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

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Abstract. As of March 31, 2006, the Global Fund has approved more than 350 grants totaling nearly $5.2 billion for projects in more than 131 countries, of which about $2.1 billion has been disbursed in 127 countries. To date there have been five "rounds" of funding, with the Board approving proposals in April 2002, January 2003, October 2003, June 2004, and September 2005. However, in September 2005, due to a lack of available funding from donors, only a portion of proposals recommended for approval in Round 5 were officially approved. The remaining tentatively approved proposals received final approval in December 2005 after additional contributions were made.

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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.

As of March 31, 2006, the Global Fund has approved more than 350 grants totaling nearly $5.2 billion for projects in more than 131 countries, of which about $2.1 billion has been disbursed in 127 countries. To date there have been five "rounds" of funding, with the Board approving proposals in April 2002, January 2003, October 2003, June 2004, and September 2005. However, in September 2005, due to a lack of available funding from donors, only a portion of proposals recommended for approval in Round 5 were officially approved. The remaining tentatively approved proposals received final approval in December 2005 after additional contributions were made. 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 death. Funding for the third through fifth years of the projects is dependent on new contributions to the Global Fund by donors.

This report will not be updated. Instead, for up-to-date information on the Fund refer to CRS Report RL33396, *The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Progress Report and Issues for Congress*.

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

Background

In January 2002, the Global Fund to Fight AIDS, Tuberculosis, and Malaria, was established in Geneva, Switzerland. The Fund provides grants to developing countries aimed at reducing the number of HIV, tuberculosis (TB), and malaria infections, as well as the illnesses and deaths 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 each 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 related to international health in the United States and Britain. Dr. Feachem announced in March 2006 that he will leave his position at the Global Fund when his contract expires on July 15, 2006. He has been the Executive Director since July 2002, when he became the Fund's first Executive Director. A successor has not yet been named. In April 2005, Dr. Carol Jacobs, Prime Minister of Barbados, was elected to succeed Tommy Thompson as Chair of the Global Fund's Board of Directors. Tommy Thompson was chosen as the Fund's first Chairman of the Global Fund when he was serving as the U.S. Secretary of Health and Human Services (HHS). According to Global Fund bylaws, the two-year chairmanship rotates cyclically between the groups of donors, developing countries, and non-governmental organizations (NGOs). Ambassador Randall Tobias resigned from his position as the U.S. representative on the board in March 2006, leaving the position vacant. Some believe that he resigned from his duties in anticipation of becoming the first Director of United States Foreign Assistance and to concurrently serve as Administrator of the United States Agency for International Development (USAID). If Congress confirms the President's nomination of Ambassador Tobias, he will hold the rank of Deputy Secretary of State.

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 grants it has approved will have treated 1.8 million HIV-positive people with antiretroviral (ARV) therapy and 5 million people infected with TB through the Directly Observed Treatment Short-Course (DOTS), which emphasizes watching the infected patient take his or her medication every day

for several months.[1] In addition, the Global Fund projects that 52 million people will be reached through voluntary counseling and testing services for preventing the spread of HIV, over 1 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 financing the purchase and distribution of 109 million insecticide-treated bed nets to prevent the spread of the malaria.

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.[2] 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,[3] 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

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[1] Global Fund, *Progress Report.* January 21, 2005, at [http://www.theglobalfund.org].

[2] "France Continues Pressure for Global AIDS Fund," *Reuters*, June 30, 1998.

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

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 learn where our support can be most effective."[4] 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."[5] 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 September 30, 2005, the Global Fund announced that it had approved a fifth round of grant proposals, committing $382 million over two years to 26 grants in 20 countries. Due to insufficient pledge levels, the Board was only able to approve grants totaling the pledges received for the corresponding calendar year. However, the Board decided to approve the remaining 37 grants as the money became available in 2006. 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 grants were made at its final board meeting in December 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

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[4] Remarks by the President, May 11, 2001.

[5] Communique dated July 22, 2001.

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 has developed a performance-based funding system that enables it to intermittently adjust funding for projects. The Global Fund reports that it funds grants in principle for five years, but commits funding for the first two years only. This enables the fund to assess the progress of the programs and determine if funding should be renewed. The Global Fund has approved 107 projects for Phase 2 funding totaling $1.1 billion. Some projects were not approved for Phase 2 funding due to poor performance. Others were temporarily cancelled when accounting inconsistencies were found. To date, the Global Fund has cancelled one grant. The decision to cancel the grant in Myanmar sparked debate among policy analysts about how best to serve humanitarian needs in politically unstable climates. For more information on programs not approved for Phase 2 funding see CRS Report RL33396, *The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Progress Report and Issues for Congress*.

Through five 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.[6] 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."[7] 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 academic sector; and United Nations agencies represented in the applicant country.[8] 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

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[6] "Distribution of Funding After Four Rounds," at [http://www.theglobalfund.org].

[7] The Global Fund to Fight AIDS, Tuberculosis, and Malaria, *Guidelines for Proposals*, March 2003, p. 5.

[8] *Guidelines for Proposals*, p. 6.

coordinated and strengthened.[9] 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.[10] 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.[11] 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.[12]

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.[13] Governments in recipient countries tend to oppose such requirements,[14] and at its June 2004 meeting, the Global Fund board decided to continue to deal with these matters through recommendations.[15] 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,

- 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;

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[9] *Guidelines for Proposals*, p. 5.

[10] GAO Report GAO-03-601, *Global Health: Global Fund to Fight AIDS, TB, and Malaria* (May 2004), p. 3-4, 15-18.

[11] *Global Health: Global Fund to Fight AIDS, TB, and Malaria*, p. 18.

[12] *A Force for Change: The Global Fund at 30 months*, p. 17.

[13] See the recommendations of the Partnership Forum of participants in Global Fund programs: "Draft Report of the Global Fund 'Partnership Forum'" (July 7- 8, 2004), available at the Global Fund website [http://www.theglobalfund.org].

[14] "Draft Report of the Global Fund 'Partnership Forum.'"

[15] *Global Fund Observer Newsletter* (Issue 29), July 9, 2004. Available at [http://www.aidspan.org].

- 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.[16]

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,"[17] and refers those proposals to the Board for discussion and final decisions on approval.

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,[18] 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.[19] 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 some 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.[20]

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[16] *Global Fund Observer Newsletter* (Issue 36), November 21, 2004.

[17] Chrispus Kiyonga, then Board Chairman, quoted in Global Fund press release, March 11, 2002.

[18] *Global Health: Global Fund to Fight AIDS, TB, and Malaria*, p.21.

[19] *Global Health: Global Fund to Fight AIDS, TB, and Malaria*, p.14.

[20] *Global Health: Global Fund to Fight AIDS, TB, and Malaria*, p 24-25.