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

DCI-SANTE/2011/ 262-496

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.

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 contributions to 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 the European Union contribution to 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 Management1 for all purposes of this Administration Agreement.

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1 As defined in Article 1 of the Framework Agreement.
Section 1.05. The Project is a Multi-Donor Trust Fund\textsuperscript{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 2014 ("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 65 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 1 of the General Conditions.

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.

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

\textsuperscript{2} As defined in Article 1 of the Framework Agreement.
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:

Directorate-General for Development and Cooperation — EuropeAid
  For the attention of Financial Unit D6
  B-1049 Brussels
  Belgium
  Fax: +32 2 2920940

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

  Directorate-General for Development and Cooperation — EuropeAid
  For the attention of Operational Unit D4
  B-1049 Brussels
  Belgium
  Fax: +32 2 2979896

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:
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 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 Article 14 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 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."

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.

<table>
<thead>
<tr>
<th>For the European Union, represented by the Commission of the European Communities</th>
<th>For the Global Fund to Fight AIDS, tuberculosis and malaria</th>
<th>For the International Bank for Reconstruction and Development</th>
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</thead>
<tbody>
<tr>
<td>Name: E. Feret</td>
<td>K. Kazatchkine</td>
<td>A. van Trotsenburg</td>
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<tr>
<td>/s/ E. Feret</td>
<td>/s/ M. Kazatchkine</td>
<td>/s/ A. van Trotsenburg</td>
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<tr>
<td>Date: 19/12/2011</td>
<td>20/12/2011</td>
<td>19/12/2011</td>
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ANNEX I

1. IDENTIFICATION

<table>
<thead>
<tr>
<th>Title/Number</th>
<th>2011 Annual contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM)¹</th>
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<tbody>
<tr>
<td></td>
<td>DCI-SANTE/2011/262-496</td>
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<tr>
<td>Total cost</td>
<td>EU contribution: EUR 65 000 000</td>
</tr>
<tr>
<td>Method/Management mode</td>
<td>Project approach — Joint management with an international organisation (World Bank — the Global Fund to Fight AIDS, Tuberculosis and Malaria)</td>
</tr>
<tr>
<td>DAC code</td>
<td>12250</td>
</tr>
<tr>
<td>Sector</td>
<td>Infectious disease control</td>
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</tbody>
</table>

2. RATIONALE

The thematic programme ‘Investing in People’ pursues a broad approach to development and poverty reduction, with the general aim of improving human and social development levels in partner countries in accordance with the United Nations Millennium Declaration and the Millennium Development Goals. It is based on Article 12 of the Development Cooperation Instrument (DCI),² and is detailed in the Strategy Paper for the Thematic Programme 2007-2013.³ Under the theme ‘Good Health for all’, it addresses four key health areas. One is the need to strengthen Europe’s role in addressing the main poverty-related diseases, such as HIV/AIDS, malaria and tuberculosis, which severely undermine general human and social development work.

The mid-term review of the Strategy Paper adopted on 5 November 2010⁴ confirms this need, stating that health action in 2011-2013 should continue to provide support to initiatives that have proved successful or appropriate, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), which has delivered impressive results for malaria and tuberculosis in a number of countries.

In 2011, the GFATM will enter into its third cycle of financing (2011-2013). However, it faces a growing demand from countries and price increases for second-line HIV/AIDS

¹ This contribution is subject to the resumption of the Commission contributions to the GFATM—which were temporarily put on hold in the end of January 2011 due to reported fraud cases in Mauritania, Zambia, Mali and Djibouti. The resumption will be subject to the Commission’s recommendations’ being taken into consideration and additional reforms being in place to guarantee safe disbursement of grants. The Commission will carry out a second systemic audit of the Global Fund and of the Fund’s activities in the four affected countries, with a focus on mechanisms at country level and GFATM’s instructions and oversight related to these country level mechanisms.


drugs. Given these constraints and the need to ensure continuity, it is proposed to allocate EUR 65 million to the fund in 2011, which is EUR 15 million more than the usual EUR 50 million allocated to this specific budget line.\(^5\)

2.1. Sector context

Tackling HIV/AIDS, malaria and tuberculosis remains a major challenge for many developing countries in their work to achieve the health-related Millennium Development Goals (MDGs) by 2015. These diseases severely undermine general human and social development work. In 2000, the EU redefined its role and accelerated its response to fight HIV/AIDS, malaria and tuberculosis in a coherent and comprehensive framework.\(^6\) Based on this framework, in 2001 the European Commission adopted a Programme for Action\(^7\) to improve the effectiveness of existing initiatives targeting the major communicable diseases and poverty reduction, make pharmaceuticals more affordable and support research and development into global public goods to tackle these diseases.

The EU policy on HIV/AIDS, malaria and tuberculosis is spelled out in the communication adopted in October 2004 *A coherent European policy framework for external action to confront HIV/AIDS, malaria and tuberculosis (TB)*.\(^8\) In April 2005, the European Commission adopted *A European programme for action to confront HIV/AIDS, malaria and tuberculosis through external action 2007-2011*\(^9\), which proposes a series of actions at both country and global levels. Country-level action includes capacity building, increasing human resource capacity to mitigate the brain drain, broad cooperation between stakeholders, investing in social services and surveillance, monitoring health outcomes and boosting local capacity to produce pharmaceutical products. Proposed global-level action covers five areas: affordable pharmaceutical products, increasing regulatory capacity in developing countries; developing new tools and interventions, strengthening partnerships with multilateral agencies and other institutions, and maintaining a strong European voice at G8 and EU summits. A major objective of the programme is to invest more in scaling up the schemes that have delivered results.

The Programme of Action underwent a mid-term review in 2009.\(^10\) The Council conclusions adopted on November 19th 2009\(^11\) then reiterated the EU commitment to combating the diseases. The Council conclusions also urge the Commission and Member States to deepen policy dialogue and collaboration with partner countries and other development partners, including private sector actors, with a view to developing a long-term response to the three

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\(^5\) These additional credits come on top of the global allocation to the Investing in People programme.

\(^6\) *Accelerated action targeted at major communicable diseases within the context of poverty reduction (COM(2000) 585).*

\(^7\) *Programme for action on communicable diseases in the context of poverty reduction (COM (2001) 96).*

\(^8\) COM (2004) 726 final. Point 4.2.2 clearly states: ‘The EC will increase funding support to confronting the three diseases through innovative action. The global fund has proven to be a comparatively fast way of channelling EC funds into confronting the three diseases at country level and has already shown key results’.


diseases, achieving universal access to HIV prevention, treatment, care and support by 2010 and hitting the MDG targets related to HIV/AIDS, malaria and tuberculosis by 2015.

Tackling HIV/AIDS and other poverty diseases, such as malaria and tuberculosis, is a major part of the 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 EU will support the Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM).

In line with the Programme of Action, the European Consensus and the Joint Statement, the thematic programme 'Investing in People' will channel health sector support in 2011 to programmes and initiatives to improve access to prevention, treatment, care and support around the world. It will do this by making a financial contribution to the GFATM.

The 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

As of December 2010, GFATM grants have provided more than 3 million people with antiretroviral (ARV) treatment for AIDS, 150 million counselling and testing sessions, 5 million orphans with medical services, education and community care, 1 million HIV-positive pregnant women with Prevention of Mother to Child Transmissions (PMTCT) treatment, 7.7 million people with new cases of infectious tuberculosis detection and treatment, 142.4 million with malaria treatment, and more than 160 million insecticide-treated mosquito nets to families.

By December 2010, the Global Fund has approved a total of US$21.7 billion to 579 grants in 144 countries and by January 2011 disbursed US$13 billion to grant recipients. Of the approved grants, 62% were committed to AIDS programmes, 16% to tuberculosis and 22% to malaria.


The evaluation confirmed that the Global Fund does play an important role in the global development architecture and merits continued support from multiple development actors involved in combating HIV/AIDS, tuberculosis and malaria. The Fund has contributed to significant progress and achievements in the fight against AIDS, tuberculosis and malaria and has laid the foundation for continued, successful scale-up. However, not all the original expectations of the Global Fund have been met. A concerted effort is still needed to continue revising and refining the Global Fund’s principles, systems and practices in order to increase funding for scaling up, especially given the current financial climate. The key messages

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from the evaluation highlight the urgent need to focus on principles of mutual accountability in partnerships, review and reinforce the performance-based funding system to secure its integrity, and step up the fight against the three diseases by strengthening health systems.

The Global Fund Board and Secretariat have responded to recommendations from the five-year evaluation. Several initiatives are now underway in line with the evaluation findings and recommendations. These include increasing involvement of the Global Fund in health systems strengthening, an implementation plan for the gender strategy, a revised grant rating system, a partnership strategy and the development of a risk-management framework. A new architecture for the grant system of the Global Fund has been introduced including regrouping of grants (single stream funding) and scope to make national policy applications. The new architecture reduces the administrative burden on countries, principal recipients and secretariat when more than one grant is approved for the same disease in a country, and allows for more flexibility in aligning reporting and review time-frames and indicators with the national calendar. The GFATM Secretariat recently undertook an ambitious 'Reform agenda for a more efficient and effective global fund' with three dimensions: organisational reforms (equipping the Secretariat for change); operational reforms (building better programs) and optimising value for money.

Following fraud cases reported by the Office of Inspector General in four recipient countries (Mauritania, Zambia, Mali and Djibouti), the Global Fund announced on 4 February 2011 that a number of measures would be put in place by June 2011 to reinforce its financial safeguards, in order to further increase its capacity to prevent and detect fraud and misuse of grants. The measures to strengthen financial safeguards announced include:

- Expanding the mandate of firms that monitor expenditure in countries to improve fraud prevention and detection;
- Strengthening the role of country coordinating bodies in grant oversight;
- Performing additional scrutiny of activities considered at higher risk of fraud, such as training;
- Redirecting a proportion of all grants to assess and strengthen financial controls at country level;
- Increasing the number of the Fund’s staff responsible for financial management;
- Doubling the budget of the Fund’s independent Inspector General.

The Fund is also setting up a high-profile panel of international experts to review its systems and ensure that its approaches to fraud prevention are among the strongest in the world. The panel is expected to report to the Board in June–July 2011.

The EU considers the main challenges to improve the Global Fund’s performance and results to be:

- The Global Fund should align more on countries’ national priorities and simplify its procedures, which have become very complex. Programmes supported by the GFATM should be more integrated in national health strategies, and look at synergies between disease-specific interventions and system building. This would improve the response capacity of health systems as a whole and would help avoid bottlenecks and the diversion of scarce resources to specific diseases.

- The EU Delegations and European donors present in country should follow-up discussions within the Country Coordination Mechanism (CCM) and ensure more complementarity and coherence between each of the Global Fund proposals, health
national strategies and the Commission’s/Member States’ initiatives at country level, while taking account of action by other donors.

Financial oversight of the grants should be improved, with a clearer role for the CCM and a greater mandate for the Local Fund agent (LFA) to track diversion of funds. The Office of the Inspector General, acting independently from the Secretariat and referring directly to the Board, is key to the credibility of the GFATM. To this end, the Commission will carry out a second systemic audit of the Fund in its country-level activities in four countries: Mauritania, Zambia, Mali and Djibouti. The purpose is to assess whether the recommendations of the 2009 Commission audit have been implemented, whether systems have been put in place to prevent misuse of funds and whether adequate mechanisms are in place to ensure full recovery of funds from any identified fraud cases.

2.3. Complementary actions

Support for the Global Fund to Fight AIDS, Tuberculosis and Malaria is in addition to a contribution from the European Development Fund (EDF). The EU intends to continue contributing EUR 100 million annually until 2013, shared equally between the thematic programme ‘Investing in People’ and the 10th EDF Intra-ACP funds. A further EUR 15 million are added from the ‘Investing in People’ specific Global Fund budget line in 2011.

Between 2001 and 2010, the EU disbursed EUR 922.5 million in payments to the GFATM, of which EUR 480 million came from the EDF and EUR 442.5 million from the EU budget.

In addition to financial support to the Global Fund, the European Commission (in joint management with the World Health Organisation) supports capacity building in six ACP countries to scale up national work to provide universal access to HIV/AIDS prevention, care and treatment by improving implementation of national AIDS responses, including Global Fund grants.

The Fund complements the ongoing and often substantial investment by bilateral and multilateral donors and development banks. In sub-Saharan Africa, the Fund may contribute a large proportion of the total in-country investment, particularly for malaria and tuberculosis. Donors will continue to help improve outcomes for the three diseases in various ways, including technical assistance, targeted projects and budgetary support. Country proposals for financing from the Fund are submitted through the Country Coordinating Mechanism, which groups all stakeholders involved in combating the three diseases. This maximises the Fund’s potential to support additional investment, fills gaps in the national responses and complements other work.

2.4. Donor coordination

The Global Fund has signed the Paris and Accra Declaration on Aid Effectiveness. It harmonises donor contributions to a common, united fund at international level, and reflects many of the Paris principles in its founding documents. The Global Fund, with other global initiatives, tracks 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:
• working with the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) to develop and implement the survey instrument to track progress in reaching the Paris Declaration targets;
• representing global initiatives in the Paris process, including the Global Alliance for Vaccines and Immunisation (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; and
• participating in the Measurement Working Group.

As a financing mechanism, the Global Fund works closely with other multilateral and bilateral organisations involved in health and development issues to ensure that newly funded programmes are coordinated with existing ones. In many cases, these partners participate in country coordinating mechanisms, providing important technical assistance to develop proposals and implement programmes.

The Global Fund is increasingly involved in work to strengthen health systems, in cooperation with GAVI, the World Bank and the WHO. A new architecture for grant funding to facilitate alignment and harmonisation with national and other international funding was operational on a voluntary basis in 2010 and for all new grants as from 2011.

The European Commission has coordinated a supportive European stance towards the Fund and held the seat of Vice-Chair of the Board from March 2006 to March 2007. It is currently represented in the Board by the Directorate-General for Development and Cooperation EuropeAid. In addition, it is a member of the Board’s Policy and Strategy Committee and represented in the Portfolio Committee by a member (Belgium) of the constituency formed together with Portugal, Belgium and Finland. Other 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; the Commission organises regular consultations with all EU donors to the GFATM in advance of Board meetings or other important events.

3. DESCRIPTION

3.1. Objectives

The overall objective of this action is to contribute to achieving the Millennium Development Goals (1, 4, 5 and 6)\(^\text{14}\) by reducing the number of cases of ill-health, death and disability due to HIV/AIDS, malaria and tuberculosis and hence their impact on society.

The specific objective is to mitigate the impact of HIV/AIDS, tuberculosis and malaria.

3.2. Expected result and main activities

The Fund provides resources to enable beneficiary countries and their development partners to scale up defined national responses to the three diseases.

\(^{14}\) MDG 1: Eradicate extreme poverty and hunger
MDG 4: Reduce child mortality
MDG 5: Improve maternal health
The expected result is:

- Increased coverage and utilisation of effective interventions and greater commodity security to fight the three diseases in the poorest developing countries.

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.

The GFATM Secretariat launches calls for proposals on a regular basis, and awards and manages grants according to a transparent process, following the guidance and decisions of the Fund’s Board.

The Fund has defined a set of eligibility criteria, including the disease burden for HIV/AIDS, tuberculosis and malaria and poverty indicators. It encourages new and innovative alliances between partners in recipient countries and seeks to actively involve local representatives of civil society and the private sector in the CCM. The Fund encourages interventions focused on strengthening national, sub-national and community systems to increase the demand for, access to, and the quality of, services, as well as equal access to services by women and men of all ages and by key affected populations and sexual minorities. This approach fosters effective disease-specific strategies and support efforts to strengthen underlying health systems in recipient countries, consistent with national strategic plans.

Under the proposal, the grantee is expected to indicate baseline data, targets and key indicators. The Global Fund requires principal recipients (organisations in the CCMs) to report results on a regular basis, and these reports are verified by independent consultants known as Local Fund Agents (LFAs). This enables the Global Fund to ensure that funds channelled through the Fund Trustee reach those for whom they are intended and are spent efficiently. This system of performance-based funding also allows the Global Fund to react quickly should problems arise. It acts as an important signal to industry of commitment to purchase, which gives industry the incentive to develop new commodities and make price reductions.

Activities that may be supported by the Fund include: increased access to health services; provision of critical health products including drugs (like 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 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 a five-year programme. This is subject to arrangements in place for local fiduciary procedures, procurement and monitoring. The provision of resources for the third year and beyond is subject to the demonstration of results and the ability to absorb available resources.
3.4. Cross-cutting issues

The Fund is increasing interventions targeting women and children, who are particularly vulnerable to HIV and malaria infections. Mother/child transmission together with social norms and behaviours 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 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 is putting in place a programme to sharpen its gender focus in the Secretariat’s internal mechanisms and operations. The programme includes developing a gender policy and appointing a gender focal point to implement and monitor the policy. The policy focuses on systematic training on gender issues linked to the three diseases for all Secretariat staff to heighten awareness. Gender expertise within Global Fund structures has also been strengthened, for example through revised composition guidelines for the Country Coordinating Mechanisms and a review of the Technical Review Panel’s membership. There is also a need to strengthen and mainstream gender in the Global Fund Secretariat’s operations. In this regard, and in the light of country-level evidence, strategic partnerships are being scaled up and innovative approaches to more comprehensive sexual and reproductive health and rights and family planning programmes are being encouraged. 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.

3.5. Stakeholders

The Fund is governed by an international Board consisting of nineteen voting members and four non-voting members. Voting members include government representatives from donor and recipient countries and representatives of affected communities, private sector businesses, philanthropic foundations and NGOs. Representatives of the Joint United Nations Programme on HIV/AIDS (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 difficulty or complexity that may arise. Currently, they include committees on Ethics, Policy and Strategy, Finance and Auditing, and Management of the Portfolio. The European Commission is directly and substantially involved with the Board Committee on Policy and Strategy (in a constituency with Portugal, Belgium and Finland).

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 proposals for funding to the Board.
The Partnership Forum meets every two years, assembling a broad range of global stakeholders to discuss the Fund’s performance and to make recommendations on its strategy and effectiveness.

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 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 national level. After the approval of grants, they oversee progress during implementation.

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 or private organisations 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 (LFA) 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. There are some cases, however, where it is not possible to have a LFA in the country. In these cases, the LFA is based in a nearby country and flies in from time to time to verify grant implementation.
4. **IMPLEMENTATION ISSUES**

4.1. **Implementation method**

The contribution to the Global Fund to fight AIDS, Tuberculosis and Malaria involves joint management with an international organisation (World Bank), under Articles 53 and 165 of the Financial Regulation\textsuperscript{15} and Article 43 of the Implementing Rules.\textsuperscript{16}

4.2. **Procurement and grant award procedures**

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standards as laid down and published by the Fund.

Grants will be awarded by the Fund to the selected projects following international calls for proposals and approval by the Board of the Fund.

4.3. **Budget and calendar**

A budgetary commitment will be made for the EUR 65 million contribution, which will be disbursed in one or two payments to constitute part of the pool of financial resources of the Fund.

As detailed in footnote 1, the payment of the contribution will be subject to the resumption of Commission support to the GFATM.

The indicative duration of execution of the contribution is 12 months.

4.4. **Performance monitoring**

The performance of the Fund is monitored at six-month intervals by assessing the results against a set of indicators agreed by all stakeholders. The top ten service indicators used for routine reporting include: the number of people currently receiving antiretroviral (ARV) therapy, the number of new tuberculosis cases detected,\textsuperscript{17} successfully treated or enrolled for multidrug-resistant treatment, the number of insecticide-treated bed nets distributed to people, the number of people receiving anti-malaria treatment, the number of people counselled and tested for HIV, including provision of results, 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 to people, the number of people benefiting from community-based programmes, the number of people receiving treatment for infections associated with HIV and the number of service deliverers trained.

The Global Fund has also adopted some impact indicators to be used mainly for medium-term reporting (one to five years). These indicators include: the percentage of people aged


\textsuperscript{17} Indicators are classified according to the Fund’s classification and differ in some extent from those of the European Commission. For example TB detection rate is an outcome indicator under the Commission’s classification.
15-24 who are HIV-infected (HIV prevalence) applicable to most-at-risk populations in concentrated/lower epidemics; the percentage of people still alive 12 months after initiating ARV treatment (reduced mortality); the percentage of infants born to HIV-positive mothers who are HIV-infected (reduced mother-to-child-transmission); the percentage of people aged 15-24 who had sex with more than one partner in the last year; the percentage of people aged 15-24 with no regular partner in the last year who used consistently condoms; the percentage of people aged 15-19 who never had sex (primary abstinence) or aged 15-24 who had no sex in the last year (secondary abstinence); the tuberculosis detection rate and tuberculosis treatment success rate; the estimated number of active tuberculosis cases per 100,000 people (TB prevalence rate); the number of malaria-associated deaths and the incidence of clinical malaria cases.

Individual funded projects are monitored regularly. Performance monitoring begins when the grant agreement is signed, when targets and indicators are agreed upon between recipients and the Global Fund. Only grant recipients that can demonstrate measurable and effective results from the funds received will be able to 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 Fund also commissions independent evaluations of the project, and it is evaluated itself at five-year intervals.

The Global Fund underwent a five-year evaluation in 2007-2009. The detailed evaluation findings, recommendations and the response from the TERG (technical evaluation committee) are found in the Synthesis Report.\textsuperscript{18}

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

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, in the Board's Policy and Strategy Committee and in 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, and the denial of grant funding for a period of time.

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.