The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Background and Current Issues

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### The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Background and Current Issues

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Summary

The Global Fund to Fight AIDS, Tuberculosis, and Malaria, headquartered in Geneva, Switzerland, is an independent foundation intended to attract and rapidly disburse new resources in developing countries for the struggle against infectious disease. The Fund is a financing vehicle, not a development agency, and its grants are intended to complement existing efforts rather than replace them.

The origins of the concept of an independent funding mechanism to fight AIDS and other diseases lie partly in a French proposal made in 1998, in ideas developed in the 106th Congress, and in recommendations made by U.N. Secretary General Kofi Annan in April 2001. President Bush made the “founding pledge” of $200 million for a disease fund in May 2001. The Global Fund was established in January 2002, following negotiations involving donor and developing country governments, non-governmental organizations (NGOs), the private sector, and the United Nations.

Through four rounds of grant awards, the Global Fund has approved 313 projects in 127 countries. Proposals are submitted to the Global Fund by Country Coordinating Mechanisms (CCMs) based in the recipient countries and including representatives of the public and private sectors, NGOs, people living with the diseases, and others. Grants are made to Principal Recipients (PRs), which may be NGOs or government agencies, and their operations must be audited. PRs are also monitored by Local Funding Agents (LFAs), which may be accounting firms or other independent organizations, and which report to the Global Fund. Contributions to the Fund to date total $3.4 billion, and the Fund has disbursed just over $1 billion. The Fund estimates that it needs $2.2 billion in 2005 to cover grant renewals and new grants, while $1.4 billion has been pledged to date.

The Administration has requested $300 million for a U.S. contribution to the Global Fund in FY2006. Appropriations for FY2005 provided $435 million, including $87.8 million carried over from FY2004 due to a legal requirement limiting U.S. contributions to 33% of total contributions. Many supporters of the Fund advocate a larger U.S. contribution, but others respond that the United States is already doing a great deal through the bilateral President’s Emergency Plan for AIDS Relief (PEPFAR).

Critics of the Fund have raised concerns about programs in Burma and other authoritarian countries, an allegedly slow pace of disbursements, and other issues. Supporters respond that the Fund has instituted a number of safeguards to assure accountability and is taking steps to enhance its capabilities. They regard the Fund as an innovator in malaria treatment and other areas. The Global Fund notes that it is required to maintain a large financial reserve in order to assure that treatment programs already approved are not interrupted. This report will be updated as needed. For further information, see CRS Report RS21181, HIV/AIDS International Programs: Appropriations, FY2003-FY2005; CRS Issue Brief IB10050, AIDS in Africa; and CRS Report RL32252, AIDS Orphans and Vulnerable Children (OVC): Problems, Responses, and Issues for Congress.
**Contents**

Background .................................................. 1  
Origins .......................................................... 2  
Grants ............................................................ 3  
Process and Procedure ......................................... 4  
Resource Constraints ........................................... 7  
U.S. Contributions and Policy .................................... 9  
Absorptive Capacity Issues .................................... 13
The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Background and Current Issues

Background

The Global Fund to Fight AIDS, Tuberculosis, and Malaria, was established in Geneva, Switzerland, in January 2002. The Fund makes grants in developing countries aimed at reducing the number of HIV, tuberculosis (TB), and malaria infections, as well as the illness and death that result from such infections. The Fund is an independent foundation, and its board of directors consists of representatives of seven donor countries and seven developing countries. The board also includes one representative from a developed country non-governmental organization (NGO), a developing country NGO, the private sector, a contributing private foundation, and the community of people living with HIV/AIDS, tuberculosis or malaria.

The Executive Director of the Global Fund is Dr. Richard Feachem, a British physician who has held teaching and administrative positions in international health in the United States and Britain. The Chairman of the Global Fund’s Board of Directors is Tommy Thompson, chosen when he was serving as the U.S. Secretary of Health and Human Services (HHS). Thompson, who stepped down from his HHS post in January 2005, is expected to leave the Global Fund chairmanship at the end of the next board meeting, slated for April 21-22 in Geneva. Under the Global Fund bylaws, the two-year chairmanship will then rotate from the group of donors to the group consisting of developing countries and NGOs. Randall Tobias, the U.S. Global AIDS Coordinator, who heads the Global AIDS Initiative at the Department of State, will replace Thompson as the U.S. representative on the board.

The Global Fund’s efforts are intended to mitigate the impact of infectious disease on countries in need and thus to contribute to a reduction in poverty. The Fund projects that over five years, the 313 grants it has approved in 127 countries will result in 1.6 million patients receiving antiretroviral (ARV) therapy for the treatment of AIDS, as well as the treatment of 3.5 million additional cases of TB through the highly effective DOTS1 strategy.2 In addition, the Global Fund projects that 52 million clients will be reached through voluntary counseling and testing services for preventing the spread of HIV, over one million orphans will receive support, and 145 million malaria patients will receive the new artemisinin-based combination drug treatments (ACT). Artemisinin-based treatments have been found effective in dealing with drug-resistant varieties of malaria. The Fund is also

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1 Directly Observed Treatment, Short-Course.
financing the purchase and distribution of 108 million insecticide-treated bed nets to prevent the spread of the disease.

Global Fund documents emphasize that it is a financing instrument complementing existing programs and that it is intended to attract, manage, and disburse additional resources, rather than re-channel existing resources. The Fund is a fiduciary agent designed to direct new resources to programs in countries in need, rather than an agency that implements projects. The Global Fund is not a United Nations agency, although it works closely with U.N. agencies, as well as with other aid agencies and NGOs involved in the struggle against the three diseases. The World Bank serves as the Global Fund’s trustee, receiving contributions made by donors and disbursing funds as the Global Fund directs.

**Origins**

The concept of an independent funding mechanism to fight infectious disease has a number of roots. France proposed an international fund to provide AIDS treatment in the developing world at the 1998 G-8 summit, held in Birmingham, England, reportedly to a cool reception. In August 1999, during the 106th Congress, Representative Barbara Lee introduced the AIDS Marshall Plan Fund for Africa Act (H.R. 2765). This bill, which did not come to a vote, would have established an AIDS Marshall Plan Fund for Africa Corporation as an independent U.S. agency able to receive contributions from foreign governments as well as private sources. In January 2000, again in the 106th Congress, Representative James Leach introduced the Global AIDS and Tuberculosis Relief Act of 2000 (H.R. 3519), which passed both the House and Senate and was signed into law (PL. 106-264) in August 2000. H.R. 3519 included provisions supporting the creation of a World Bank AIDS Trust Fund. Had it been created along the lines indicated in H.R. 3519, this fund would have made grants to governments and NGOs in order to stem the spread of AIDS and promote affordable access to treatment. The Foreign Operations Appropriations legislation for FY2001, enacted in late October 2000, provided up to $20 million for a U.S. contribution to an international HIV/AIDS fund.

U.N. Secretary General Kofi Annan urged the creation of an independent funding vehicle on April 26, 2001, in a speech to African leaders gathered at a summit on HIV/AIDS and other infectious diseases in Abuja, Nigeria. Annan introduced the term “Global Fund” and said there should be a “war chest” of $7 billion to $10 billion per year for the struggle against AIDS. (Subsequently, experts said that $7 billion to $10 billion was the amount required by 2005 from all sources, not just the Global Fund.) Annan’s proposal attracted considerable attention, and on May 11, 2001, Annan came to the White House, with Nigeria’s President Olusegun Obasanjo, to hear President George W. Bush make a “founding pledge” of $200 million to a global fund. The President added that more would follow “as we

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4 H.R. 5526, enacted by reference in Sec. 101(a) of P.L. 106-429.
learn where our support can be most effective.” Moreover, he emphasized that the fund should be a public-private partnership, drawing upon the contributions of private corporations, foundations, faith-based organizations, and NGOs.

The creation of a Global Fund was endorsed by the United Nations General Assembly Special Session on HIV/AIDS (UNGASS), held in June 2001, and by the Group of Eight (G-8) summit of industrialized countries plus Russia, meeting in Genoa, Italy, in July 2001. The G-8 partners affirmed that the Global Fund would be a public-private partnership, and their final communique stated that “we are determined to make the fund operational by the end of the year.” In October 2001, a Transitional Working Group (TWG) was convened, which included representatives of developing and donor countries, NGOs, the private sector, and the United Nations. In December, the TWG reached agreement on documents related to Global Fund governance, accountability, and other issues. The Global Fund held its first board meeting in January 2002.

**Grants**

On November 18, 2004, the Global Fund announced that it would launch a fifth round of the grant application and award process in March 2005. The United States and other Global Fund board members had been concerned that initial plans to launch Round 5 in November were too ambitious in view of the Fund’s resource constraints (see below). Final approvals for Round 5 will be announced in September 2005.

Round 5 grants, like those approved in the four earlier rounds, are slated to last for five years and will be subjected to a thorough review after two years before additional funds are provided. The Global Fund stresses that it is a “performance-based” agency, and funds are disbursed in increments as the recipients achieve goals they have set for themselves in their proposals. The Global Fund will make grants only if it has funds on hand to cover the first two years of the proposed projects — an approach known as the Comprehensive Funding Policy. The policy is designed to avoid disruptions to projects due to funding shortages. This is regarded as a particularly important consideration with respect to antiretroviral therapy, since interruptions in treatment can lead to the emergence of resistant strains of HIV and to the deaths of patients. Funding for the third through fifth years of the projects is dependent on new contributions to the Global Fund by donors.

The Global Fund’s earlier grants are now beginning to pass through the two-year evaluation process. Of the 26 projects evaluated to date, 22 have been approved for the second, three-year phase of funding, although six of these approvals include conditions requiring improvements in performance. Further funding for a malaria project in Senegal was not approved because no disbursements had yet been made.

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5 Remarks by the President, May 11, 2001.
to subcontractors who would do the actual work. Three other projects remain under review.7

In July 2004, the Global Fund reported the results of an analysis of the 25 projects that had been in existence for at least one year. The projects, in 15 countries, had achieved an average of 80% of their targets, according to the Fund.8 The analysis found that 12 of the 25 grants could be accorded “Status A,” indicating that they were on track to meet or were substantially exceeding the targets set in the original proposal.9 These included an ARV therapy project in Haiti that was treating 25% more patients than initially targeted and a similar project in Honduras that was 80% over target. In Honduras, the Fund-supported project is providing ARV drugs, supporting renovations at clinics, purchasing medical equipment, and paying the salaries of additional doctors and nurses.10 Meanwhile, Madagascar, with Global Fund support, has distributed more than twice as many bed nets as targeted. The Fund’s analysis placed eight programs in “Status B,” indicating that they show substantial progress but are still falling somewhat short of targets; while five fell into “Status C,” substantially underachieving against agreed targets.11

Through four rounds of grant-making, the Global Fund has directed 61% of its funding to sub-Saharan Africa; 18% to East Asia and the Pacific; and 9% to Latin America and the Caribbean. Approximately 7% has gone to Eastern Europe and Central Asia, while the remaining 5% has been directed to South Asia and the Middle East/North African regions.12 Approximately 56% of funding has gone to fighting HIV/AIDS, 31% to malaria, and 13% to TB. According to the Fund, about 51% of the funding approved is being directed through government-run projects, one quarter through NGOs and community-based organizations, and one quarter through other entities, including faith-based organizations and communities living with the diseases.

Process and Procedure

The Global Fund accepts grant proposals from national Country Coordinating Mechanisms (CCMs), which the Fund describes as “national consensus groups.”13 According to the Fund, CCMs should be inclusive and seek representation from all stakeholders, including government; the NGO community; the private sector; people living with HIV/AIDS, tuberculosis, and/or malaria; religious and faith groups; the
The Fund views CCMs as essential in assuring true partnerships that involve all relevant actors in developing a grant proposal, sharing information, and communicating with one another on Global Fund issues. CCMs can also serve as forums through which national efforts on AIDS, tuberculosis, and malaria can be coordinated and strengthened. Applications from individual organizations, such as NGOs, are permitted only from countries without legitimate governments or in other exceptional circumstances.

A May 2003 report by the U.S. Government Accountability Office (GAO), while praising the Global Fund for “noteworthy progress in establishing essential governance and other supporting structures” and for “responding to challenges,” noted several problems with respect to the CCMs. These included difficulties in communication between the CCMs and Global Fund headquarters; misperceptions within CCMs about the roles and responsibilities of the CCM itself and of CCM members; and, in some CCMs, a lack of information sharing and infrequent meetings. However, the GAO report also noted that the Fund was addressing these problems through enhanced communication, holding workshops, including language describing the duties of CCMs in grant agreements, and other measures. In a July 2004 report, the Global Fund acknowledged that the membership of CCMs continued to be dominated by governments, that people living with the three diseases tended to be under-represented, and that few CCMs had followed guidelines on gender balance.

Some in the NGO community and among AIDS activists have urged that the Global Fund impose a set of requirements on CCMs with respect to these and other issues, insisting that NGO representatives be included in all CCMs, for example. Governments in recipient countries tend to oppose such requirements, and at its June 2004 meeting, the Global Fund board decided to continue to deal with these matters through recommendations. However, at its November 2004 meeting, the board decided to impose some requirements on CCMs, to take effect with Phase 2 renewals from June 2005 and for new grants from Round 5 onwards. Under these requirements,

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14 Guidelines for Proposals, p. 6.
15 Guidelines for Proposals, p. 5.
All CCMs must demonstrate evidence of membership of people living with and/or affected by the diseases;

CCM members representing the NGO sector must be selected based on a documented, transparent process developed within each sector;

CCMs must establish a transparent, documented process to solicit and review submissions for possible integration into proposals, to nominate principal recipients, to oversee project implementation, and to ensure that there is a broad range of stakeholders in the proposal development and grant oversight process;

When the principal recipient and the Chair or Vice Chairs of a CCM are from the same entity, the CCM must have a written plan in place to mitigate against the inherent conflict of interest.22

The CCM submits a single Country Coordinated Proposal (CCP) to the Global Fund, where it is reviewed by the 22-member Technical Review Panel (TRP), consisting of independent experts in the three diseases, as well as others with broader global health experience. The TRP is tasked with identifying the proposals most likely to have a “clear and demonstrable impact in the fight against AIDS, TB, and malaria,”23 and refers those proposals to the Board for discussion and final decisions on approval. All of the TRPs recommendations for the second round of grant awards were approved by the Board.24

Within the recipient country, projects are implemented by one or more Principal Recipients (PRs), which should be agencies or organizations that belong to the CCM. The PRs are responsible not only for carrying out the project, but also for managing its finances. Each PR must have an independent auditor acceptable to the Fund,25 but the work of the PRs is also monitored by Local Fund Agents (LFAs), which represent the Global Fund within the recipient country and are regarded as the Fund’s “eyes and ears.” Each LFA is expected to have an in-country presence, enabling it to assess the capabilities of the PRs and effectively evaluate their financial and program reports.

The identification and selection of LFAs, carried out in conjunction with the CCMs, was a prolonged process, but ultimately, private sector accounting firms, management and consulting companies, and the U.N. Office for Project Services were recruited to fill the LFA role in various countries.26 The LFAs are paid centrally through the Global Fund, and their fees are not deducted from the grants. The GAO notes that there are misunderstandings and resentments toward the LFAs in come

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23 Chrispus Kiyonga, then Board Chairman, quoted in Global Fund press release, March 11, 2002.
countries and that the Global Fund is trying to address these by encouraging local participation in the work of the LFAs. The GAO is also concerned that it may be difficult to maintain the independence of the LFAs in poor countries where the ranks of trained accountants and other experts are thin. In such situations, LFAs may have difficulty recruiting skilled personnel who are not already involved in the Global Fund-supported program in one way or another.27

### Resource Constraints

#### Table 1. Global Fund Contributions 2001- March 2005

(Amounts Paid Through March 18, 2005; $millions)

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<th>%</th>
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<tr>
<td>European Union and Members</td>
<td>1,667.0</td>
<td>49.2</td>
</tr>
<tr>
<td>Other National Donors</td>
<td>487.2</td>
<td>14.4</td>
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<tr>
<td>Gates Foundation</td>
<td>150.0</td>
<td>4.4</td>
</tr>
<tr>
<td>Other</td>
<td>4.3</td>
<td>.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,390.1</strong></td>
<td><strong>100</strong></td>
</tr>
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</table>


A shortage of resources at the Global Fund for meeting current and future commitments was a major focus of the 2003 GAO report,28 as well as a source of concern before and during the November 2004 Global Fund board meeting. The Global Fund has committed itself to spending $3.1 billion to cover the first two years of the grants it has approved, and as Table 1 indicates, this sum is very close to the total amount raised by the Global Fund to date. Making new grants and funding the remaining three years of existing grants will depend almost entirely on new contributions.

In March 2005, the Global Fund convened the first of three meetings on replenishing its resources. Table 2 summarizes information released by the Global Fund prior to this meeting on its resource needs. The estimate of the amount needed for new grants is based on the Fund’s experience in previous rounds of grant-making. According to the Global Fund, $800 million in additional funding is needed in 2005 alone, rising to $2.9 billion in additional needed pledges for 2006. According to a summary of the March meeting, “Participants agreed to urgently consider additional contributions in order to close this gap and to encourage contributions from new donors.”29

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28 *Global Health: Global Fund to Fight AIDS, TB, and Malaria,* p. 32
Table 2. Global Find Estimates of Need v. Pledges
($billions)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<tr>
<td>New grants</td>
<td>1.0</td>
<td>1.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Renewal of existing grants</td>
<td>1.3</td>
<td>2.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>&lt;.05</td>
<td>.1</td>
<td>.1</td>
</tr>
<tr>
<td>Less funds from prior year</td>
<td>-.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total GF Need Estimate</strong></td>
<td>2.2</td>
<td>3.6</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Pledges</strong></td>
<td>1.4</td>
<td>.7</td>
<td>.4</td>
</tr>
<tr>
<td><strong>Gap as of March 2005</strong></td>
<td>.8</td>
<td>2.9</td>
<td>3.3</td>
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</table>


The extent to which new resources will be made available to the Global Fund remains to be seen, although some countries are responding. In December 2004, the Fund announced that Germany would more than double its 2005 contribution. In March 2005, Italy announced that it would release 100 million Euros already pledged and contribute another 80 million Euros later in the year. Meanwhile, there is support in the U.S. Congress for increasing the U.S. 2006 contribution beyond the $300 million requested by the Administration (see below). According to one study, a number of countries are contributing considerably less than the United States and several European donors, when these contributions are measured in terms of their ability to pay. Some, such as Finland, Brunei, Greece, and Israel have not contributed at all to date (although Greece has pledged $300,842), while others, such as Singapore, South Korea, and Japan were found to be contributing less than an “equitable” share.30 There is also some disappointment that corporations, which have contributed $1.9 million to date, have not done more.

Some are proposing that the Global Fund modify its Comprehensive Funding Policy, noted above, which requires that funds be on hand to cover two years of a grant before it is approved. Through March 21, 2005, the Global Fund had disbursed just over $1 billion, compared to the more than $3.3 billion that has been paid in, leading some to argue that its cautious funding policy is causing money to pile up in the Fund’s account at the World Bank instead of going to help those in need. Others argue that modifying the Comprehensive Funding Policy, which was set by the board

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29 (...continued)
2005), Chair’s Summary.”

when the Fund was launched, poses too great a risk of project interruption. At its November 2004 meeting, the board agreed to examine the policy by appointing a commission to study fiscal management options and report back at the April 2005 meeting.

**U.S. Contributions and Policy**

U.S. contributions to the Global Fund are provided through the Child Survival and Health Programs Fund, which is funded by the Foreign Operations appropriations, and through the Department of Health and Human Services (HHS) appropriations. Table 3 shows that approximately $1.52 billion has been made available to the Global Fund through these bills through FY2005. This figure takes into account $87.8 million that was not provided in FY2004 because of legislation requiring that the U.S. contribution for fiscal years 2004 through 2008 not exceed 33% of contributions from all sources. The FY2005 Consolidated Appropriations (P.L. 108-447/H.R. 4818) carries over this amount and adds it to the 2005 contribution, subject to the same 33% limitation. The United States would be able to pay in the full amount of the FY2005 appropriation if other countries meet their pledges, now totaling $1.4 billion, but whether they will do so remains to be seen.

### Table 3. Funding for U.S. Contributions to the Global Fund ($ millions)

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<td>1. Foreign Operations</td>
<td>100</td>
<td>50.0</td>
<td>248.4</td>
<td>397.6</td>
<td>248.0</td>
<td>200.0</td>
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<tr>
<td>2. Labor/HHS</td>
<td>125.0</td>
<td>99.3</td>
<td>149.1</td>
<td>99.2</td>
<td>100.0</td>
<td></td>
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<tr>
<td>3. FY2004 Carryover</td>
<td>-87.8</td>
<td>-87.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100</td>
<td>175</td>
<td><strong>347.7</strong></td>
<td><strong>458.9</strong></td>
<td><strong>435.0</strong></td>
<td><strong>300.0</strong></td>
</tr>
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</table>

The Administration had requested $200 million for the Global Fund in FY2005, the same amount requested for FY2003 and FY2004. In each of these years, however, Congress provided considerably more than requested. The United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003 (P.L. 108-25), which was signed into law on May 27, 2003, authorized “up to” $1 billion as an FY2004 contribution to the Global Fund. Although President Bush praised this legislation, his Emergency Plan for AIDS Relief envisaged an annual contribution of $200 million through FY2008. This level of proposed funding drew criticism, but at the same time appropriators warned that it would be difficult to meet the

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33 See, for example, “Keeping an AIDS Promise,” Boston Globe, June 10, 2003.
expectations raised by P.L. 108-25 in view of budgetary constraints. Moreover, the 33% limitation could continue to limit contributions unless other donors boost their contributions, although this provision may be waived if the President determines that an international health emergency threatens U.S. national security interests. Table 4 shows proportionate giving in 2004 and 2005, according to information available through March 18, 2005.

AIDS activists and others have continued to press for a substantially larger U.S. contribution to the Global Fund on grounds that the organization has performed well to date and in their view continues to have a key role in scaling up prevention, care, and treatment. Many also praise the Global Fund’s approach to fighting the three diseases, arguing that making grants in response to applications from CCMs tends to encourage governments and health ministries in the recipient countries to assume responsibility in the struggle against AIDS, TB, and malaria, while at the same time promoting national planning and empowering affected groups as well as domestic NGOs. Administration supporters argue that the United States is making a massive contribution to the struggle against the three diseases through the President’s Emergency Plan for AIDS Relief (PEPFAR), a bilateral initiative intended to focus $15 billion on fighting AIDS, tuberculosis, and malaria in fiscal years 2004 through 2008. They point out that PEPFAR brings to bear the resources, experience, and capabilities of U.S. Government agencies, as well as U.S. academic institutions, NGOs, and faith-based organizations, in fighting the three diseases in 15 heavily HIV-affected focus countries.

### Table 4. Global Fund Contributions 2004 and 2005

<table>
<thead>
<tr>
<th></th>
<th>2004 paid $ millions</th>
<th>2004 %</th>
<th>2005 pledged $ millions</th>
<th>2005 %</th>
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<tr>
<td>United States</td>
<td>458.8</td>
<td>31.9</td>
<td>435.0</td>
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<td>European Union and Members</td>
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<td>760.5</td>
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<td>Other National Donors</td>
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<td>Gates Foundation</td>
<td>50.0</td>
<td>3.5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>.9</td>
<td>&lt;.1</td>
<td>&lt;.1</td>
<td>&lt;.1</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>1,438.7</strong></td>
<td><strong>100</strong></td>
<td><strong>1,400.4</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Global Fund, *Contributions to Date*, at the Global Fund website, March 18, 2005.

U.N. Secretary General Kofi Annan suggested at the July 2004 international AIDS conference in Thailand that both Europe and the United States contribute $1 billion in 2005, with another $1 billion to come from other sources. U.S. Global AIDS Coordinator Randall Tobias responded with respect to the U.S. share that “It’s

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34 *Congressional Record*, May 1, 2003, p. H3584.

not going to happen.”36 Tobias told the San Francisco Chronicle that “the United States is urging the Global Fund to slow down” and that the Fund already had a “large pipeline” of approved grants. Tobias added that “If we put more money into the Global Fund right now ... that money is going into an account at the World Bank. I believe they have adequate resources on hand.”37 Stephen Lewis, U.N. Special Envoy for HIV/AIDS in Africa, reacted to Tobias’s remarks by saying “Slow down? It needs to speed up. It’s the most effective instrument against the epidemic.”38

For FY2006, the Administration has requested $300 million for the Global Fund, which some observers noted exceeds the $200 million called for in the PEPFAR plan and is the largest amount requested to date. Others are concerned that other donors, aware of the one-third rule regarding U.S. contributions, might feel obligated to contribute just $600 million, for a total Global Fund budget of $900 million in 2006, compared with the $3.6 billion the Global Fund says it needs. On March 17, 2005, in acting on its version of the budget resolution (S.Con.Res. 18), the Senate accepted an amendment by Senator Santorum and Senator Durbin stating that the United States will need to contribute $500 million beyond the President’s $300 million request for a total of $800 million. Under the one-third rule, this amount would require other countries to contribute $1.6 billion for a total budget of $2.4 billion — the amount needed to renew existing Global Fund grants — before the full $800 million could be paid in. S.Con.Res. 18, as amended, passed the Senate on March 17, but there is no comparable language in the House budget resolution (H.Con.Res. 95). Moreover, any actual increase in the U.S. contribution would have to be provided through the appropriations process.

In a September 21, 2004, briefing for congressional staff, Administration officials reportedly raised a number of concerns about the Global Fund, including a slow rate of disbursements, insufficient staff, and a large initial disbursement to Ethiopia despite the Fund policy linking disbursements to performance. Global Fund grants to programs in countries governed by repressive regimes also reportedly came in for criticism.39 Subsequently, three Senate Committee and Subcommittee chairs wrote Executive Director Feachem questioning a Global Fund grant for a program in Burma, as well as funding for programs in Cuba, Sudan, Iran, and North Korea.40 These developments prompted a 10-page response by Global Fund Executive Director Feachem to the Senators41 as well as a visit to Washington and several briefings by the Fund’s Chief of Operations, Brad Herbert. Feachem argued that

38 Ibid.
40 Letter dated September 28, 2004, from Senator Judd Gregg, Chairman of the Committee on Health, Education, Labor and Pensions; Senator Mitch McConnell, Chairman of the Senate Appropriations Subcommittee on Foreign Operations; and Senator Sam Brownback, Chairman of the Senate Foreign Relations Subcommittee on East Asia and Pacific Affairs.
there were emergency humanitarian needs in each of the authoritarian countries where grants had been approved, and that special safeguards, including detailed reviews of all sub-recipients, contractors, and sub-contractors, were being implemented to assure that funds were not misused. In Burma, the initial disbursement of $2.4 million out of a two-year grant of $7 million, was necessary, he argued, so that the United Nations Development Program (UNDP), the principal recipient, could purchase automobiles to deliver DOTS tuberculosis therapy to patients.

Supporters of the Global Fund maintained that the large initial disbursement to Ethiopia had been required so that the government there could obtain the best price on a large purchase of antiretrovirals to launch its AIDS treatment program. They insisted that the purchase was being closely monitored by the local funding agent, and that no problems had arisen. The Global Fund was perfectly capable of suspending disbursements should irregularities arise, some pointed out, as it had done in the case of the Ukraine program in February 2004. It was also noted that the Global Fund was expanding its staff, and that disbursements were increasing.

Whether the criticisms of the Global Fund voiced in September signal a rift between the Fund and the United States has been the subject of much debate and speculation among observers. Administration criticisms were reportedly not renewed at the November 2004 board meeting. Moreover, the Global Fund seems anxious to avoid any breach. On March 10, 2005, Executive Director Feachem praised both the President’s bilateral program and the efforts of Senator Santorum and Senator Durbin to increase support for the Global Fund:

The United States helped found the Global Fund and has consistently been its most generous supporter. Together with the President’s Emergency Plan, we are rolling out treatment and prevention programs on an unprecedented scale. To keep our promise to the world’s poor, we must sustain this momentum. We need more money to do so, and I applaud Senators Santorum and Durbin for their leadership to help meet our fundraising needs. I look forward to the U.S. and all our donors working together this year to ensure the Global Fund’s success.

Nonetheless, the FY2005 Consolidated Appropriations (P.L. 108-447/H.R. 4818) includes a number of provisions reflecting concerns about the Global Fund. Section 525 requires that 25% of the FY2005 contribution be held back until the Secretary of State certifies that a number of conditions have been met. For example, the Secretary must certify that an independent office has been established to report to the Global Fund board on the integrity of processes for considering applications as well as for implementing, monitoring, and evaluating grants. The Secretary must also certify that the Fund has established progress indicators for determining the release of incremental disbursements, and is releasing those disbursements only when progress has been achieved. Section 531(c) requires the President to withhold from the U.S. contribution an amount equal to any Global Fund expenditure that reaches the Burmese government, directly or indirectly.

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Absorptive Capacity Issues

The Government Accountability Office and others have raised concerns about whether poor countries affected by AIDS will have the capacity to absorb the new resources becoming available through the Global Fund and other sources.\textsuperscript{43} Facing shortages of health care workers and an inadequate health infrastructure, such countries could be hard pressed to make effective use of increased supplies of medicines and other inputs for preventing and treating AIDS, tuberculosis, and malaria. The long-term solution to this problem, analysts note, is for the Global Fund and other donors to support the expansion of health sector capacity in poor countries through training and investment. In the short term, the GAO points out, the Global Fund is dealing with the absorptive capacity issue by requiring that applications describe national health capacity — and that LFAs “preassess” the ability of PRs to handle funds effectively.\textsuperscript{44} Other concerns are that large inflows from the Global Fund and other sources of assistance to combat AIDS could distort economic priorities in poor countries and lead to inflation. Some experts doubt, however, that inflows from the Global Fund will be large enough to have major economic impacts.\textsuperscript{45} Some also argue that the economic dangers posed by HIV, which currently infects 38 million people worldwide, and of malaria and tuberculosis, are far greater than any risks that might be posed by increased assistance, whether from the Global Fund or from other donors.

Experts are also concerned that the Global Fund might place additional pressures on countries struggling to fulfill the various requirements of burgeoning foreign aid programs, particularly those related to HIV/AIDS. Each program has its own reporting, monitoring, and budgeting requirements. Some argue that the Global Fund is yet another organization that has created its own set of guidelines that recipient countries must follow, and many have called for increased coordination among donors. In response, the Global Fund has bolstered its relationship with the United Nations Joint Program on AIDS (UNAIDS), the Stop TB Partnership, the Roll Back Malaria Initiative, and the World Health Organization’s (WHO) 3x5 Initiative, which seeks to facilitate the delivery of AIDS treatment to 3 million people by 2005. The Fund has also announced that it has strengthened its bilateral partnerships, including those with the U.S. Centers for Diseases Control and Prevention (CDC), as well as French, German, and British aid agencies. Fund officials report that these efforts, along with stronger alliances with non-governmental organizations, have enhanced the Fund’s ability to provide technical and managerial support for project implementation, as well as to scale-up current efforts, rather than creating parallel programs.\textsuperscript{46}

\begin{footnotes}
\item[43] Global Health: Global Fund to Fight AIDS, TB, and Malaria, p. 41-44.
\item[44] Ibid., p. 41.
\item[45] Ibid., p. 43.
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