

CRS Report for Congress

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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, TB, and Malaria: Progress Report and Issues for Congress

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 countering the three diseases. 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.

The Global Fund has approved more than 350 grants totaling nearly \$5.2 billion for projects in 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 particularly important 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 grant performance and on new donor contributions.

After deducting the mandated 1% rescission, U.S. congressional appropriators provided \$544.5 million for the Fund in FY2006. The Administration has requested \$300 million for a U.S. contribution to the Global Fund in FY2007. Many supporters of the Fund propose that the United States provide more than the Administration request but others contend that a larger contribution could result in less funds for U.S. bilateral programs. This report discusses the Fund’s progress to date, including U.S. contributions to the organization and some potential issues for Congress. This report will be updated as needed. For a comprehensive description of the structure and functions of the Global Fund, see CRS Report RL31712, *The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Background*.

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The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Progress Report and Issues for Congress

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. These three diseases kill approximately 6 million people each year, taking the greatest toll on sub-Saharan Africa. 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 United States holds a permanent Board seat. An extensive discussion on the structure of the global fund and its funding process can be found in CRS Report RL31712, *The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Background and Current Issues*.

The Global Fund's efforts are intended to mitigate the impact of AIDS, TB, and malaria on countries in need. 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 62 million people will be reached through HIV prevention and voluntary counseling and testing (VCT) services, over one million orphans will be supported, and 264 million malaria patients will receive the new artemisinin-based combination drug treatments (ACT). Artemisinin-based treatments have been found to be 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 disease.

¹ DOTS is an acronym which describes the internationally-recommended TB control strategy of Directly Observed Treatment, Short Course.

Progress to Date

According to a Global Fund press release, the Fund provides two-thirds of all international spending on tuberculosis, more than half of all global spending on malaria, and one quarter of all global spending on HIV/AIDS.² **Table 1** summarizes the key accomplishments of Global Fund supported grants since 2004.

Table 1. Results of Global Fund Grants to Date

Result	December 2004 (in thousands)	December 2005 (in thousands)	One Year Increase
HIV/AIDS Treatments	130	384	195%
HIV Voluntary Counseling and Testing	<1,000	3,900	290%
Tuberculosis Treatments	38	1,000	160%
Malaria Treatments	1,100	3,900	255%
Bed Nets Distributed to Prevent Malaria	1,350	7,700	470%

Source: The Global Fund, November 30, 2005.

Projects Funded and Implemented

The Global Fund has approved more than 350 grants totaling more than \$5 billion for projects in more than 130 countries, of which over \$2 billion have been disbursed in 127 countries. The Global Fund uses a Performance-Based Funding system to approve grants. Under this system, the Fund only awards the first two years (Phase I) of funding for approved grants. Additionally, grants receive disbursements on a quarterly basis only if they are performing well and are meeting previously agreed upon targets. As the first two years of a grant draw to an end, grants are subject to a review process. Funding for the third through fifth years (Phase II) of the projects is dependent upon adequate grant performance in the first two years and the availability of financing through new contributions. The Global Fund estimates that 85% of grants will be approved for their second phase.

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 the Fund obtained additional contributions. The Global Fund

² Global Fund press release, "Global Fund Grants Deliver Substantial New Results." November 30, 2005. [http://www.theglobalfund.org/en/media_center/press/pr_051130.asp]

signs grants only if it has funds on hand to cover the first two years of a proposed project — 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 particularly important 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 approved projects is dependent on project performance and new contributions to the Global Fund by donors.

Table 2 shows the total value of approved grants that the Fund has committed itself to supporting. It does not include projected figures for additional rounds or for grants seeking funding for Phase II. **Table 2** illustrates that about \$5.17 billion has been committed to more than 350 grants to date. The bulk of this money, \$3.78 billion, is funding Phase I of proposals during Rounds 1-5 (Column 2). An additional \$1.39 billion will be directed to grants that have successfully completed Phase I and have been approved for Phase II (Column 3).

Table 2. Grant Agreements to Date
(millions)

	Grants Approved		
	Phase I	Phase II	Total
Round 1	\$576	\$724	\$1,300
Round 2	\$852	\$652	\$1,504
Round 3	\$615	\$17	\$632
Round 4	\$1,014	-	\$1,014
Round 5	\$718	-	\$718
TOTAL	\$3,775	\$1,393	\$5,168

Source: Global Fund, *Progress Summary* — March 31, 2006.

Table 3 illustrates the total amount the Fund predicts it will need to fully support grants approved in Rounds 1-5. The Fund projects that about \$4.5 billion will be needed between 2005 and 2007 to support Phase II of these grants, of which \$1.39 billion has already been committed. The \$1.39 billion is represented in the third column of **Table 2** and the second Column of **Table 3**. Between 2006 and 2007, the Fund anticipates providing \$3.3 billion to support grants whose first phase has already been approved in Rounds 1-5, but whose second phase has not yet been approved. This \$3.3 billion represents the amount of financing the Global Fund would need for 2006 and 2007 without launching future rounds and only supporting previously approved grants (Columns 3 and 4).

Table 3. Phase II Funding Requirements
(millions)

	Phase II Renewals			Total Phase II
	Approved 2005 and 2006	Pending Approval 2006	Pending Approval 2007	
Round 1	\$724	\$40	\$3	\$767
Round 2	\$652	\$327	\$39	\$1,018
Round 3	\$17	\$647	\$58	\$722
Round 4	—	\$585	\$1,093	\$1,678
Round 5	—	—	\$298	\$298
TOTAL	\$1,393	\$1,599	\$1,491	\$4,483

Source: Global Fund, *Progress Summary — March 31, 2006*.

Grants Suspended, Discontinued, or Cancelled

The performance-based funding system that the Fund uses enables it to intermittently adjust support for projects. Grants are reviewed by the Secretariat as they approach the end of Phase II. The Secretariat issues a recommendation to the Board about whether or not to approve funding for Phase II. In almost all instances the Board has followed the Secretariat's recommendation. There have been a few instances of divergence. The divergence has led in part to the implementation of a new policy, approved in December 2006 at the 12th Board Meeting, which outlined the process that should be followed when the Secretariat and the Board disagree about whether grants should receive Phase II support.³ To date, the Global Fund has approved 124 projects for Phase II funding, totaling \$1.39 billion. A few grants were temporarily suspended when accounting inconsistencies were identified. A limited number of grants were not approved for Phase II funding due to poor performance. To date, the Global Fund has cancelled one grant, in Burma. This decision sparked debate among policy analysts about how best to serve humanitarian needs in politically unstable countries.

Some have expressed concern that the Fund's oversight mechanisms are not strong enough to protect against wasteful spending. The U.S. Government Accountability Office (GAO) released a report in June 2005, which highlighted some problems associated with the information sources that the Fund uses to make performance-based funding decisions. The report asserted that the Fund had limited monitoring and evaluation capabilities, which raised questions about the accuracy of reported results. GAO also expressed concern that the Fund had not consistently documented its determinations that recipients' performance warranted additional

³ Global Fund report on the 12th Board meeting at [<http://www.theglobalfund.org/en/files/boardmeeting12/GF-B12-Decisions.pdf>].

funding. Additionally, the report found that the Fund had not tracked or publicly documented denied disbursement requests.⁴

However, the report did note that the Fund is taking steps to improve grant performance and grant management. GAO found that the Fund is streamlining reporting and funding procedures, working with partners to strengthen recipient capacity, and clarifying guidance for the country coordinating mechanisms (CCMs). Additionally, the Fund has developed a risk assessment mechanism and early warning system, called Early Alert and Response System (EARS), which identifies poorly performing grants.

The following section discusses the circumstances under which some grants were suspended, cancelled, or discontinued. In some instances, the Fund was able to restore support to grants once key concerns were resolved. In other cases, grants were not approved for Phase II funding. Ultimately, Burma remains the only country where a grant was cancelled. In December 2005, the Global Fund Board approved a Continuity of Services Policy to ensure that life-extending treatment is continued through other means in the event that a grant is suspended or cancelled.

Suspended Grants

Ukraine. On January 30, 2004, the Global Fund announced that it had temporarily withdrawn its grant support in Ukraine. Citing the slow progress of Fund-backed HIV/AIDS programs, the Fund stated that it would ask “a reliable organization to take over implementation of the programs for several months, to give Ukraine the opportunity to address concerns of slow implementation, management, and governance issues.”⁵ Nearly a month later, on February 24, 2004, the Fund announced that the suspension had ended, and that a temporary principal recipient had been identified. By using the new PR, the Fund argued, the previous problems could be prevented and the projects could be more effectively implemented.⁶ It is anticipated that the Fund will allow Ukraine to resume leading project management once issues related to “governance, management, and adherence to required business practices are satisfactorily addressed.”⁷

Uganda. On August 24, 2005, the Global Fund announced that it had temporarily suspended all five of its grants to Uganda. Additionally, the Fund declared that the Ugandan Ministry of Finance would have to establish a new

⁴ GAO, “The Global Fund to Fight AIDS, TB, and Malaria is Responding to Challenges but Needs Better Information and Documentation for Performance-Based Funding.” June 2005. [<http://www.gao.gov/new.items/d05639.pdf>]

⁵ Global Fund Press Release, *The Global Fund Acts to Secure Results for its Programs in Ukraine*. January 30, 2004. [http://www.theglobalfund.org/en/media_center/press/pr_040130.asp]

⁶ Global Fund Press Release, *Global Fund Signs Letter of Intent to Relaunch Ukraine HIV/AIDS Grant*. February 24, 2004. [http://www.theglobalfund.org/en/media_center/press/pr_040224.asp]

⁷ Ibid.

structure that would ensure effective management of the grants before resumption could be considered. The Fund press release explained that a review undertaken by PricewaterhouseCoopers revealed serious mismanagement by the Project Management Unit (PMU) in the Ministry of Health, which was responsible for overseeing the implementation of Global Fund programs in Uganda. Examples of “serious mismanagement” included evidence of inappropriate, unexplained or improperly documented expenses.⁸ Up to that point the Fund had disbursed some \$45.4 million of the \$200 million approved.⁹ Three months later on November 10, 2005, the Fund announced that it had lifted the suspension on all five grants. An *Aide Memoire* was established to restructure management of the grants and strengthen oversight and governance of Global Fund grants to Uganda.¹⁰

Discontinued Grants

South Africa. In December 2005, the Global Fund Board voted not to continue funding an existing grant for HIV prevention activities in South Africa. The Board decided that the grant, implemented by an NGO named loveLife, had failed to sufficiently address weaknesses in its implementation.¹¹ Press accounts quote a Global Fund representative explaining that it had become difficult to measure how the loveLife prevention campaign was contributing to the reduction of HIV/AIDS among young people in South Africa. Additionally, the representative reportedly stated that the Board had repeatedly requested that loveLife revise its proposals and address concerns regarding performance, financial and accounting procedures, and the need for an effective governance structure. A Global Fund spokesman was quoted as saying that “loveLife is extremely costly, there are programs that have been very effective, which cost a fraction of what loveLife costs. It would be irresponsible of the Global Fund to spend almost \$40 million without seeing results.”¹²

LoveLife officials were reportedly surprised that the Global Fund ultimately decided to discontinue funding the grant, particularly since there were some reported differences of opinion regarding the matter between the Fund’s Technical Review Panel, Secretariat, and the Board.¹³ Additionally, loveLife officials reportedly argued

⁸ Global Fund press release, “Global fund Suspends Grants to Uganda.” August 24, 2005. [http://www.theglobalfund.org/en/media_center/press/pr_050824.asp]

⁹ Kaiser Family Foundation, “Global Fund Temporarily Suspends Five Grants to Uganda Citing Evidence of Mismanagement.” August 25, 2005. [http://www.kaisernetwork.org/daily_reports/print_report.cfm?DR_ID=32229&dr_cat=1]

¹⁰ Global Fund press release, “Global Fund Lifts Suspension of Uganda Grants.” November 10, 2005. [http://www.theglobalfund.org/en/media_center/press/pr_051110.asp]

¹¹ Global Fund Press Release, “Global Fund Closes Funding Gap.” December 16, 2005. [http://www.theglobalfund.org/en/media_center/press/pr_051216.asp]

¹² UN Integrated Regional Information Networks, “South Africa: Global Fund Withdraws Support for LoveLife.” December 19, 2005. [<http://www.plusnews.org>]

¹³ loveLife officials allege that after reviewing the revised proposal that loveLife submitted, the TRP recommended that the Board fund the proposal. See loveLife press release, “Statement by loveLife on the Decision by the Global Fund to Fight HIV/AIDS, TB, and
(continued...)

that the decision was politically motivated and influenced by U.S. emphasis on abstinence in HIV prevention efforts. One press account quoted a loveLife official as saying, “Obviously the strength of conservative ideologies is spilling over into the field of HIV and HIV prevention and it has direct impact on programs like loveLife.”¹⁴ According to a loveLife press release, the decision to discontinue funding the program will substantially curtail South Africa’s efforts to prevent HIV infections among young people, because the Global Fund’s grant supported one third of the program’s budget. However, the South African government has reportedly provided additional funds to the program to close the funding gap, and other donors, such as the Kaiser Family Foundation, have continued funding loveLife HIV-prevention efforts.

Senegal. On March 1, 2005, the Global Fund announced that it would not approve funding for the second phase of Senegal’s malaria project, which was originally funded in Round 1. A Fund press release indicated that the project “was found to have systemic issues that resulted in poor performance.”¹⁵ Furthermore, the article underscored that “review of the Senegal grant raised serious concerns” about the effective use of Global Fund resources. Although the program was discontinued, Fund officials encouraged Senegal to address the issues that were raised and to apply for new funds in the future. Ultimately, the Fund approved a grant proposal that Senegal submitted for malaria projects in Round 4.

Cancelled Grant

Burma (Myanmar). According to a Global Fund press release, after extensive consultation with the U.N. Development Program (UNDP), the Fund had decided to terminate its grant agreements with Burma effective August 18, 2005. The Fund stated that while it was concerned about the extensive humanitarian needs in Burma, travel restrictions imposed by the country’s government prevented the Fund from implementing grants “in a way that ensured effective program implementation.”¹⁶ According to the Fund, the travel clearance procedures that the Burmese government instituted in July 2005 would have restricted access to grant implementation areas from the Principal Recipient (PR), implementing partners, and Global Fund staff. Additionally, the Fund indicated that new procurement review procedures would have “prevented implementation of performance-based and time-bound programs in

¹³ (...continued)

Malaria to Discontinue Funding.” December 21, 2005. [http://www.lovelife.org.za/corporate/media_room/article.php?uid=805]

¹⁴ Quin, Andrew, “S. Africa youth AIDS program faces cash crunch.” January 4, 2006. Reuters Foundation. [<http://www.alertnet.org>]

¹⁵ Global Fund Press Release, *Global Fund Cuts Funding for Malaria Grant*. March 1, 2005. [http://www.theglobalfund.org/en/media_center/press/pr_050301.asp]

¹⁶ Global Fund Press Release, *The Global Fund Terminates Grants to Myanmar*. August 19, 2005. [http://www.theglobalfund.org/en/media_center/press/pr_050819.asp] Also see Global Fund Fact Sheet, *Termination of Grants to Myanmar*. August 18, 2005. [http://www.theglobalfund.org/en/media_center/press/pr_050819_factsheet.pdf]

the country, breached the government's commitment to provide unencumbered access, and frustrated the ability of the PR to carry out its obligations.”

The Global Fund's decision to discontinue funding projects in Burma has sparked a larger debate about providing humanitarian assistance in countries that are politically unstable or governed by dictatorial regimes. Some were disappointed that the Fund interrupted its assistance, because of the significant humanitarian needs in the country. BBC has quoted a Burmese official stating that, “the restrictions on aid workers were only temporary, and ‘do not justify irreversible termination of grants.’”¹⁷ Press accounts state that a U.N. official accused the United States of pressuring the Global Fund to withdraw its support in Burma.¹⁸ Other press stories cite U.N. officials warning of impending death, as a result of the situation. “Without exaggeration, people are going to die because of this decision.”¹⁹ However, some have argued that the Burmese government should be held accountable. “It needs to be recognized who causes suffering in that country. It's not the Global Fund...It's the regime.”²⁰ Furthermore, a Global Fund spokesperson stressed that the interrupted aid was not a political decision, rather one based on effective project implementation.²¹

Press accounts indicate that Burma has garnered support from other countries and international organizations to continue programs discontinued by the Fund. Australia is reportedly increasing its aid to Burma by 25%.²² Additionally, the European Union (EU) announced that it would be increasing its assistance to the country fourfold, though officials contend that increased aid is not related to the Global Fund situation.²³ Additionally, a group of European-led donors are reportedly planning to replace the withdrawn Global Fund funds.²⁴ The donors — who initially included the European Commission, Australia, Britain, the Netherlands, Norway, and Sweden — want to create an alternative system for funding health programs, while sticking to the safeguards established by the Global Fund to ensure that the money does not directly support the military regime and that aid workers are free to travel the country.

¹⁷ BBC News, “Burma urges UN aid fund to stay.” August 23, 2005. [http://news.bbc.co.uk/]

¹⁸ Australian Associated Press, “Australia to step up AIDS assistance to Burma.” December 7, 2005. [http://aap.com.au/]

¹⁹ The Miami Herald, “Misery spreads among political stalemate.” December 29, 2005. [http://www.miami.com/mld/miamiherald/]

²⁰ The Los Angeles Times, “So Much Need, So Little Help for the Deathly Ill in Myanmar.” December 27, 2005. [http://www.latimes.com/]

²¹ Ibid.

²² Australian Associated Press, “Australia to step up AIDS assistance to Burma.” December 7, 2005. [http://aap.com.au/]

²³ Associated Press, “EU Humanitarian aid to Myanmar increases fourfold.” December 12, 2005. [http://www.ap.org]

²⁴ Agence France Press, “European donors plan to restore AIDS help to Myanmar: diplomats.” January 24, 2006. [http://www.afp.com/english/home/]

Congressional Actions

Some in Congress have argued that the Fund needs to enhance its transparency, particularly in its financial processes. While others point out that the Fund has consistently increased on its website the amount and detail of information related to its funding process. Additionally, advocates argue that the Fund's ability to temporarily suspend, and in some cases, discontinue poor-performing grants in an efficient manner proves that the Fund is an effective funding mechanism. However, some in Congress would like greater detail about the progress and process of Global Fund grants. P.L. 109-102, the FY2006 Foreign Operations Appropriations, requires that 20% of the U.S. Global Fund contribution be withheld from obligation until the Secretary of State certifies to the Appropriations Committees that the Fund has undertaken a number of steps to strengthen oversight and spending practices. However, the act allows the Secretary to waive the requirement if she determines that a waiver is important to the national interest of the United States.

In spite of these reservations, Congress has consistently provided more to the Fund than the Administration has requested. At the launching of the five-year \$15 billion Emergency Plan for AIDS Relief, the Administration proposed spending \$1 billion on the Global Fund. In each fiscal year between 2003 and 2005, the Administration has requested \$200 million for the Global Fund. The request was increased to \$300 million for the first time in the FY2006 budget request. Another \$300 million has been requested for FY2007.

Through FY2006, Congress has provided \$2.066 billion for Global Fund contributions. **Table 4** below lists U.S. contributions to the Fund since its inception in FY2001. The figures in **Table 4** include rescissions.

Table 4. U.S. Appropriations to the Global Fund
(\$millions)

	FY2001 - FY2002 Actual	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY2006 Enacted	FY2007 Request	FY2001 - FY2006
Foreign Operations	175.0	248.4	397.6	248.0	445.5	200.0	1,514.5
Labor/HHS	125.0	99.3	149.1	99.2	99.0	100.0	571.6
FY2004 Carryover		0.0	-87.8	87.8	0.0	0.0	0
TOTAL	300.0	347.7	458.9	435.0^a	544.5	300.0	2,086.1

Source: Appropriations Legislation

- a. According to the Global Fund, the United States only contributed \$415 million in FY2005. Reportedly, the United States withheld a portion of the Funds to support USAID technical assistance to the Fund and to divest U.S. funds from certain countries in which the Global Fund operated against U.S. objections.

The withdrawal of \$87.8 million in FY2004 illustrated in **Table 4** above reflects requirements outlined in P.L.108-25, U.S. Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003, which stipulates that U.S. contributions to the Fund for fiscal years 2004 through 2008 not exceed 33% of contributions from all sources. P.L. 108-447, *FY2005 Consolidated Appropriations*, carries over this amount and adds it to the 2005 contribution, subject to the same 33% limitation. This issue is explored in the section below.

Issues for Congress

As the Global Fund grows in size and stature, some are debating whether the current pace at which the Fund is supporting grants should be maintained. A number of related issues have been raised, including revising the Fund's strategy for raising money, basing greater support to the Fund on grant performance, and encouraging others such as the private sector to increase their contributions. This section will explore some of the issues that Congress might consider as it decides how much to provide to the Global Fund in FY2007.

33% Statute: A Ceiling or Floor?

In May 2003, Congress passed P.L. 108-25, U.S. Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act, which stipulates that U.S. contributions to the Fund for fiscal years 2004 through 2008 not exceed 33% of contributions from all sources. U.S. Representatives instituted the contribution limit to encourage greater global support for the Global Fund. Some supporters of the Fund argue that the 33% restriction represents the amount the United States should contribute annually. Others argue that the statute serves as a ceiling and does not commit the United States to providing 33% of all contributions. On March 16, 2006, the Senate passed S.Amdt. 3052 to the FY2007 Senate budget resolution, which proposes the United States donate one-third of all Global Fund contributions and increase the U.S. FY2007 Global Fund contribution by \$566 million, bringing the total to U.S. contribution to \$866 million. The House version does not include similar language.

Table 5. Global Fund Financial Needs

(billions)

Round	2006 Fund Financial Need	33% of 2006	2007 Fund Financial Need	33% of 2007	33% of 2006 and 2007
Rounds 1- 4 renewals	\$1.8	\$0.59	\$1.5	\$0.50	\$1.09
Round 5 appeals and treatment continuation	\$0.1	\$0.03	\$0.0	\$0.00	\$0.03
Round 6	\$1.1	\$0.36	\$1.0	\$0.33	\$0.69
Round 7			\$1.0	\$0.33	\$0.33
Total	\$3.0	\$0.98	\$3.5	\$1.16	\$2.14

Sources: Global Fund, *Monthly Progress Update* — March 22, 2006.

Some Global Fund advocates have proposed that Congress strike the 33% restriction from P.L. 108-25. Proponents argue that it is difficult to leverage U.S. contributions because the United States donates to the Fund according to its fiscal year, rather than the calendar year, as most other countries do. Supporters of this argument point to FY2004 when the 33% statute required nearly \$88 million to be withheld. Advocates point out that at the end of the calendar year sufficient funds were secured to match the U.S. contribution. However, other analysts argue that additional contributions were made because the United States withheld the money.

Others argue that the 33% mandate should be seen as a “ceiling” rather than a “floor.” Supporters of this idea assert that if the United States were to base Global Fund contributions on its share of the global economy, the U.S. contribution share would be between 20% and 25%, lower than the 33% floor some advocate. **Table 6** below shows total U.S. Global Fund contributions to date, which are nearly 30% of all Global Fund contributions.

Table 6 also illustrates the relatively small amount the private sector has contributed to the Fund. Since its inception the Fund has struggled to secure support from the private sector. The Bill & Melinda Gates Foundation was the largest donor from that sector. As of March 13, 2006, the Gates Foundation provided \$150 million of the \$154 million private sector contributions.²⁵ Supporters of the Fund are encouraged by the launching of a new initiative called Product Red, which aims to significantly increase the amount of contributions made by the private sector. The initiative is a branding mechanism which commits companies that use the Product Red mark to channel a percentage of the profits from that product into the Global Fund.²⁶

During the FY2007 appropriation process, Congress might consider whether to meet one-third of the Fund’s outstanding needs, which total about \$1 billion for 2006, or to provide some other amount.

Table 6. Total Global Fund Contributions and Pledges
(billions)

	Paid to Date	% Paid to Date	Pledges	% Pledges to Date
United States	\$1.43	29.07%	\$2.29	26.87%
European Union	\$2.47	50.21%	\$4.49	52.63%
Other Countries	\$0.86	17.56%	\$1.59	18.70%
Private Sector	\$0.15	3.16%	\$0.15	1.80%
Total	\$4.91	100.00%	\$8.52	100.00%

Source: Global Fund, *Pledges and Contributions*, March 13, 2006

²⁵ Global Fund. [<http://www.theglobalfund.org/en/files/pledges&contributions.xls>]

²⁶ See Global Fund press release, “Global Fund Welcomes Product Red.” January 26, 2006. [http://www.theglobalfund.org/en/media_center/press/pr_060126.asp]

Funding Global Fund vs. U.S. Bilateral Programs?

Some have argued that increasing appropriations to the Global Fund is done at the expense of U.S. bilateral programs. For example, at a FY2005 Senate Appropriations Committee hearing Ambassador Randall Tobias, Global AIDS Coordinator, argued that the “incremental difference between what the Administration requested and what was appropriated to the Fund is money that might have been available” for use in U.S. bilateral programs.²⁷ At the launching of the President’s Emergency Plan for AIDS Relief (PEPFAR) in 2003, the Administration announced that it would seek \$1 billion for the Global Fund over the next five years. Some analysts assumed the President would maintain a \$200 million request for the Global Fund between FY2003-FY2008. However, the request was increased to \$300 million for the first time in FY2006 budget. The FY2007 budget request also reserved \$300 million for the Fund.

It has been argued that any amount provided to the Fund greater than \$1 billion over five years would be committed at the expense of bilateral programs. However, advocates argue that since the Office of the Global AIDS Coordination (OGAC) at the U.S. Department of State and the Global Fund have strengthened their coordination mechanisms, support to the Fund enhances rather than detracts from the effectiveness of bilateral programs. In January 2006, officials from the Global Fund, the World Bank and OGAC met in Washington, D.C. to discuss project implementation and coordination in countries where all three partners have operations.²⁸

During FY2007 appropriations debates, Congress might consider whether to support the Fund at the requested level or to exceed the President’s request.

Additional Funds for More Effective Malaria Treatment?

Some countries, mostly those in Africa, initially based their budget proposals on malaria treatments that are outdated and have rising resistance rates. The commonly used drug, chloroquine, is quickly becoming ineffective in treating those infected with malaria. Chloroquine costs approximately 10 cents per course of treatment. However, because it has been used for more than 50 years, resistant strains are developing, rendering the drug useless in a rising number of cases. Newer treatments that are more effective, and have no observable resistance are considerably more expensive. The new drugs called, “artemisinin-based combination therapies” (ACTs) cost about \$2 per treatment course. The challenge is that if countries are to treat the same number of individuals that were initially anticipated, they would have to reapply for additional funds.²⁹

²⁷ Senate Appropriations Committee hearing on FY2005 Appropriations, May 18, 2004.

²⁸ Report on the Joint Coordination Meeting on HIV/AIDS. Washington, DC, January 10-11, 2005. [<http://worldbank.org>]

²⁹ Interview with Christoph Benn, Director of External Relations for the Global Fund, February 7, 2006.

Global Fund estimates of future needs do not include additional funds that existing programs might need to provide newer, more effective treatments. Some argue that the Fund should give those countries wishing to switch to ACTs priority in future funding, and that it should include those figures in its budget requests. However, Fund representatives point out that the Fund's financing mechanism is flexible, and allows countries to change treatment policies mid-grant on the basis of drug sensitivity surveillance data. Furthermore, the Fund argued that some African countries have already switched to ACTs, though it did not specify if the Fund provided additional funds for the change.³⁰ Advocates for greater support for the Fund would like Congress to consider the additional financial burden that the switch to ACTs might put on the Fund.

Delay Future Rounds?

Fund observers have been debating whether the Global Fund should launch Round 6 at its board meeting in April 2006 or if it should wait to launch the round at its November meeting. Currently, the Fund does not have enough money to pay for a new round, due in part to the restrictions of the Comprehensive Funding Policy. Some would like the Fund to change its Comprehensive Funding Policy, which prohibits the Board from approving grants that exceed pledges received at the time of the board meeting, and from signing grant agreements until the pledges are received at the World Bank. Critics of the Comprehensive Funding Policy also point out that donors would need to provide more than \$3 billion by the end of 2006 if Round 6 were to be launched in April 2006 and if grants were to be signed in November 2006, as the Fund plans.

Those who are concerned that the Board might vote to delay launching Round 6 are closely following discussions of the Policy and Strategy Committee (PSC), a Global Fund Board Subcommittee. The PSC is responsible for exploring some of the key policy questions facing the Fund, such as what should the optimal size of the Global Fund be, on what diseases should the Fund focus, what should happen to grants when they conclude Phase 2, and how best to mobilize resources from donors. Bill Steiger, Director of the HHS Office of Global Health Affairs, recently replaced Ambassador Randall Tobias as the chair of the Policy and Strategy Committee (PSC) and, will lead the PSC as it debates these key issues. Some advocates are concerned that Bill Steiger might encourage the delay of Round 6, as did his predecessor, Randall Tobias during discussions on the launching of Round 5. Some analysts argue that advocates are placing too much emphasis on the role of Bill Steiger, as neither he nor the PSC can independently determine whether to delay future rounds. Instead, the decision on when to launch new rounds is determined by the full Board.

Some who support delaying Round 6 argue that a postponed launching might provide targeted countries more time to augment limited infrastructures and absorptive capacities. Supporters of this idea point to the slow distribution of funds in some of the poorest countries. Others assert that some of the Local Funding Agents

³⁰ Liden, Jon and Vinand Nantuyila, "Response to accusations of medical malpractice by WHO and the Global Fund." January 31, 2004. *The Lancet*, Volume 363, January 31, 2004. [<http://www.thelancet.com>]

(LFAs), Principal Recipients (PRs) and CCMs lack the technical competence to monitor overall performance and instead are focusing almost exclusively on the risks of corruption. Those who believe that monitoring and evaluation capacities of Fund supported grants need to be improved assert that the fiscal mismanagement in Uganda was brought to the Fund's attention by a whistle blower, not by LFAs or other Fund monitors.

It has been proposed that an effective compromise might be for the Fund to issue a Call for Proposals at the April 2006 Board meeting and wait to approve the grants at the next board meeting in November 2006. Opponents of this idea assert that if the Fund chooses this option, it will delay the renewal of current grants and the launching of Phase II. Finally, supporters point out that if the Fund is to launch Rounds 7 and 8 during 2006 and 2007 at the levels anticipated by the Secretariat, the Fund's annual revenue would have to grow by one-third over 2006 levels and reach over \$4 billion in 2007.³¹ Ultimately, advocates argue that unless contributions significantly increase, all of the Fund's resources will be reserved for supporting grants approved in Rounds 1 through 5, and that future rounds might be compromised. It has been argued that the decision of when Round 6 will be launched could be significantly impacted by the amount Congress decides to provide for the U.S. Global Fund contribution.

³¹ For more discussion on this issue, see Aidspan, Global Fund Observer Newsletter, Issue 55, March 5, 2006. [<http://www.aidspan.org/gfo/archives/newsletter/GFO-Issue-55.pdf>]