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## **The Global Fund and PEPFAR in U.S. International AIDS Policy**

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# The Global Fund and PEPFAR in U.S. International AIDS Policy

## Summary

The United States is responding to the international AIDS pandemic through the President's Emergency Plan for AIDS Relief (PEPFAR), which includes bilateral programs and contributions to the multilateral Global Fund for AIDS, Tuberculosis, and Malaria. PEPFAR overall appears on target to meet the Administration's five-year, \$15 billion spending plan, although competing budget priorities could affect its prospects. By contrast, the Global Fund, which relies on multiple donors, is reporting a funding gap that may prevent it from awarding new grants to fight the pandemic. The Fund estimates that it needs \$3.3 billion in 2006 and 2007 to cover the renewal of its existing grants, in addition to \$3.7 billion in order to fund two new Rounds of grant-making. At a September 2005 Global Fund pledging conference in London, donors offered a total of \$3.7 billion for the two years, and unless additional pledges are made, the Fund will be able to do little more than fund existing grants.

The United States, at the London meeting, pledged a total \$600 million for 2006 and 2007, although Andrew Tobias, the U.S. Global AIDS Coordinator, suggested that Congress might provide a larger amount. Congress has consistently appropriated more than requested for the Fund. Some believe that the Administration increased its FY2006 request for the Fund to \$300 million, from \$200 million sought in FY2003-FY2005, in recognition of the support the Fund enjoys in Congress.

Representatives of the Global Fund and PEPFAR maintain that their programs are complementary, and that they are partners rather than competitors. The United States is the largest contributor to the Global Fund through PEPFAR. Some worry, however, that there are strains between U.S. officials and the Global Fund, pointing to the tendency of the Administration to request less for the Fund than Congress has been willing to provide. Global Fund representatives attended a major PEPFAR planning session in May 2005, and this is seen by many as one indicator among others that any past strains between the two programs are easing.

Advocates for the Global Fund seek a major increase in the U.S. contribution, arguing that it would affirm U.S. leadership in the struggle against AIDS and persuade other donors to increase their support. They believe that the Global Fund has several unique advantages, including its multilateral character, its contribution to capacity building, and its operations in countries other than the 15 PEPFAR focus countries. Supporters of U.S. bilateral programs note that they too build capacity and operate beyond the focus countries, while bringing the capacities of highly experienced U.S. agencies to bear in fighting the pandemic. Through PEPFAR, some argue, the United States is already doing more than its fair share in fighting AIDS, and any large increase for the Global Fund should come from other donor countries. U.S. officials and others are also encouraging contributions from private sector sources. Such contributions have been limited to date, apart from \$150 million contributed by the Bill and Melinda Gates Foundation. This report will not be updated. For further information, see CRS Report RS21181, *HIV/AIDS International Programs: Appropriations FY2003-FY2006* and CRS Report RL31712, *The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Background and Current Issues*.

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# The Global Fund and PEPFAR in U.S. International AIDS Policy

The international HIV/AIDS pandemic continues to deepen. According to UNAIDS, the Joint United Nations Program on HIV/AIDS, an estimated 39.4 million people were living with HIV in 2004, including 4.9 million who were newly infected during the year.<sup>1</sup> AIDS deaths totaled 3.1 million, or nearly 8,500 per day. Approximately 64% of HIV-infected adults and children live in sub-Saharan Africa, and the pandemic is casting a pall over prospects for development and stability in that region. South Africa, with 5.3 million infected people at the end of 2004, has the largest number of infections worldwide. Beyond Africa, the spread of the disease in India, China, and Russia is giving rise to concerns over the potential impact of the pandemic in countries that are key regional and global actors. India confronted an estimated 5.1 million infections at the end of 2004, and will likely soon have more infected people than any other country.

The United States is responding to the international AIDS pandemic through the President's Emergency Plan for AIDS Relief (PEPFAR), which includes bilateral programs and contributions to the multilateral Global Fund for AIDS, Tuberculosis, and Malaria. PEPFAR aims at spending a total of \$15 billion from FY2004 through FY2008. PEPFAR bilateral programs channel most funds through contracts with U.S. and local non-governmental organizations (NGOs) fighting the pandemic, as well as host-country health ministries or other government agencies. The Global Fund, which has committed \$3.4 billion to date to fighting the three diseases, is supported by donor countries, including the United States, in addition to foundations and other contributors. It makes five-year grants in low and middle income countries in response to applications from national committees called "Country Coordinating Mechanisms" (CCMs). The recipients of Global Fund grants implement the actual disease-fighting programs, and include health ministries, local NGOs, and in several countries, the United Nations Development Program (UNDP).

HIV/AIDS has been the main target of PEPFAR since its inception, and the first annual report to Congress on the program, issued in March 2005, dealt exclusively with this disease.<sup>2</sup> However, the legislation authorizing PEPFAR, the United States Leadership Against AIDS, Tuberculosis, and Malaria Act of 2003 (P.L. 180-25), authorized programs to fight malaria and tuberculosis as well. Thus, the three

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<sup>1</sup> UNAIDS, *AIDS Epidemic Update, December 2004*.

<sup>2</sup> Office of the Global AIDS Coordinator (OGAC), *Engendering Bold Leadership: The President's Emergency Plan for AIDS Relief, First Annual Report to Congress*.

diseases are now included together in discussions of PEPFAR spending.<sup>3</sup> The Administration reports that in both FY2004 and FY2005, 93% of PEPFAR spending went to fighting AIDS.<sup>4</sup> The Global Fund estimates its 56% of its spending goes to fighting AIDS. On June 30, 2005, President Bush proposed a new, five-year malaria initiative, outside of PEPFAR, to total \$1.2 billion beginning with \$30 million to be committed in FY2006. This proposed program is not included in the analysis in this report.<sup>5</sup>

PEPFAR appears on target to meet the Administration's five-year, \$15 billion spending plan, although competing budget priorities could affect funding prospects. Appropriations are steadily rising, reaching \$2.3 billion in FY2004 and \$2.9 billion in FY2005, while \$3.2 billion has been requested for FY2006. Appropriations bills currently before Congress would provide more than this amount.<sup>6</sup> The Global Fund, by contrast, is reporting a funding gap that may prevent it from awarding new Rounds of grants for combating the AIDS pandemic. The purpose of this report is to examine the relationship between the Global Fund and PEPFAR in U.S. international AIDS policy, review arguments in the debate over whether the United States should increase its contributions to the Global Fund, and outline other options for increasing Global Fund resources.

## Background

In May 2001, President Bush made the founding pledge of \$200 million to a new, yet-to-be-named global fund to fight AIDS at a White House Rose Garden ceremony attended by U.N. Secretary General Kofi Annan and Nigeria's President Olusegun Obasanjo.<sup>7</sup> U.S. officials played a prominent role in the subsequent negotiations on creating the Global Fund, and the new organization began operations in January 2002, with its mission expanded to include tuberculosis and malaria. The Global Fund is an innovative organization in many ways. The Fund's board includes representatives of both donor and recipient governments, NGOs, the private sector, and communities affected by the three diseases. UNAIDS, the World Health Organization (WHO), and the World Bank also participate. The Fund's Secretariat in Geneva is relatively small, with about 135 employees. This is possible because the Global Fund is not an implementing agency, but rather a "financial instrument" designed to mobilize new resources for fighting disease and to manage and disburse

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<sup>3</sup> Some observers expect that spending on AIDS alone will total \$15 billion or more for FY2004 through FY2008, but this remains to be seen.

<sup>4</sup> *Engendering Bold Leadership*, p. 113.

<sup>5</sup> In announcing the initiative, President Bush said it would "support the efforts of the Global Fund, the World Bank, Roll Back Malaria, and other donors." "Fact Sheet: Fighting Malaria in Africa," White House, June 30, 2005.

<sup>6</sup> CRS Report RS21181, *HIV/AIDS International Programs: Appropriations FY2003-FY2006*.

<sup>7</sup> For further information on the origins of the Global Fund, see CRS Report RL31712, *The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Background and Current Issues*.

those resources.<sup>8</sup> The CCMs in the recipient countries bring together the interested parties or “stakeholders” to agree on national priorities and to develop and submit coordinated applications to the Fund. CCMs include representatives of government, NGOs, the private sector, multilateral and bilateral aid agencies operating in the country, academic institutions, and people living with the diseases. The applications identify one or more Principal Recipients, such as the national health ministry or one or more NGOs, which are legally responsible for grant implementation. Applications are reviewed by a Technical Review Panel of independent experts, and if a grant is made, the Fund contracts a Local Fund Agent, typically a large accounting firm, to oversee its implementation. The Global Fund’s grant-making takes place in “Rounds,” which are announced when the Fund estimates that it has funds available to cover the first two years of a large number of new grants. The two-year requirement, known as the Comprehensive Funding Policy, is intended to assure that the projects being funded, including treatment projects, are not interrupted for lack of money.

President George W. Bush announced the launching of PEPFAR in his January 2003 State of the Union Address. The United States had been implementing bilateral international AIDS projects through the U.S. Agency for International Development (USAID) since the mid-1980s. The Clinton Administration’s 1999 LIFE (Leadership and Investment in Fighting an Epidemic) initiative brought other agencies, particularly the Centers for Disease Control and Prevention of the Department of Health and Human Services, into the effort as well. PEPFAR, which was authorized in May 2003 by P.L. 108-25 (see above), brought these efforts into a single program headed by a Global AIDS Coordinator carrying the rank of Ambassador and based at the Department of State. Randall Tobias, former Chairman, President, and CEO of Eli Lilly, the pharmaceutical corporation, was named to the post by President Bush in July 2003 and confirmed in October.

The PEPFAR initiative promised substantial new resources for fighting AIDS, including \$9 billion over five years to be committed in 14 (later expanded to 15) of the most afflicted countries of the world.<sup>9</sup> This new funding is being channeled through the Global HIV/AIDS Initiative (GHAI) directed by the Office of the Global AIDS Coordinator (OGAC). PEPFAR also promised \$5 billion over five years for ongoing bilateral AIDS programs in 105 other countries,<sup>10</sup> as well as \$1 billion in contributions to the Global Fund. Officials said that overall, PEPFAR represented \$10 billion in “new money,” — that is, \$10 billion in additional funds beyond spending that would have occurred if existing programs had simply been continued at then-current spending levels.

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<sup>8</sup> Statements based on information available online at the Global Fund website at [<http://www.theglobalfund.org>].

<sup>9</sup> The focus countries are Botswana, Cote d’Ivoire, Ethiopia, Guyana, Haiti, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Vietnam, and Zambia.

<sup>10</sup> See “The President’s Emergency Plan for AIDS Relief” at [<http://www.usaid.gov>].

AIDS activists and others have been impatient with the pace at which PEPFAR and the Global Fund have been meeting the difficult challenge of scaling up their efforts to combat the global AIDS pandemic.<sup>11</sup> However, both are already claiming considerable success. PEPFAR aims at supporting treatment for 2 million HIV-infected people by 2008, preventing 7 million new HIV infections, and “supporting care for 10 million people infected and affected by HIV/AIDS, including orphans and vulnerable children.”<sup>12</sup> The Office of the Global AIDS Coordinator reports that at the end of March 2005, the PEPFAR Global HIV/AIDS Initiative was supporting antiretroviral therapy for more than 235,000 AIDS patients in the focus countries.<sup>13</sup> Through September 2004, 1.7 million were receiving care, including 630,000 Orphans and Vulnerable Children.<sup>14</sup>

OGAC estimates that in FY2004 it reached 120 million people in the focus countries with prevention messages focusing on abstinence and being faithful. In addition, 96 million condoms were purchased and shipped to focus countries for programs directed toward people who engage in high risk behavior.<sup>15</sup> The Global Fund reports that the 316 grants it had approved in 127 countries through July 2005 had put 220,000 patients on HIV therapy, provided HIV testing and counseling for 2.5 million people, and provided 397,000 orphans with social, medical, and educational support.<sup>16</sup> Some patients receiving treatment for AIDS are participating in programs supported by both PEPFAR and the Global Fund. This overlap was estimated at 63,000 in 2004.<sup>17</sup>

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<sup>11</sup> For analysis, see U.S. Government Accountability Office (GAO), *Global Health: Global Fund to Fight AIDS, TB, and Malaria Has Advanced in Key Areas, but Difficult Challenges Remain* (GAO Report GAO-03-601, May 2003); and *Global Health: U.S. AIDS Coordinator Addressing Some Key Challenges to Expanding Treatment, but Others Remain* (GAO Report GAO-04-783, July 2004).

<sup>12</sup> U.S. Department of State, Bureau of Public Affairs, “The President’s Emergency Plan for AIDS Relief: Five-Year Strategy.”

<sup>13</sup> Office of the U.S. Global AIDS Coordinator (OGAC), “President Bush’s Emergency Plan for AIDS Relief: Compassionate Action Provides Hope Through Treatment Success,” Fact Sheet, July 7, 2005. P.L. 108-25, in “sense of Congress” language, had set a treatment target of 500,000 through U.S. assistance programs for the end of fiscal 2004, and one million for the end of 2005 (Sec. 402).

<sup>14</sup> OGAC, “President Bush’s Emergency Plan for AIDS Relief: Aid to Orphans and Vulnerable Children,” Fact Sheet, May 24, 2005.

<sup>15</sup> OGAC, *Engendering Bold Leadership: The President’s Emergency Plan for AIDS Relief, First Annual Report to Congress*, p. 21, 24.

<sup>16</sup> Global Fund to Fight AIDS, Tuberculosis, and Malaria, *Sustaining Performance, Scaling Up Results*” *Third Progress Report 2005*, p. 7.

<sup>17</sup> *Engendering Bold Leadership*, p. 37.

## Global Fund Resource Gap

The Global Fund estimates that it needs \$3.3 billion in 2006 and 2007 to cover all existing grants through the end of 2007. In addition, it is seeking \$3.7 billion, for a total of \$7 billion, in order to respond to anticipated applications in Rounds 6 through 8 during the two-year period.<sup>18</sup> At a pledging conference held in London in September 2005, donors pledged a total of \$3.7 billion. Unless additional pledges are made, the Global Fund will have the resources to do little more than fund its existing grants. It will not be able to bring new resources to bear in fighting the AIDS pandemic. Resource constraints were evident when the Global Fund's board met in Geneva at the end of September 2005 to discuss Round 5 grants. The Board decided to approve 26 grants costing \$382 million over the first two years. Another 37 grants costing \$344 million were provisionally accepted pending additional pledges in the first half of 2006. If sufficient pledges are not received by the end of June 2006, the 37 grants will be denied final approval.<sup>19</sup> The Board did not schedule a sixth Round.

### U.S. Contributions

The United States made initial contributions to the Global Fund totaling \$275 million from appropriations for FY2001 and FY2002 (**Table 1**). For FY2003 through FY2005, the Administration requested \$200 million annually, but Congress provided more than requested in each year. A \$200 million request is in keeping with the PEPFAR promise of \$1 billion over five years, but for FY2006, the Administration raised its request to \$300 million. Some speculated that this reflected recognition on the Administration's part that Congress favored larger contributions. House and Senate versions of FY2006 appropriations would again provide more for the Global Fund than requested.

**Table 1. Funding for U.S. Contributions to the Global Fund**  
(\$ millions)

Appropriation	FY2001- FY2002 Actual	FY2003 Actual	FY2004 Estimate	FY2005 Approp.	FY2006		
					Request	House	Senate
1. Foreign Operations	150.0	248.4	397.6	248.0	200.0	400.0	500.0
2. Labor/HHS	125.0	99.3	149.1	99.2	100.0	0	100.0
3. FY2004 Carryover			-87.8	87.8			
<b>TOTAL</b>	<b>275.0</b>	<b>347.7</b>	<b>458.9</b>	<b>435.0</b>	<b>300.0</b>	<b>400.0</b>	<b>600.0</b>

<sup>18</sup> Global Fund, *The Global Fund's First Replenishment, 2006-2007, Chair's Report*, September 16, 2005.

<sup>19</sup> *Global Fund Observer Newsletter (Aidspan)*, October 3, 2005. The Technical Review Panel also noted that the 37 provisionally-approved grants require further clarifications, although it judged that these could be provided within the June 2006 framework. The 26 approved grants required no clarifications, or minor clarifications that could be provided in four weeks.



Global Fund contributions have been funded principally through the Foreign Operations Appropriations legislation and the appropriations for the Departments of Labor, Health and Human Services, and Education (Labor/HHS). The amounts reported in **Table 1** for appropriations in FY2003 through FY2005 reflect rescissions included in these appropriations bills. In FY2004, as shown in line 3, \$87.8 million of the amount appropriated for the Global Fund was not provided due to legislative provisions limiting the U.S. contribution for FY2004 through FY2008 to 33% of the amount contributed by all donors.<sup>20</sup> The FY2005 Consolidated Appropriations legislation directed that these withheld funds be provided to the Global Fund in FY2005, subject, like the remainder of the U.S. contribution, to the 33% proviso. The amount reported in the Senate-passed Foreign Operations bill for FY2006 (H.R. 3057) includes \$100 million transferred from the Economic Support Fund under Sec. 6118, added as a floor amendment during debate.

The one-third rule governing contributions is not an issue in 2005, when the U.S. contribution is estimated at about 29% of total contributions for the calendar year (see below, **Table 2**). At the September 2005 pledging conference in London, U.S. Global AIDS Coordinator Randall Tobias said that the United States would pledge a total of “at least” \$600 million (\$300 million in each year) in 2006 and 2007.<sup>21</sup> Tobias noted, however, that the final amount would be determined by Congress — a remark that was interpreted as suggesting that he expected the ultimate U.S. contribution to be larger. The \$600 million offered by Tobias represents 16% of amounts pledged for the two years, and was second to the French pledge of \$631 million. America’s European partners together pledged \$1.6 billion, including the French pledge.<sup>22</sup> The \$600 million for the Global Fund in FY2006 in the Senate-passed version of the Foreign Operations Appropriation — without considering any additional amount for FY2007 — would double the Administration request for the year and put the U.S. contribution at approximately 28% of the total.

## Global Fund and PEPFAR in U.S. Policy

Representatives of the Global Fund and PEPFAR consistently maintain that the two are partners rather than competitors in the struggle against AIDS. Ambassador Tobias told the London pledging conference that the U.S. contribution to the Global Fund is a “strategic priority” of PEPFAR. The operational plan of the Office of the Global AIDS Coordinator for FY2005 states that the Global Fund “was conceived

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<sup>20</sup> These provisions are found in Sec. 202 of P.L. 108-25, the United States Leadership against HIV/AIDS, Tuberculosis, and Malaria Act of 2003, as amended by P.L. 108-199, the FY2004 Consolidated Appropriations. **Table 2**, below, indicates that the U.S. contribution in 2004 came to 30% of the total, but this is a calendar year figure. The determination of the amount to be held back was made at the end of FY2004.

<sup>21</sup> Recorded remarks at the Global Fund website [<http://www.theglobalfund.org>].

<sup>22</sup> Based on information appearing in the table on pledges at the Global Fund website and in the *Global Fund Observer*, September 7, 2007

to be an integral part of the Administration's global strategy against the epidemic."<sup>23</sup> An August 2005 Global Fund press release affirmed that the two programs are partners, noting that "Together, the Global Fund and PEPFAR are the major financial engines to achieve greatly increased treatment numbers over the coming years."<sup>24</sup> Jack Valenti, President of Friends of the Global Fight Against AIDS, Tuberculosis, and Malaria, which advocates for the Global Fund in the United States, describes the Fund as the "multi-lateral arm of PEPFAR, complementing the work of U.S. bilateral programs around the world."<sup>25</sup> U.S.-Global Fund cooperation was underscored in January 2003, when then U.S. Secretary of Health and Human Services Tommy Thompson was elected Chairman of the Fund's Board. Thompson served until April 2005. Ambassador Tobias currently serves as head of the Global Fund's Policy and Strategy Committee. Many argue that this history of cooperation represents a significant U.S. policy investment in the Global Fund, and considered together with U.S. financial contributions, gives the United States a significant stake in the Fund's success.

Those who insist that the Global Fund and PEPFAR are partners also assert that the work of the two organizations is complementary. They point out that the Global Fund is the principal vehicle for mobilizing new resources to fight AIDS outside the 15 Global HIV/AIDS Initiative focus countries, thus furthering PEPFAR's worldwide objectives. At the same time, the Global Fund is adding resources for treatment and other AIDS relief measures within the GHAI countries. By contributing to the Global Fund, the United States is able to "leverage" its investment for fighting the pandemic because the Fund provides a means for other donors, most of which lack the capacity for carrying out large bilateral AIDS program, to participate in fighting the pandemic. Many feel that by working through CCMs, local government ministries, and local NGOs, the Global Fund is complementing PEPFAR objectives by helping to build indigenous institutional capacities that will boost the abilities of host countries to deal with health challenges over the long term. PEPFAR bilateral programs, meanwhile, complement the work of the Global Fund by bringing the capacities of USAID, CDC, and other U.S. agencies to bear on an emergency basis in 15 of the most heavily affected countries, where indigenous institutions are not able to cope with the pandemic in the short term.

U.S. and Global Fund officials make a point of noting that the two organizations work together closely, underscoring their partnership and complementarity. Global Fund staff participated in the May 2005 annual meeting of PEPFAR field staff, held in Addis Ababa, Ethiopia; and a key emphasis of the meeting was the importance of cooperation between the two organizations at the local level. U.S. embassies in the focus countries report back to Washington on this cooperation. Consultations also take place between the two organizations at the headquarters level. In the field, USAID provides technical assistance to CCMs in setting priorities and formulating proposals to the Global Fund. As noted above, there has also been cooperation in

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<sup>23</sup> *Emergency Plan for AIDS Relief Fiscal Year 2005 Operational Plan*, Part VII. Available at the OGAC website: [<http://www.state.gov/s/gac/>].

<sup>24</sup> "Global Fund Programs Exceed Targets," August 23, 2005.

<sup>25</sup> Testimony before the House Committee on International Relations, April 13, 2005.

providing antiretroviral treatment to AIDS patients. Officials foresee closer cooperation in the future. For example, W. Brad Herbert, Chief of Operations at the Global Fund, expects U.S. AIDS experts in the field to become more engaged in helping to monitor the performance of Global Fund-supported projects.<sup>26</sup>

Despite the emphasis on partnership, complementarity, and cooperation in public statements, some suspect that U.S. officials are not entirely happy with the Global Fund, and may see it as a rival that is drawing attention away from the accomplishments of U.S. bilateral programs. Some trace the suspected estrangement to April 2002, when the Global Fund board chose Dr. Richard Feachem, a Briton, as Executive Director, rather than an American candidate proposed by the United States.<sup>27</sup> Others argue that the lead-up to the 2003 war in Iraq brought out sentiments in the Administration that were unfriendly toward the United Nations and multilateral organizations generally, and that this affected attitudes toward the Global Fund.<sup>28</sup> The tendency of the Administration to request less for the Global Fund than Congress was willing to provide may be traced to these anti-multilateral points of view, some believe. At a September 2004 congressional staff briefing on the Global Fund, officials were reportedly highly critical of Fund operations, causing observers to doubt Administration statements of support.<sup>29</sup> However, even many of those who have been skeptical of the degree of partnership between the Global Fund and PEPFAR now acknowledge that there seems to be a new spirit of cooperation, as symbolized in the Administration's \$300 million request for the Fund in FY2006. This new spirit has come late in the day, some argue, but is welcome nonetheless.

## Debate Over U.S. Funding for the Global Fund

Despite increasing cooperation between PEPFAR and the Global Fund, the level of U.S. contributions remains a point of contention. Fund supporters believe that other donors are unlikely to increase their contributions unless the United States boosts its own level of support. They maintain that the one-third rule governing U.S. contributions serves as a benchmark for the other donors, who see it as their responsibility to provide two-thirds of the funding while the United States provides the rest. Thus, the United States would have to contribute \$2.3 billion in FY2006 and FY2007 combined, rather than the \$600 million pledged by Ambassador Tobias, if it is to persuade other donors to make contributions sufficient to meet the Global Fund's stated need of \$7 billion.

Many see an increase for the Global Fund on this scale as unlikely, since there are many competing budget priorities and no guarantee that other donors would

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<sup>26</sup> John Donnelly, "Key Groups in Anti-AIDS Fight Aim for Unity," *Boston Globe*, May 25, 2005.

<sup>27</sup> John Donnelly, "Briton to Head Global Fund on Diseases Post Seen Critical in Allotting Assets to Combat AIDS," *Boston Globe*, April 25, 2002.

<sup>28</sup> J. Stephen Morrison and Todd Summers, "United to Fight HIV/AIDS?" *The Washington Quarterly*, Autumn 2003, p. 183.

<sup>29</sup> *Global Fund Observer*, November 8, 2004.

follow the U.S. lead. Administration officials and others argue that the United States has already been generous toward the Global Fund, and should not be expected to do more. In July 2004, Ambassador Tobias pointed out to an interviewer in Bangkok, during the biennial International AIDS Conference, that

The United States made the first contribution to the Global Fund, and we remain the biggest contributor.... We're contributing nearly twice as much as all other donors combined.<sup>30</sup>

Moreover, the United States is on target to contribute considerably more than the \$1 billion over five years initially promised when PEPFAR was announced. There was much criticism of the level of U.S. funding for the Global Fund at the Bangkok meeting, where Tobias said that the United States would not fulfill a request from United Nations Secretary General Kofi Annan for a \$1 billion annual contribution.<sup>31</sup>

**Table 2. Contributions to the Global Fund by the G7 and European Commission (%)**

Country	2001-2002	2003	2004	2005	2006-2007 (pledges)
United States	31.3	34.4	30.0	29.2	16.2
Canada	2.6	2.7	3.3	7.8	5.7
European Commission	14.3	5.4	17.3	4.9	2.9
France	6.2	6.8	11.9	12.8	17.0
Germany	1.2	4.0	3.0	7.3	5.3
Italy	11.4	11.4	7.9	8.5	8.4
Japan	8.4	8.5	5.6	7.1	13.5
United Kingdom	8.1	4.3	3.9	6.3	9.5

**Sources:** Tables on pledges and contributions at the Global Fund to Fight AIDS, Tuberculosis, and Malaria website; *Global Fund Observer*, September 7, 2007; press reports. Canada's 2006-2007 pledge was made after the London pledging conference.

U.S. officials also note that the United States is contributing by far the largest share of funds going toward fighting the global pandemic, including both its Global Fund contribution and its bilateral PEPFAR program. A report issued by the Henry J. Kaiser Family Foundation in July 2005 found that the United States was contributing 45.4% of the funds committed by the G7 nations and the European

<sup>30</sup> *MSNBC*, "The Bush Administration Stands Alone," July 14, 2004.

<sup>31</sup> "U.S. Will Not Meet U.N. Secretary General's Request to Contribute \$1B Annually to Global Fund, Tobias Says," *Kaiser Daily HIV/AIDS Report*, July 15, 2004.

Communities for international AIDS programs.<sup>32</sup> This is more than a fair share, some believe, and if more funding is needed at the Global Fund it should come from other sources. However, the Kaiser study also pointed out that when bilateral commitments and commitments to the Global Fund were adjusted for Gross National Income, the United States ranked third in funding international AIDS programs, behind Britain and Canada, but well ahead of France, Germany, and Japan. UNAIDS estimates the total need for resources to fight AIDS in 2006 at \$14.9 billion, whereas \$8.9 billion is likely to be provided<sup>33</sup> — suggesting to some that donors generally are falling short of their “fair share” contribution to the AIDS struggle.

For those who argue that other donors, rather than the United States, should be doing more to help the Global Fund, the one-third rule governing U.S. contributions should be seen as a safeguard put in place by Congress, rather than as a benchmark determining what others should contribute. **Table 2** suggests that the one-third rule may not be governing pledges by other donors for 2006 and 2007, although it is also possible that their pledges reflect an expectation that Congress will add to the U.S. contribution.

Nonetheless, there is significant support, often stated in heated terms, for a larger U.S. contribution to the Global Fund. A number of editorials and opinion pieces have strongly urged an increase for the Fund,<sup>34</sup> and advocacy organizations, such as the, Global AIDS Alliance, have accused the Administration of a “deliberate, concerted action” to undermine the Fund.<sup>35</sup> Some argue that an increase is merited precisely because the United States has assumed world leadership in the struggle against AIDS. A larger Global Fund contribution would affirm this leadership, and have diplomatic and public relations benefits as well, since it would underscore the U.S. commitment to an important humanitarian cause. Supporters of a boost in funding typically praise the Global Fund for its innovative features and its multilateral character. They depict PEPFAR’s bilateral effort in the focus countries as a “top down” program run from Washington, and contrast this with the Global Fund’s direct support for programs developed in the field by stakeholders participating in the CCMs. In this way, they argue, the Global Fund is making a major contribution to institution-building in developing countries, with potential wider benefits for governance and growth. Many feel that the Global Fund should be the primary component of the U.S. response to the pandemic. They agree with Stephen Lewis, U.N. Special Envoy for HIV/AIDS in Africa, in seeing the Fund,

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<sup>32</sup> Jennifer Kates, *Financing the Response to HIV/AIDS in Low and Middle Income Countries: Funding for HIV/AIDS from the G7 and European Commission*, Kaiser Family Foundation, July 2005.

<sup>33</sup> UNAIDS, *Resource Needs for an Expanded Response to AIDS in Low and Middle Income Countries*, June 2005. The funds likely to be provided in 2006 include \$2.8 billion expected from the afflicted countries themselves.

<sup>34</sup> See, for example, *Des Moines Register*, September 21, 2005; *Salon.com*, June 2, 2005; *Indianapolis Star*, March 19, 2005; *Nation*, December 20, 2004.

<sup>35</sup> MSNBC, “The Bush Administration Stands Alone,” cited above. The Global AIDS Alliance is a non-profit organization based in Washington, D.C.

“whatever its teething problems” as “the most formidable new international financial mechanism in the battle against communicable disease.” According to Lewis, the Fund “deserves every ounce of support it can muster.”<sup>36</sup>

Many also favor the Global Fund over PEPFAR’s bilateral programs because they believe that PEPFAR has been fettered by various requirements and restrictions which, in their view, inappropriately restrict the program. PEPFAR, for example, is required by law to spend one-third of funds allocated for HIV/AIDS prevention in FY2006 through FY2008 on abstinence-until-marriage programs,<sup>37</sup> and PEPFAR contractors must sign a pledge stating that they oppose commercial sex work and sex trafficking.<sup>38</sup> Some question the effectiveness of abstinence-until-marriage programs and worry that the prostitution pledge could inhibit the ability of NGOs to work with a group that is a key vector for HIV. Such requirements do not affect the Global Fund. In May 2005, Ambassador Tobias rescinded an effort to require NGOs receiving U.S. funds indirectly through the Global Fund to sign the prostitution pledge, saying that the policy had not been fully cleared.

Those who oppose an increase in the U.S. contribution to the Global Fund tend to describe the PEPFAR’s bilateral effort as superior to the Global Fund program. They emphasize that PEPFAR is funding expanded involvement in the struggle against AIDS by U.S. agencies, primarily USAID and CDC, which have years of experience in fighting disease. Spending in the field is under the direction of personnel based at U.S. embassies, and this results in better coordination, they argue. It is a mistake to see PEPFAR as a “top down” program, because embassy involvement means that local considerations are constantly being taken into account.<sup>39</sup> Moreover, PEPFAR is itself making a major contribution to building local capacity through its training and infrastructure programs, and by channeling much of its spending through local organizations as contractors or subcontractors. With PEPFAR oversight and assistance, supporters maintain, local institutions are becoming more transparent, potentially strengthening the overall quality of governance in the focus countries. Some also argue that only a large bilateral program under U.S. control could have gained the domestic American political support needed for a commitment of \$10 billion in additional resources to fighting AIDS. They believe that the restrictions on the use of PEPFAR funds reflect widely-held U.S. values, and further that the program might have failed to win majority support in Congress if the restrictions were not in place.

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<sup>36</sup> Speech to the Third International AIDS Society Conference, July 25, 2005.

<sup>37</sup> P.L. 108-25, Section 403. The legislation states this requirement in “sense of Congress” language for FY2004-FY2005 (Sec. 402). Sense of Congress language states that 20% of PEPFAR spending should be devoted to prevention.

<sup>38</sup> P.L., 108-25 (Section 301(f)) prohibits funding for any group that does not have a policy explicitly opposing prostitution and sex-trafficking. The USAID policy directive on the pledge is at [[http://www.usaid.gov/business/business\\_opportunities/cib/pdf/aapd05\\_04.pdf](http://www.usaid.gov/business/business_opportunities/cib/pdf/aapd05_04.pdf)]. See also, *Kaiser Daily HIV/AIDS Report*, May 18, 2005

<sup>39</sup> However, a portion of GHAI spending is centrally-managed from Washington. In FY2004, \$181.1 million was spent through centrally-managed programs, while \$570.2 million was managed at the country level. *Engendering Bold Leadership*, p. 115.

Some PEPFAR advocates maintain that several Global Fund programs have run into difficulties, and see this as an argument for refraining from larger contributions. In January 2004, for example, the Global Fund suspended grants in Ukraine that were found to be poorly managed and behind schedule, while in August 2005, grants to Uganda were suspended when the Local Fund Agent reported mismanagement of one grant by the Ministry of Health. Global Fund supporters, however, argue that such suspensions are a sign that the Global Fund's oversight mechanisms are effective and transparent, and that they can be an incentive to recipient countries to strengthen their capabilities for grant management. Grants to Ukraine have been resumed conditional on improvements in governance and adherence to sound business practices on the part of the CCM. Uganda is implementing changes to improve grant management and restore its own eligibility for Global Fund grants. Problems in Global Fund grants are most likely to be encountered in the early stages of grant implementation, some argue, but tend to ease as a country's capacity for grant administration begins to grow.

The ongoing debate between advocates for the Global Fund and for PEPFAR bilateral programs is unfortunate, some observers maintain, because both programs are making important contributions in the struggle against AIDS. In their view, a way should be found to provide the Global Fund with the resources it needs from the United States and other donors, without taking resources away from bilateral efforts. The United States has already contributed substantial amounts to the Global Fund, and some believe that a failure by the Fund to mobilize the resources it needs to fight the AIDS pandemic will to some degree be a failure of U.S. policy. Some also doubt that PEPFAR will be able to meet its own objectives for treatment, prevention, and care unless it bolsters the Global Fund.

## Policy Options

The difficulty in attempting to leverage larger contributions from other donors to the Global Fund by increasing the U.S. contribution is that the resources available under the two appropriations bills used to support the fund — Foreign Operations and Labor/HHS — are finite. Once an annual budget resolution is passed and funds are allocated to the Appropriations Committees and then to subcommittees, increases for one program can only be achieved through decreases for others.<sup>40</sup> In hearings and meetings, according to observers, representatives of executive branch agencies tend to argue most strongly in support of bilateral programs under their control, even though they may also be supportive of multilateral programs. Some also suggest that a similar process occurs in the executive branch before the annual budget is submitted to Congress, and that this has tended to limit the request for the Global Fund. The Global Fund has strong supporters in Congress, and this has led to appropriations above the Administration's request, but these have not been on the scale that Global Fund advocates believe is needed.

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<sup>40</sup> For a discussion of the process, see CRS Report RL32919, *Foreign Operations (House)/State, Foreign Operations, and Related Programs (Senate): FY2006 Appropriations*, by Larry Nowels.

The solution for many Global Fund advocates is a “larger pie” for Foreign Operations and/or Labor/HHS, backed up by a larger budget request from the Administration, leaving room for a substantially larger contribution to the Global Fund. However, expanding funding for these appropriations bills to benefit the Global Fund would likely prove problematic in a period of concern over the federal deficit as well as high levels of spending for the war in Iraq and hurricane relief. Some advocates of a larger U.S. contribution to the Global fund believe that legislative provisions limiting the U.S. contribution to 33% of all contributions should be repealed, since it could lead to the withholding of U.S. funds in the future. Others argue that the provision should be retained as an incentive to other donors.

Another option would be a concerted U.S. effort to persuade other donor countries to increase their contributions to the Global Fund even in the absence of a large U.S. increase. U.S. officials might argue that the United States is using its substantial bilateral capabilities to carry out a large scale effort against AIDS under PEPFAR, and that those lacking these capabilities should participate in the struggle through larger contributions to Global Fund. Some suggest that making this case should not be left to Ambassador Tobias and his assistants, but that Secretary of State Rice and President Bush should also strongly advocate for the Global Fund in public forums and in their meetings with foreign leaders. Skeptics question, however, whether foreign leaders would be willing to make substantially larger contributions unless the United States does so as well.

A third option would be an effort to persuade private sector donors, foundations, and the general public to contribute to the Global Fund. At the September 2005 Global Fund pledging conference, Ambassador Tobias urged non-government sources, including the private sector, to give generously to the Global Fund. Some suggest that popular music events along the lines of the 1985 Live Aid concert, which raised funds to fight famine in Ethiopia, could generate new revenues for the Global Fund. Prior to the July 2005 G8 summit in Scotland, ten “Live 8” concerts in support of ending world poverty reportedly drew more than a million people around the world,<sup>41</sup> although the concerts did not specifically raise funds for AIDS. To date, however, non-government sources — apart from the Bill and Melinda Gates Foundation — have contributed only modest amounts to the Global Fund. The Gates Foundation has given \$150 million, but corporations have given just \$1.9 million, while individuals, groups, and events have accounted for \$3.3 million. These relatively low numbers suggest to some that there is great untapped potential for larger contributions from alternative sources; others see them as evidence that the potential is limited.<sup>42</sup> In any event, many continue to believe a way must be found to boost Global Fund resources if U.S. objectives in combating the Global AIDS pandemic are to be fulfilled.

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<sup>41</sup> *CNN.com*, “Review: Geldof’s Live 8 a Rock Triumph;” July 6, 2005; *Newsday* reported 2 million attendees: “Live 8 Showed that Music Can Spur Action,” July 10, 2005.

<sup>42</sup> “Contributions to Date,” October 5, 2005. Table at the Global Fund website.