

Report for Congress

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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 is a new organization headquartered in Geneva, Switzerland, that is intended to attract and rapidly disburse new resources in 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. Approximately \$2.2 billion has been pledged to the Fund, while about \$646 million had been received as of November 5, 2002. Fund officials maintain that the organization will need approximately \$7 billion of new pledges over the next two years to carry out its mission (in addition to the pledges already received). A minimum of \$2 billion in new pledges and payments, and \$1 billion in payments of outstanding pledges will be needed in 2003. The Fund anticipates that it will need an additional \$4.9 billion in 2004 to fund commitments for the fourth and fifth rounds of grants, and the last three years of programs previously approved in the first round. The United States has pledged \$500 million to the Fund, but the appropriate scale of the U.S. contribution remains in debate. Other issues include the limited information publicly available on the proposals the Fund has agreed to support, and Fund capabilities for managing the large sums that may one day be under its control. The Fund's first grants were awarded to Ghana in November 2002, and Haiti and Tanzania in December 2002. The grants will cover the first two years of the projects. For further information, see CRS Report RS21181, *HIV/AIDS International Programs: FY2002 Spending and FY2003 Outlook*. This report will be updated as events warrant.

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

Background

The Global Fund to Fight AIDS, Tuberculosis, and Malaria is a new organization headquartered in Geneva, Switzerland, that makes grants aimed at reducing the number of HIV, tuberculosis, and malaria infections, as well as the illness and death which result from such infections. 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. 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,” rather than an agency that implements projects. Moreover, the Fund describes itself as a “public-private partnership.” Its board of directors includes representatives of seven donor countries and seven developing countries, as well as one member each representing a developed country non-governmental organization (NGO), a developing country NGO, the private sector, and a contributing private foundation. Ex officio members include a representative of the community of people living with HIV/AIDS or of a community living with tuberculosis or malaria. Currently, the United States is represented on the Board by Secretary of Health and Human Services Tommy Thompson.¹

Origins

The origins of the concept of an independent funding mechanism to fight infectious disease lie partly in ideas developed in the 106th Congress. In August 1999, Rep. 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, Rep. 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 (P.L. 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

¹ For a full list of board members and other information on the Global Fund, visit its web site at [<http://www.globalfundatm.org>].

legislation for FY2001,² 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 Bush pledge \$200 million as a “founding contribution” to a global fund. The President added that more would follow “as we learn where our support can be most effective.”³ 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.”⁴ 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

The Global Fund’s first grants were announced on April 25, 2002, less than three months after the initial call for proposals had been issued. Of a total of 300 grant applications, 58 were funded at a total cost of \$616 million over two years, or \$1.6 billion over five years. These projects are to be reviewed at the end of two years, before 5-year commitments go forward. Dr. Chrispus Kiyonga, chairman of the Global Fund board, said that these first grants would “provide critical support to effective prevention and treatment programs around the world.”⁵ The grants will cover the first two years of the projects. According to a July 2002 press release, over 60% of the initial financing is for programs in Africa, and nearly 70% is to be devoted to fighting HIV/AIDS. The second round of grants will be announced in January 2003.

² H.R. 5526, enacted by reference in Sec. 101(a) of P.L. 106-429.

³ Remarks by the President, May 11, 2002.

⁴ Communique dated July 22, 2001.

⁵ Global Fund press release, April 25, 2002.

The Fund's first disbursements were issued to Ghana in November 2002, and Haiti and Tanzania in December 2002. In Ghana, the \$4.2 million HIV/AIDS grant will fund the building of 16 Voluntary Counseling and Testing (VCT) centers, provide Prevention of Mother to Child Transmission (PMTCT) services to 600 mothers per year, and begin antiretroviral therapy for 2,000 people with AIDS. It will also strengthen Home Based Care (HBC) and peer education within rural communities by involving people living with HIV. AIDS kills 40,000 people per year in Ghana. The second grant signed in Ghana (\$2.3 million) will allow Ghana to treat an additional 20,000 tuberculosis patients using the Directly Observed Treatment, Short -course (DOTS) over the next two years. One of the main objectives of the program is to strengthen partnership between the private and public sectors.⁶

Haiti will use its \$24.7 million grant to scale up its HIV/AIDS treatment and prevention programs. It is expected that by the end of the year the funds will provide antiretroviral therapy to more than 1,200 people living with HIV using community members to promote adherence to treatment. The program will also encourage behavior change through the social marketing of over 15 million condoms and an expansion of youth prevention services, targeting 400,000. Last year 30,000 Haitians died from AIDS; twice the number who succumbed to the disease in the United States. An estimated 250,000 Haitians are living with HIV/AIDS.⁷

Insecticide-treated mosquito nets will be purchased in Tanzania with its \$12 million grant. The plan is to implement a voucher scheme that will enable pregnant women to purchase treated mosquito nets at a third of their cost. The program will encourage private sector involvement in the production and distribution of the nets. Studies conducted in Tanzania have shown that the use of treated mosquito nets can reduce infant mortality by up to 27% and cut the number of illnesses from malaria in half. About 80,000 children under five die from malaria each year in Tanzania.⁸

Process and Procedure

The Global Fund accepts grant proposals from national Country Coordinating Mechanisms (CCMs), which the Fund describes as "national consensus groups." According to the Fund, CCMs should be inclusive and seek representation from government; the NGO community; the private sector; people living with HIV/AIDS, tuberculosis, and/or malaria; religious and faith groups; the academic sector; and United Nations agencies represented in the applicant country.⁹ 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

⁶ The Global Fund website, "*Ghana to Receive \$6.5 million for HIV/AIDS and TB Prevention and Treatment.*" November 22, 2002. [<http://www.globalfundatm.org>]

⁷ The Global Fund website, "*Global Fund Money to Scale Up AIDS Treatment and Prevention Efforts in Haiti.*" December 2, 2002. [<http://www.globalfundatm.org>]

⁸ The Global Fund website, "*Global Fund Money Will Make Mosquito Nets Widely Available in Tanzania.*" December 2, 2002. [<http://www.globalfundatm.org>]

⁹ *Guidelines for Proposals*, available at the Global Fund website.

another on Global Fund issues. Applications from individual organizations, such as NGOs, are permitted only from countries without legitimate governments or in other exceptional circumstances. The CCM submits a single Country Coordinated Proposal (CCP) to the Global Fund, where it is reviewed by the 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,”¹⁰ and refers those proposals to the Board for discussion and final decisions on approval.

Within the recipient country, projects are to be 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. Their work is to be 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, which has been carried out in conjunction with the CCMs, has been a prolonged process, but private sector accounting firms, including Crown Agents and PricewaterhouseCoopers, have reportedly been chosen in Sri Lanka, Tanzania, Ghana, and Haiti.¹¹ As a result, Tanzania, Ghana and Tanzania has been funded, and Sri Lanka is also expected to be among the Global Fund’s first grant recipients. In addition to the LFA, there will reportedly be a third, independent agent in each recipient country that will periodically evaluate reports from the PRs on the impact projects are having on public health.¹²

Resources

The Global Fund has received just over \$2 billion in pledges, but reports indicate that about \$640 million has actually been received.¹³ Some see this as a significant problem for the Fund, while others argue that since the Fund is not yet ready to disburse all of its grants, actual transfers can come later. The United States, which has pledged \$500 million to date, is the leading contributor, and has also lent temporary staff to the Fund and provided other technical assistance. Congress has made available \$300 million of the U.S. pledge through previously enacted appropriations bills, and appropriations bills currently before Congress would provide more than the remaining \$200 million of the U.S. pledge. For details, see CRS Report RS21181, *HIV/AIDS International Programs: FY2002 Spending and FY2003 Outlook*. The United States has reportedly transferred \$275 million of its

¹⁰ Chrispus Kiyonga, quoted in Global Fund press release, March 11, 2002.

¹¹ Donnelly, John, “Global Disease Agency Requests Project Funding,” *The Boston Globe*, October 7, 2002.

¹² Phillips, Michael M., “Disease-Fighting Fund Has Yet to Donate – Demand by U.S. and Others for New Delivery Systems Delays Aid,” *Wall Street Journal*, August 5, 2002.

¹³ This information was pulled from a Global Fund memorandum given to CRS on December 9, 2002.

pledge to the Global Fund. The United Kingdom has made the second largest pledge – \$209.1 million, followed by Italy and Japan, with pledges of \$200 million each. The Bill and Melinda Gates Foundation has pledged \$100 million, but other pledges from foundations or from the private sector have been few.¹⁴

Current Topics and Issues

A number of topics and issues are currently under discussion among analysts and observers of the Global Fund. Some would like to see NGOs made eligible to apply directly to the Fund, arguing that many such organizations have proven records in fighting infectious disease. Fund supporters, however, insist that the CCM approach is preferable, since it forces participants in the fight against infectious disease to take an integrated approach. The measures to be developed for the two-year evaluation of projects could prove challenging to the Fund, since many doubt that projects can achieve demonstrable reductions in infection rates in such a short time.

Some worry that donors may scale back bilateral health assistance programs and devote the resources that are freed up to the Global Fund – negating the Fund’s role in attracting new resources. Whether this is happening is unclear at present, but U.S. officials insist that U.S. bilateral programs, including those of the U.S. Agency for International Development and the Centers for Disease Control and Prevention are making a vital contribution and will continue. They also note that U.S. agencies have an important role to play in making the Fund succeed – in providing technical assistance to CCMs to improve the quality of proposals, for example. Another concern is that as the Global Fund expands operations, the role of other organizations involved in the struggle against infectious disease, such as the United Nations Joint Project on HIV/AIDS (UNAIDS), will be reduced. Again, it is too early to determine if this will occur.

Pace of Disbursements. The Global Fund is expected to be a vehicle for the rapid disbursement of substantial sums in the fight against AIDS, tuberculosis, and malaria. However, the Fund has only disbursed funds for three countries to date, even though grants were announced in April 2002. Some observers worry that the “rapid response” element is being lost, but others argue that the Fund has been moving rapidly to set up its basic procedures. From their perspective, criticisms on the pace of disbursements are premature. In their view, it is essential for the Global Fund to establish effective monitoring procedures now in order to avoid future mistakes that could discredit the Fund and lead to a withdrawal of support.

Limited Contributions. The level of resources that should be available to the Global Fund for fighting infectious disease is the subject of continuing discussion. Columbia University’s Jeffrey Sachs, who chaired a World Health Organization commission on health and serves as a special advisor to U.N. Secretary General Kofi Annan, argues that the Global Fund should be contributing \$5.5 billion per year in

¹⁴ A full list of pledges may be found at the Global Fund website [<http://www.globalfundatm.org>].

additional resources to the struggle against infectious disease.¹⁵ Officials of the Global Fund itself have reportedly said that the Fund will require an additional \$2 billion in 2003, \$4.6 billion in 2004, and \$10 billion to \$20 billion in 2007.¹⁶ In view of the limited pledges and actual transfers noted above, the Fund is far from having resources on this scale. Some argue that expectations for such resources are unrealistic, and that contributions will grow only slowly, at least until the Fund is able to demonstrate some successes in the projects it supports. However, few substantial new pledges have been received in months, prompting Richard Feachem, executive director of the Fund, to warn that the organization faces a near-term inability to support projects. According to Feachem, there is a danger that the Fund will not be able to finance grants to be announced in January 2003 and that “the crunch is really going to hit in June,” when the third round of awards is to be made.¹⁷

Capabilities. The Global Fund is aiming at a permanent staff of about 50 people. This is in keeping with the expectation of Global Fund founders that the organization not become a large, expensive bureaucracy with complex rules and procedures that would slow the flow of funds to those in need. However, some are concerned that a staff of 50 will be challenged in handling the large resources the Fund may eventually have. Others argue that by relying on partnerships – including CCMs for project development, the TRP for evaluating proposals, PRs for implementation, and LFAs for monitoring – the Global Fund is multiplying its capabilities in ways that will enable it to meet its responsibilities effectively. Some praise the Fund’s partnership approach as a potential model for other foreign assistance programs, particularly the President’s proposed Millennium Challenge Account.¹⁸

Limited Public Availability of Information on Projects. Many are concerned that the Global Fund has made limited information publicly available on the projects to be funded by its first round of awards, describing them in only general terms. Critics of this approach argue that at least the successful proposals should be published in full, so that information on how Fund resources are being used will be widely available, and so that those preparing new proposals will have models to follow. Fund officials have pointed out that applicants in the first round were not told that their proposals might be published, and say that this has restrained them from doing so. At the same time, officials suggest that more information will be published on the second round proposals.

Appropriate Scale of the U.S. Contribution. It is widely accepted that the United States should be the leading contributor to the Global Fund, but there are

¹⁵ *AIDS 2002 Today*, newsletter of the 14th International AIDS Conference, held at Barcelona, July 10, 2002. A total of \$9 billion is needed from all sources, including the Fund, according to Sachs.

¹⁶ Brown, David, “Disease Fund Says Money Needs to Grow,” *Washington Post*, October 12, 2002.

¹⁷ Donnelly, “Global Disease Agency Requests Project Funding.”

¹⁸ See CRS Report RS21209, *The Millennium Challenge Account: Bush Administration Foreign Aid Initiative*.

divergent views on the appropriate amount to be given, and on the proportion of the U.S. contribution to total giving. H.R. 2069, as passed by the House on December 11, 2001, would authorize \$750 million in FY2002, while the Senate version, passed on July 12, 2002, would authorize \$1 billion in FY2003 and \$1.2 billion in FY2004. On January 23, 2003, the Senate Appropriations Committee passed H.J.Res. 2, as amended by S.Amdt. 1, an FY2003 omnibus appropriations bill, which includes \$300 million for the Global Fund. The Global AIDS Alliance, working from an estimate of \$4.6 billion as the total required by the Fund in FY2004, concludes that the appropriate U.S. share in that year would be \$1.6 billion based on U.S. GDP as compared to the GDP of other donors.¹⁹ The Alliance is a Washington-based group advocating increased spending for international AIDS programs. Some argue, however, that the United States should not consider providing funds at higher levels unless other public and private donors increase their contributions. Some maintain, however, that large contributions should not be expected from the profit-oriented corporate sector, which in their view should be encouraged to contribute in other ways, such as through in-kind donations. The FY2002 Supplemental Appropriations measure (P.L. 107-206) requires that the cumulative amount provided to the Global Fund by the United States not exceed the amount made available (not just pledged) by other donors combined by December 31, 2002. Unless other donors sharply increase their support for the Fund in the near future, this requirement will curtail the ability of the United States to transfer additional resources to the Global Fund.

¹⁹ "Filling the Funding Gap to Save Lives," October 9, 2002, Available at [<http://www.globalaidsalliance.org>].