective and efficient implementation of the Project. These missions are to be planned ahead with reasonable notice and procedural matters are to be agreed upon by the Commission and by the GFATM in advance. The mission will make a draft of its report available to the GFATM for comments prior to final issuance.

ARTICLE 9
Amendment of the Administration Agreement

Section 9.01. Any modification of the Administration Agreement, including the Annexes thereto, shall be in writing in an amendment.

The request for amendment shall be submitted by the requesting Party one (1) month before the amendment is intended to enter into force, unless otherwise agreed by the Parties.

Section 9.02. Notwithstanding Section 9.01, changes of address and changes of bank account may simply be notified in writing to the Commission. Changes of bank account must be specified in the request for payment using a financial identification form.

ARTICLE 10
Procurement and Grants

Section 10.01. Not applicable

Section 10.02. Unless otherwise agreed by the Commission and the GFATM in writing, the award of grants to sub-recipients by the Principal Recipients in the context of the Project shall be carried out in accordance with the applicable policies and procedures adopted by the GFATM, as previously assessed by the Commission. The GFATM shall ensure that all provisions of these grant and procurement policies and procedures are adhered to by Principal Recipients.

The administration and enforcement of all provisions entered into between the GFATM and a third party that is financed by the Trust Fund shall be the responsibility solely of the GFATM and shall be carried out in accordance with its applicable procedures, except as otherwise specified in this Article 10 and Section 1.06.

The award by the Principal Recipients of grants to sub-recipients shall apply the following principles, to the extent appropriate in and in accordance with GFATM policies and procedures:

- No single sub-recipient may receive more than one grant financed by the European Union for the same activity. For additional activities, a sub-recipient may receive supplemental grants;

- Grants may only cover costs incurred after the date on which the grant contract with the sub-recipient enters into force;

- No portion of any grant shall be used to provide a direct profit out of the proceeds of the grant to the sub-recipient unless the objective of the grant is to reinforce the financial capacity of the sub-recipient; and
Grants may not as a rule finance the entire cost of the activities carried out by the sub-recipient.

Section 10.03. The origin of the goods and the nationality of the organisations, companies and experts selected for carrying out activities in the Project shall be determined in accordance with the GFATM relevant rules. In any event goods, organisations, companies and experts eligible under applicable regulatory provisions of the European Union shall be eligible.

Section 10.04. The GFATM and its Principal Recipients shall take into consideration as provided for under the GFATM policies and procedures the following or similar situations as factors for determining assessment of sub-recipients:

- Sub-recipients that are bankrupt or being wound up, are having their affairs administered by the courts, have entered into arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;

- Sub-recipients that have been convicted of an offence concerning their professional conduct by a judgment which has the force of res judicata;

- Sub-recipients that have been the subject of a judgment which has the force of res judicata for fraud, corruption involvement in a criminal organisation or any other illegal activity;

- Sub-recipients that are guilty of misrepresentation in supplying the information required as a condition of participation in the Project or fail to supply this information;

- Sub-recipients that are subject to a conflict of interest with respect to the Project.

Section 10.05. The GFATM may be given access whatever its medium (written on paper or stored in electronic form) to the central exclusion database set up and operated by the Commission (the "Central Exclusion Database"). The foregoing shall be applied in accordance with the provisions that may be provided for in Attachment 5 of the Framework Agreement as if any references therein to World Bank Group Entity were to the GFATM including any condition under which the GFATM would communicate to the Commission any judgment rendered after 1 January 2009 which has the force of res judicata for fraud, corruption, involvement in a criminal organization or any other illegal activity against a Principal Recipient receiving funds from a trust fund financed by the European Union.

ARTICLE 11

Suspension of the Administration Agreement

Section 11.01. The GFATM may suspend implementation of all or part of the Project in accordance with its policies and procedures including when circumstances make it too difficult or dangerous to continue. It shall inform the Commission without delay and provide all the necessary details should a project be suspended. The Administration Agreement may be terminated in accordance with Section 12.01. If the Administration Agreement is not terminated, the GFATM shall endeavour to minimise the duration of the suspension and may resume implementation of the Project once the conditions allow, and shall inform the Commission accordingly.

Section 11.02. Not applicable
ARTICLE 12

Termination of the Administration Agreement

Section 12.01. If, at any time, any party believes that the purposes of the Administration Agreement can no longer be effectively or appropriately carried out, it shall consult the other parties. The Administration Agreement may be terminated at the initiative of any party by giving the other parties three (3) months' prior written notice to cancel all or part of the Commission's pro rata share of any remaining balance of the Contribution funds that is not committed pursuant to any agreements entered into between the GFATM and any consultants and/or other third parties for the purposes of the Administration Agreement prior to the receipt of such notice, including the Grant Agreements.

The World Bank Group entity or the GFATM shall return such cancelled balance to the Commission in accordance with Article 18.

Section 12.02. Where the World Bank Group entity or the GFATM:

- fails, without justification, to fulfil any of the obligations set out in Sections 1.04 and 1.05 incumbent on it, including the presentation of a final narrative report and/or making available final financial information within the deadlines laid down in Sections 2.02, 2.06 and 2.07, after being given notice by letter to comply with those obligations, still fails to do so or to furnish a satisfactory explanation within thirty (30) days of sending of the letter; and, in case of narrative progress reports, after failing to provide, together with a satisfactory explanation, a summary of the state of the progress of the Project;
- fails to comply with Section 1.05 or Article 4;
- provides false reports or makes false or incomplete statements to obtain the Contribution provided for in the Administration Agreement;
- commits financial irregularities or is guilty of grave professional misconduct;
- undergoes legal, financial, technical or organisational change that is likely to substantially affect negatively the Administration Agreement or to call into question the decision by which a direct financial contribution is awarded to the World Bank Group or the GFATM by the Commission following a Call for proposals;

After prior consultation with the World Bank Group entity and the GFATM the Commission may terminate the Administration Agreement. In that event the Commission may request full or partial repayment of any amounts that should have not been considered eligible, after allowing the World Bank Group entity and the GFATM to submit its observations.

Section 12.03. Prior to or instead of terminating the Administration Agreement as provided for in Section 12.02, the Commission may suspend payments or (exceptionally) the eligibility of expenses as a precautionary measure, informing the World Bank Group entity and the GFATM immediately.

Section 12.04 This Administration Agreement shall be automatically terminated if no payment has been made by the Commission within three (3) years of its signature.

ARTICLE 13

Dispute resolution
Section 13.01. The Parties shall endeavour to settle amicably any dispute or complaint relating to the interpretation, application or fulfilment of the Administration Agreement, including its existence, validity or termination. In default of amicable settlement, any party may refer the matter to arbitration in accordance with the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States in force at the date of the Administration Agreement.

Section 13.02. The language to be used in the arbitral proceedings shall be English. The appointing authority shall be the Secretary General of the Permanent Court of Arbitration following a written request submitted by any party. The Arbitrator's decision shall be binding on all parties to the arbitral proceedings and there shall be no appeal.

Section 13.03. Nothing in the Administration Agreement shall be interpreted as a waiver of any privileges or immunities accorded to any party hereto by its constituent documents or international law.
FINANCIAL PROVISIONS TO THE ADMINISTRATION AGREEMENT

ARTICLE 14

Eligible costs

Section 14.01. To be considered eligible as Direct Costs under the Administration Agreement costs must:

- be necessary for carrying out the activities financed by the Trust Fund, fall within the scope of the Administration Agreement, and comply with the principles of sound financial management, in particular value for money and cost effectiveness;

- have actually been incurred after the date specified in Section 2.02 of the Administration Agreement and before the End Disbursement Date specified in Section 2.03 of the Administration Agreement;

- be recorded in the GFATM, Principal Recipient or sub-recipient's accounts, be identifiable, backed by originals of supporting evidence and verifiable pursuant to the provisions on the verification provision set out in Section 16.07.

Section 14.02. Subject to the above and without prejudice to Section 14.04, the following Direct Costs related to the activities of the Trust Fund may be eligible provided they are consistent with the GFATM's policies:

- the cost of staff, including those at headquarters, assigned to the activities funded by the trust fund, corresponding to salaries and other benefits costs;

- travel and subsistence costs for staff and consultants;

- cost of purchase or lease for goods and services (including consultant services, transport, storage and distributing, lease of equipment, etc.);

- costs directly arising out of, or related to, distributing consumables, supplies and communications;

- expenditure on contracting (including works);

- the proportion of field office costs that corresponds to the amount of activity directly attributable to the activities financed by the trust fund or to the proportion of the amount deposited by the European Union;

- media workshops, conferences, meetings and other costs including dissemination of information, translation, reproduction, publication;

- training;

- Supervision/project management activities, project preparation activities, and specific reporting for the needs of the Commission;

- financial service costs (in particular bank fees for transfers) and insurance;

- costs related to carrying out visibility activities.

Section 14.03. The following costs of the GFATM or its Principal Recipient and sub-recipients shall not be considered eligible:

- expenditures and provisions for possible future losses or debts;

- interest owed to any third party;

- items already financed from other sources;
currency exchange losses;
- taxes, duties and charges (unless the Principal Recipient or sub-recipient is not able to reclaim them and if allowed by the applicable regulatory provisions of the European Union).

Section 14.04. In order to assist in the defrayment of the costs of administration and other expenses incurred by the GFATM in implementing the activities funded by the Trust Fund provided to it hereunder, a fixed percentage of Direct Costs, not exceeding 7%, may be deducted from each Contribution and retained as Indirect Costs by the GFATM. Indirect Costs are eligible provided that they do not include Direct Costs specifically charged including preparation and supervision costs.

ARTICLE 15
Payments

Section 15.01. Payment schedule is set out in Article 4 of the Administration Agreement and follows one of the options below.

- Option 1:
An advance payment, representing 100% of the total Contribution referred to in Section 3.02 of the Administration Agreement shall be payable by the Commission within forty-five (45) days following receipt of the Administration Agreement signed by all Parties.

- Option 2:
An advance payment referred to in Section 4.01 of the Administration Agreement shall be payable within forty-five (45) days following receipt of the Administration Agreement signed by both Parties.

One or several intermediate payments referred to in Section 4.01 of the Administration Agreement, shall be payable within forty-five (45) days of approving the narrative progress report and the financial information provided the payment request is accompanied by written confirmation that 50% of the total funds received to-date by the trust fund have been subject to a Commitment.

A final payment representing the balance of the total Contribution referred to in Section 4.01 of the Administration Agreement shall be payable within forty-five (45) days following receipt by the Commission of a payment request accompanied by written confirmation that 100% of the total funds received to-date by the trust fund have been subject to a Commitment.

Section 15.02. Narrative progress reports and the up to date financial information shall be deemed approved if the Commission has not reacted within forty-five (45) days of receiving the narrative progress report. If the Commission does not intend to approve a narrative report and/or financial information, as submitted or made available, it shall revert to the GFATM specifying the additional information it requires in accordance with Section 2.08. The deadline for approving the narrative report and financial information shall be suspended pending the receipt of the requested information.

If the Commission deems that a payment request cannot be met, it shall revert to the GFATM (with a copy to the World Bank Group entity) with a request specifying the additional information it requires within the forty-five (45)-day payment period. The payment period
shall be suspended pending the payment request being made available in accordance with Section 15.01.

Approval of a report does not imply recognition of the regularity, authenticity, completeness and correctness of the declarations and information contained therein.

**Section 15.03.** All payments shall be made in Euro, into such bank account designated by the World Bank Group entity in its request for payment pursuant to Section 9.02.

When making deposits pursuant to this Section 15.03, the Commission will instruct the bank with which the deposit is made to include in its payment details information (remittance advice) field of its SWIFT payment message information indicating the amount and date of the deposit, the name and World Bank reference number of the trust fund for which the deposit is made (as set forth in the Administration Agreement), the Commission internal reference number (as set forth in the Administration Agreement), name of the project for which the funds are intended, name of the Commission's department responsible for the trust fund, date of the Administration Agreement or amendment. The Commission will also send a copy of its instruction to the IBRD’s Trust Funds Division via e-mail using address “TFRemitadvice@worldbank.org or via fax utilizing fax number 1-202-614-1315.

**Section 15.04.** Upon the instruction of the GFATM, the World Bank Group entity shall convert the funds into one of the holding currencies of the Trust Fund following receipt of the funds, provided that all the necessary documentation has been received, at the exchange rate applicable to the World Bank Group on the date of the conversion unless the parties agree otherwise in Article 7 of the Administration Agreement. In all cases, where the Contribution proves to be insufficient to complete the Project as a result of an exchange rate fluctuation, the Commission will not bear any responsibility for additional financing.

**Section 15.05.** The funds deposited pursuant to Section 15.04 above may be commingled with other trust fund assets administered by any World Bank Group entity, provided they may still be identified as such in the records of the World Bank Group entity but shall be kept separate and apart from the funds of each of the World Bank Group entities.

**Section 15.06.** The World Bank Group entity may exchange any funds held hereunder for other currencies in order to facilitate their administration and disbursement at the exchange rate applicable to the World Bank Group on the date of the conversion unless the parties agree otherwise in Article 7 of the Administration Agreement.

**Section 15.07.** IBRD shall, on behalf of the World Bank Group entity, invest and reinvest the funds provided by the European Union hereunder pending their disbursement, in accordance with IBRD’s policies and procedures for the investment of trust funds. IBRD shall credit all income earned on funds received from the Commission from such investment to the trust fund established under this Administration Agreement to be used for the same purposes as the Contribution funds.

**ARTICLE 16**

**Financial audits and checks**

**Section 16.01.** The World Bank Group entity shall maintain separate records and ledger accounts for the Trust Fund and disbursements made therefrom.

**Section 16.02.** The GFATM shall provide to the Commission, within six (6) months following the end of each GFATM’s fiscal year or as soon provided to the Board, the report of the
statutory auditor in which financial statements of the Global Fund to Fight AIDS, Tuberculosis and Malaria prepared in accordance with International Financial Reporting Standards are provided together with the report of the independent auditors. The cost of the audit shall be borne by the GFATM.

Section 16.03. As an Exceptionally large Trust Fund a financial statement audit is deemed appropriate and necessary. The financial statements of the Trust Fund shall be audited in accordance with the Trust Fund Agreement.

Section 16.04. Not applicable

Section 16.05. Upon request from the Commission, the GFATM will provide the Commission with copies of all financial statements and auditors' reports received pursuant to the Grant Agreements.

Section 16.06. The World Bank Group entity and the GFATM shall, until at least seven years, after the End Disbursement Date of the Administration Agreement:

(i) keep financial and accounting documents concerning the activities financed by the Contribution hereunder; and

(ii) make available to the competent bodies of the European Union upon request, all relevant financial information, including statements of accounts concerning such transactions (whether executed by such the GFATM or by its Principal Recipients).

The GFATM undertakes to ensure that the principles set forth under this Section also apply to its Principal Recipients and sub-recipients involved.

Section 16.07. In conformity with the European Union financial regulations, the European Union may undertake, including on-the-spot, checks related to the Projects and activities financed by the GFATM.

Section 16.08. The foregoing shall be applied in accordance with the verification provisions provided for in Attachment 3 of the Framework Agreement.

ARTICLE 17

Final amount of the Contribution by the Commission

Section 17.01. The total amount to be paid by the Commission to the World Bank Group entity may not exceed the maximum Contribution established by Section 3.01 of the Administration Agreement.

Section 17.02 The GFATM accept that the Contribution amount shall be limited to the amount required to balance income and expenditure for the Project and that it may not in any circumstances result in a surplus for the GFATM.

Section 17.03. In cases where the Project is not completed by the End Disbursement Date specified in Section 2.03 of the Administration Agreement, the funds that remain unexpended after all Commitments incurred have been satisfied, will be reimbursed to the relevant Balance Account.

Section 17.04. Where the Project is not carried out according to the Administration Agreement and without prejudice to its right to terminate the Administration Agreement pursuant to Section 12.02, the Commission may, after allowing the World Bank Group entity and the GFATM to submit their observations and without prejudice to Article 13, adjust its Contribution pro rata to the actual implementation of the Project on the terms laid down in the Administration Agreement giving three (3) months' prior written notice.
ARTICLE 18
Recovery

Section 18.01. Upon the completion or termination of the Project for which the European Union has provided funding hereunder, the World Bank Group entity or the GFATM, as the case may be, will refund to the Commission within forty-five (45) days of receiving a written request from the latter any amounts paid by the Commission in excess of the final amount due for the Project as set forth in Article 3 of the Administration Agreement and not previously reimbursed to the Commission or to the Balance Account.

Such refund request with banking details and authorized instruction from the Commission shall be sent in the case of the World Bank Group entity to the attention of the Director, Multilateral Trusteeship and Innovative Financing Department of the World Bank, and, in the case of the GFATM, to the attention of [the Chief Financial Officer] Any refund to the Commission will be done in Euro, unless the Parties agree otherwise, at the exchange rate applicable to the World Bank Group or the GFATM, as the case may be, on the date of the conversion unless the Parties agree to another exchange rate in Section 7.02 of the Administration Agreement. In the event the funds are received by the Commission before such refund request is sent, the Commission will issue a refund request acknowledging their receipt.

Section 18.02. If the World Bank Group entity or the GFATM, as the case may be, fails to repay by the due date, the sum due shall bear interest in accordance with the rules of the Commission.

Section 18.03. Amounts to be repaid to the Commission may be offset against amounts of any kind due to the World Bank Group entity or the GFATM, after consulting it accordingly. This shall not affect the Parties' option to agree on payment in instalments.

Section 18.04. Bank charges incurred by the repayment of amounts due to the Commission shall be borne entirely by the World Bank Group entity or the GFATM, as the case may be.

Section 18.05. As soon as identified, the GFATM shall initiate the recovery of any unjustified or ineligible expenditure made by the Principal Recipient or sub-recipient of the GFATM funds.

Before the End Disbursement Date, the Commission agrees that any such recovery amount may be committed to other grants under the GFATM rules and procedures, unless otherwise instructed by the Commission.

The policies and procedures of the GFATM reflect no tolerance for corruption, fraud, misappropriation or abuse of any kind in relation to its grants. As part of the comprehensive risk management framework, the Executive Director of the GFATM is responsible for undertaking action in all circumstances where the Inspector General of the GFATM has determined that there is credible and substantive evidence of fraud, abuse, misappropriation or corruption involving Global Fund grants. These measures may include the suspension of disbursements under existing grants in the affected country or countries, the temporary or permanent debarment of any entity under investigation from receiving grant funding or any other measure deemed appropriate and justified under the circumstances by the Executive Director.

Upon issuance of a report by the Inspector General describing findings of fraud and misuse of grant funds and determination by GFATM Legal Counsel of an entitlement to recovery, the GFATM initiates efforts to seek reimbursement of grant funds. This process entails activities
including mission by GFATM delegations to the involved country in order to request and obtain reimbursement; negotiation with government authorities for protocols for reimbursement; and reference to local authorities. These activities may be accompanied by grant restrictions in accordance with GFATM policies and procedures. The reimbursement of misused grant funds is directed towards the Trust Fund of the GFATM. These recovery efforts are monitored by the GFATM Board, which requires the Secretariat to provide clear, consistent and contextualized information regarding the status of losses identified from audits and investigations, as well as the status of efforts to recover losses.
ATTACHMENT 3 OF THE FRAMEWORK AGREEMENT

AGREEMENT ON THE VERIFICATION CLAUSE OF THE EU-WORLD BANK GROUP FRAMEWORK AGREEMENT

I - Interpretation of verification provisions

As regards the verification clause, including as incorporated in Section 16.06 (ii) of the Attachment 2 to the Framework Agreement, it is agreed that all financial information relevant to the Projects and activities financed by the European Union shall, upon request, be supplied to the European Union. It is understood that the information shall be drawn from accounts and records and will be in a form which makes it possible for the European Union to verify the use to which its funds or contributions have been put. It is further agreed and understood that clarifications, including verification of specific documents, may be requested by the European Union. If so requested by the European Union, each World Bank Group entity will, where appropriate, request its external auditors to respond directly to the European Union in respect of such clarification.

As regards the checks to which reference is made in Section 16.07 of the Attachment 2 to the Framework Agreement, it is understood that representatives of the European Union will be given access to the site of the Project or the headquarters of the World Bank Group, taking into account, in the case of the Commission, the guidelines for on-the-spot verification under point II below. World Bank Group staff will supply all relevant financial and operational information and will explain to the European Union representatives, with appropriate concrete examples, how the accounts are managed and the procedures used to ensure transparency and accuracy in the accounts and to guard against the misuse of funds and fraud. The purpose of such on-the-spot checks is to allow representatives from the European Union to be in a position to report to their own institutions and to the European Parliament on the implementation of Projects and actions and whether value for money has been obtained. It is understood that such on-the-spot checks will be limited to information on the use of the financing provided by the European Union and is without prejudice to the immunities of the World Bank Group entities as set forth in their respective Articles of Agreement or Conventions.

Any question of application and interpretation of and any dispute arising from this Attachment shall be resolved by amicable means between the European Union and the relevant World Bank Group entity, without prejudice to Article 14 of the Framework Agreement.

Each party to this Attachment is to bear its own costs under the arrangements.

II - Guidelines for on-the-spot verification missions by Commission services to World Bank Group entities

Purpose of verification missions

Commission services which are responsible for financing or co-financing Projects administered by the World Bank Group entities are required by the Financial Regulation to verify the legality and regularity of the expenditure and that it is in accordance with the principles of sound financial management. These provisions - the verification clause - are
contained in the Administration Agreements concluded between the Commission and the World Bank Group entity concerned.

Preparation of the mission

Requests by the Commission for on-the-spot verification missions shall be sent to the Bank's Concessional Finance and Global Partnerships Vice Presidency.

In order to ensure that this Attachment functions satisfactorily, it is important that the missions are carefully prepared, that sufficient notice, at least two months, is given and that the organization to be visited is informed in advance of the Projects to be verified. The Commission and the relevant World Bank Group entity to be visited shall agree in advance on procedural matters. These matters include timing and scope of the mission, questions the mission wishes to review with the management of the relevant World Bank Group entity, nature of the financial information, level of sampling and whether missions are to visit headquarters locations and/or field offices. This is without prejudice to common terms of reference that may be agreed between the Commission and the World Bank Group as a tool to facilitate the conduct of these missions.

This will ensure that the necessary documentation, which may not be readily available, can be prepared. It will also enable the internal and external auditors to be advised so that the internal auditor, and where possible, the external auditor, is available to assist the mission team.

Access to original documentation held by a World Bank Group entity will, subject to such entity's document retention policy, be ensured. The relevant entity will assist the mission team in seeking access to original documentation held by third parties.

Coordination for mission programmes

It is essential that the mission team takes full account of the findings of previous missions to the same organization by other Commission services and the European Court of Auditors. The Commission is taking steps to ensure that the different services are aware of the mission programmes of all the Commission services, including other Directorates General, and of the European Court of Auditors, in order that each service takes appropriate account of the programmes of the other services. It is important to avoid duplication and overlap. The Commission is also exploring the possibility of obtaining and distributing the audit programmes of the World Bank Group entities themselves in order to rationalize the overall audit operation.

Conduct of the mission

The mission should be conducted in a spirit of partnership with the internal auditor and the operational and accounting services of the World Bank Group entities. The mission will be carried out by Commission representatives in a reasonable manner and without creating an undue burden on the World Bank Group entity's regular operations.

The object is not to carry out a full-scale audit of the organization but to verify, by sample-checking, how the European Union funds have been used.

In carrying out these checks, the mission team will work as far as possible in close collaboration with the internal and external audit services of the relevant World Bank Group entity, which will allow the visual verification by Commission controllers of original justifying vouchers such as invoices, replies to calls for tender, proof of payments, curricula vitae, justifying vouchers in the case of sub-contracting etc.
The mission team has access to all original documents, without exception, for verification purposes. Documents will only be photocopied if this is necessary and copies will not be taken of documents which the relevant World Bank Group entity considers particularly sensitive.

In cases where the mission team identifies serious problems of mismanagement, irregularity, weaknesses in the control systems and procedures, or where they consider it necessary to take photocopies of particularly sensitive documents, they will request the external auditor to examine the matters in accordance with the first paragraph of point I of this Attachment 3.

Procedure for dealing with problems arising during a mission

If problems arise concerning access to documentation or any other aspect of this Attachment, the mission team should contact immediately the responsible Director at Commission headquarters in order that difficulties may be resolved without delay and the mission completed on time.
ATTACHMENT 4 OF THE FRAMEWORK AGREEMENT

AGREEMENT ON THE VISIBILITY AND PARTICIPATION CLAUSE OF THE EU-WORLD BANK GROUP FRAMEWORK AGREEMENT

Objectives

This Attachment aims at clarifying the scope of the visibility clause included in Article 8 of the Framework Agreement, as well as establishing a course of action for improving public understanding of the role of the Parties in co-financed operations.

It describes actions to be undertaken to strengthen the understanding of and support for key development messages among authorities, non-state actors and the general public in beneficiary countries, authorities, non-state actors and general public in the EU member states and interested parties in the wider donor community.

Respect of the visibility provisions of the Framework Agreement

(1) The Parties shall take all appropriate measures to ensure that the visibility provisions of the Framework Agreement, as clarified by this Attachment, are duly respected, and that their departments, both in headquarters and in their country offices, comply with their respective visibility obligations. Where the action entails particular, context-specific visibility requirements, the specific Administration Agreements signed by the Parties complement the visibility provisions of the Framework Agreement, by including a visibility plan adapted to the action to be financed or co-financed, and incorporating the provisions of this Attachment.

(2) The services of the Commission, including its Delegations, and the relevant services of the World Bank Group, will, in the framework of their respective regular reporting requirements, report on their assessment of the implementation of the visibility provisions of the specific Administration Agreements.

(3) The result of the reports on visibility mentioned in the previous paragraph will be discussed in the preparations for the annual consultations between the Commission and the World Bank Group provided for in Article 11 of the Framework Agreement. Specific recommendations and proposals to improve the implementation of such visibility provisions may then be adopted during the annual consultations.

(4) Where appropriate to support such visibility requirements, funding may be included in the program of development activities the trust fund is supporting.
Press information, reports and publications

The relevant World Bank Group entity will take all appropriate measures to publicise the fact that an action has received funding from the European Union. Information given to the press and to the beneficiaries of an action, all related publicity material, official notices, reports and publications should acknowledge that the action was carried out "with funding provided in part by the European Union" and display appropriately the European logo (twelve yellow stars on a blue background).

Equipment and vehicles

The World Bank Group entity's equipment and vehicles may carry its emblem and other indications of ownership prominently displayed. In such cases, where equipment or vehicles and major supplies have been purchased using funds provided by the European Union, the relevant World Bank Group entity shall, and shall require entities contracted by the relevant World Bank Group entity to, include appropriate acknowledgement on such vehicles, equipment and major supplies (including display of the European logo).

High level visits

Where high level visits are planned concerning joint funded activities, the Parties will inform each other and consider co-ordinating these visits and agreeing on joint messages.

Trust Fund Management

Where the Commission contributes more than 20% of a trust fund, it will expect to have a significant role in the governance of the trust fund, including, where appropriate, co-chairing any steering committee for the trust fund.

Joint press conferences, donor conferences and public debates

The World Bank Group and the Commission shall invite each other to participate at press conferences, donor conferences and public debates on trust funds where the Commission is a significant contributor.

Initiatives for a better visibility

The Parties will work together so that a better visibility in the field for co-financed actions will support actions to improve visibility in the EU. Special initiatives such as material for schools, website management and development, shared photo banks and TV spots will be appropriately included in the visibility plan referred to above, and the necessary financial provision made in the visibility plan.

Staff

Improving visibility in the field will depend primarily on initiatives of staff in both institutions. These initiatives will be agreed during the negotiation of each trust fund and their cost covered by the trust fund. The Parties commit themselves to improving the training of staff in communication skills. Best practices will be disseminated as appropriate through Commission and World Bank Group instruments.

Guidelines

The Parties will adopt joint guidelines in order to clarify and support the co-operation of their country offices in relation to visibility, including the scope and format for visibility plans.