



# **The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Issues for Congress and U.S. Contributions from FY2001 to the FY2012 Request**

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## Summary

The Global Fund to Fight AIDS, Tuberculosis, and Malaria (Global Fund, or the Fund) was established in 2002 as a public-private partnership that could provide significant financial support for global responses to HIV/AIDS, tuberculosis (TB), and malaria. As of mid-2011, the Global Fund has committed to provide some \$22.3 billion to help 150 countries fight these three diseases. According to a May 2011 report released by the Global Fund to describe its results between 2002 and 2010, the Fund supported treatment for 3 million HIV-positive people, nearly 8 million people with active TB, and 170 million cases of malaria, saving about 6.5 million lives.

The United States has strongly supported the Global Fund since making a founding pledge in 2001, having representatives serving on several Global Fund boards, donating more to the Global Fund than any other country, and increasing those contributions annually since FY2005. Donors last met on October 4, 2010, to make their pledges for the Global Fund over the next three years. There, the United States made its first multi-year pledge to the Fund of \$4 billion.

For FY2011 and FY2012, the President requested \$1.0 billion and \$1.3 billion, respectively, for the Fund. Following rigorous debate on the overall budget, the 112<sup>th</sup> Congress enacted the Department of Defense and Full-Year Continuing Appropriations Act of 2011 (P.L. 112-10), which maintained U.S. support in FY2011 for the Global Fund at FY2010 levels (\$1.05 billion), excluding rescissions.

Many urge Congress to meet the President's FY2012 request for the Fund, in large part because donors have begun to follow the lead of the United States in setting their annual contributions. Although Congress has traditionally been a strong supporter of the Fund, several issues may affect congressional views about the Fund in the future. Such factors include the following:

**Fiscal austerity.** Proposals to reduce federal spending have begun to dominate foreign aid debates, with some Members of Congress aiming to target foreign aid accounts, including those for global health, in an attempt to balance the budget. At the same time, others argue that cutting back on the relatively small size of foreign aid (about 1% of total budget authority) will do little to cut the deficit, but could imperil the lives of millions.

**Oversight and transparency.** In early 2011, reports about misuse of Global Fund resources in some grants ignited a debate about corruption in foreign aid in general, and in the Global Fund in particular. Some have called for donors to withhold support for the Fund until adequate safeguards are established. Others argue the Fund should not be penalized for oversight shortcomings, which are familiar to many aid programs.

**Role of the Global Fund in U.S. global health policy.** When the Global Fund was established, U.S. bilateral investments in HIV/AIDS, malaria, and TB were relatively small. Since then, U.S. bilateral investments in fighting these diseases have grown significantly, particularly through the President's Emergency Plan for AIDS Relief (launched in 2003) and the President's Malaria Initiative (launched in 2005). As U.S. investments in these programs continue to grow, some question what proportional role the Global Fund will play in U.S. global health policy.

This report provides background information on the Global Fund, discusses changes the Global Fund has made to improve the efficiency of its programs and address allegations of corruption, outlines U.S. funding for the Fund, and analyzes issues Congress might consider as it debates the appropriate level of U.S. support to provide the Fund.

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## Background

The Global Fund to Fight AIDS, Tuberculosis, and Malaria (Global Fund, or the Fund) was established in January 2002 as a public-private partnership that could provide significant financial support for global responses to HIV/AIDS, tuberculosis (TB), and malaria. At that time, health experts and advocates were particularly concerned about the rapid spread of HIV/AIDS around the world, the massive numbers of deaths that resulted from HIV infection, and limited access to treatments against the three diseases, particularly HIV/AIDS. Health specialists also noted that co-infection seemed to hasten the rate at which people succumbed to any of the three diseases. Each year, HIV/AIDS, TB, and malaria kill some 6 million people, mostly in Africa.

The Global Fund was developed to be an innovative financing mechanism that would attract additional financial resources for the global fight against the three diseases in developing countries. It was never intended to directly implement related programs.<sup>1</sup> Several distinguishing characteristics purported to make this new entity a unique one, including

- with no implementation mandate, the Global Fund would have relatively low overhead expenses;
- rigorous monitoring and evaluation requirements could ensure performance-based funding;
- transparency in decision-making, including grant funding, could support accountability; and
- partnerships among governments, the private sector, and civil society would be created and expanded, due in part to the grant development process.

The Fund's Board meets at least twice annually to discuss governance issues, such as grant approval. Nineteen Board seats are rotated among seven donor countries, seven developing countries, and one representative from each of a developed country non-governmental organization (NGO), a developing country NGO, the private sector, a foundation, and affected communities.<sup>2</sup> The United States holds a permanent Board seat.

In 2001 and 2002, donors pledged \$947.2 million to the Global Fund. In its first round of considering grants, the Global Fund committed to support 58 programs in 43 countries, amounting to \$616 million for the first two years of implementation (Phase 1). In December 2010, the Global Fund Board announced that it had decided to support the tenth round of grant proposals valued at more than \$1.7 billion for the first two years of project implementation. Over five years, the Global Fund could expend some \$4.7 billion on these grants if performance requirements are met and if the Global Fund has enough resources to support them.<sup>3</sup> As of June 28, 2011, donors have pledged \$30.4 billion to the Fund, of which \$19.1 billion has been paid.

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<sup>1</sup> See Global Fund, *The Framework Document of the Global Fund to Fight AIDS, Tuberculosis, and Malaria*, 2001, [http://www.theglobalfund.org/documents/TGF\\_Framework.pdf](http://www.theglobalfund.org/documents/TGF_Framework.pdf).

<sup>2</sup> For background information on the Global Fund and its structure, see CRS Report RL31712, *The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Background*, by Tiaji Salaam-Blyther.

<sup>3</sup> Global Fund, *Report of the Technical Review Panel and the Secretariat on Round 10 Proposals*, December 13-15, 2010, [http://www.theglobalfund.org/documents/board/22/BM22\\_13TRPRound10\\_Report\\_en.pdf](http://www.theglobalfund.org/documents/board/22/BM22_13TRPRound10_Report_en.pdf).

## Apportionment of Global Fund Resources

The Global Fund has become one of the world's largest donors supporting HIV/AIDS, TB, and malaria programs in developing countries, accounting for 21% of global spending on HIV/AIDS, 65% of spending on TB in the 22 high-burden countries, and 65% of international malaria funding.<sup>4</sup> Through ten rounds, the Global Fund has committed to provide some \$22 billion in support of more than 1,000 grants to be implemented in 150 countries. As of June 28, 2011, more than 60% of all approved funding has been disbursed, nearly \$14 billion.<sup>5</sup> The Global Fund expects to call for grant proposals for its 11<sup>th</sup> round on August 15, 2011.

The Global Fund estimated that by the end of December 2010, related programs had saved nearly 6.5 million lives, amounting to about 4,400 lives each day. Grants supported by the Global Fund had reportedly treated:

- 3 million HIV-positive people,
- 7.7 million people infected with active TB, and
- 170 million cases of malaria.<sup>6</sup>

## Performance-Based Funding at the Global Fund

The Global Fund was established to extend life-saving measures to the world's poorest. In many of these countries, including post-conflict and fragile states, implementing organizations have weak programmatic and oversight capacity. In light of these conditions, the Global Fund developed a performance-based system that has served as a cornerstone of its operations since the effort was launched. Through the performance-based system, the Global Fund has integrated grant oversight at various levels including:

- internal control mechanisms instituted by Principal Recipients;
- independent in-country verification and oversight mechanisms established by Local Fund Agents;
- annual audits of principal and sub-recipients by an external, independent body;
- monitoring of grant implementation by the Secretariat;
- audits and investigations conducted by the Office of the Inspector General and;<sup>7</sup>
- oversight provided by Global Fund Board and its Committees.

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<sup>4</sup> Global Fund, *Making a Difference: Global Fund Results Report*, May 2011, p.4, [http://www.theglobalfund.org/documents/publications/progress\\_reports/Publication\\_2011Results\\_Report\\_en.pdf](http://www.theglobalfund.org/documents/publications/progress_reports/Publication_2011Results_Report_en.pdf).

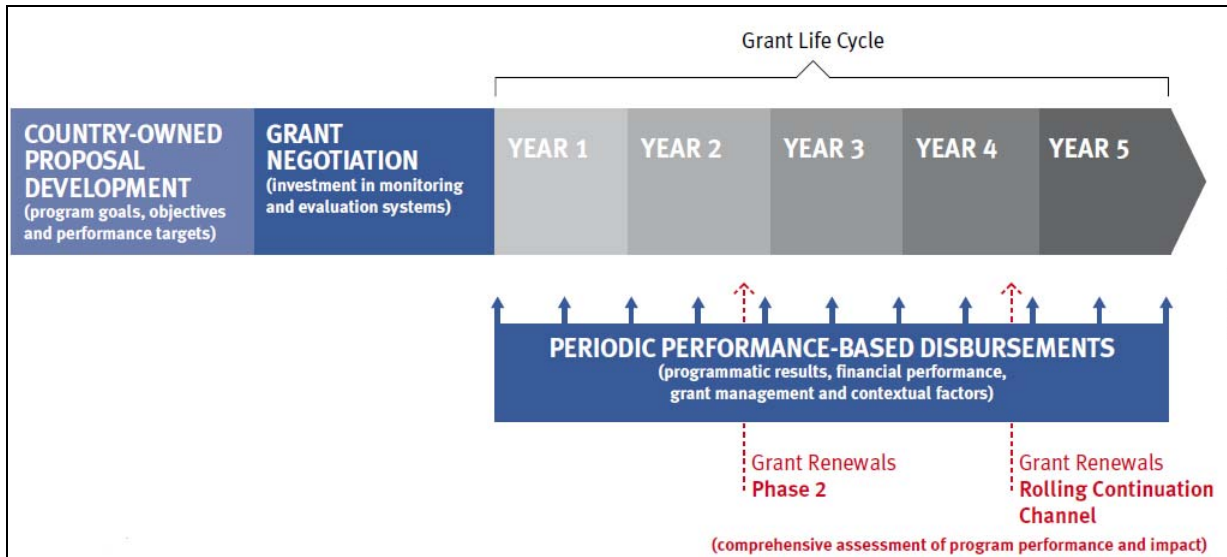
<sup>5</sup> Global Fund website, *Grant Portfolio*, accessed on June 30, 2011, <http://portfolio.theglobalfund.org/>.

<sup>6</sup> Global Fund, *Making a Difference: Global Fund Results Report*, May 2011, p.4

<sup>7</sup> The Office of the Inspector General was established by the Board of the Global Fund to Fight AIDS, Tuberculosis and Malaria in July 2005. The Office of the Inspector General operates as an independent unit of the Global Fund, reporting directly to the Board. The Office of the Inspector General provides the Global Fund with independent and objective assurance over the design and effectiveness of controls in place to manage the key risks impacting the Global Fund's programs and operations.

Upon approving grant proposals, the Global Fund commits to providing sufficient resources to finance the first two years of the programs (Phase 1). In order to receive subsequent financing, programs must demonstrate results against performance targets that are spelled out in the grant proposals (**Figure 1**).<sup>8</sup>

**Figure 1. Performance-Based Funding at the Global Fund**



**Source:** Global Fund, Performance-Based Funding at the Global Fund, November 2009.

Over the lifetime of a grant, performance-based indicators are developed and monitored in four key stages:

1. **Proposal development.** Applicants develop and submit proposals to the Global Fund Secretariat that include program activities, indicators and performance targets. If the proposal is approved, these form the basis for measuring the performance of a grant.
2. **Grant negotiation.** Upon approval, the Global Fund negotiates the terms of grant agreements, legally binding contracts that clearly indicate time-bound targets to measure the performance of the grants. At this stage, monitoring and evaluation systems are also assessed. The Global Fund recommends that 5%-10% of grant budgets are used for monitoring and evaluation.
3. **Performance-based disbursements.** Over the course of a grant's life cycle, the Principal Recipient reports regularly to the Global Fund on results, expenditures, and any deviations from or corrective actions to program activities. The Local Fund Agent, an independent contractor based in the country, verifies the Principal Recipient's programmatic and financial reports and makes recommendations to the Global Fund on the amount to be disbursed for the next period of

<sup>8</sup> Unless otherwise indicated, information in this section was taken from Global Fund, Performance-Based Funding at the Global Fund, November 2009, [http://www.theglobalfund.org/documents/performance/Performance-based\\_Funding\\_brochure.pdf](http://www.theglobalfund.org/documents/performance/Performance-based_Funding_brochure.pdf).

implementation. The Secretariat evaluates the overall performance of the grant, assigns a rating, and decides on the next disbursement amount. Lack of progress triggers a request by the Secretariat for corrective action and may also result in reduced disbursements.

4. **Grant renewal.** Toward the end of Phase 1 (first two years of implementation), the Global Fund evaluates each grant to ensure that funding is managed and spent efficiently and programs are achieving expected results. At this point, the Fund decides whether to continue funding grants, reduce funding, direct investments in systems strengthening, or stop funding altogether.<sup>9</sup> Grants demonstrating potential for significant and sustainable impact can receive additional funding for up to six years through the “Rolling Continuation Channel.”

Consistent with its performance-based model, the Global Fund reports that it has terminated, suspended, or discontinued grants or replaced principal recipients in cases of uncorrected inadequate performance (**Appendix B**).

## Evaluating and Reforming the Global Fund

A founding principle of the Global Fund is to consistently evaluate its grants. In so doing, the Fund continuously adapts its operations and architecture. For example, the Global Fund is working to develop a common platform for funding and planning programs that strengthen health systems with the Global Alliance for Vaccines and Immunization (GAVI) and World Bank, and facilitated by WHO.<sup>10</sup> The purpose of this new platform would be to develop (1) common funding policies for health systems strengthening, (2) common country eligibility criteria, (3) joint review mechanisms for proposals and program oversight, (4) harmonization of technical support, and (5) a common framework for measuring performance.<sup>11</sup> Some of the expected benefits of the joint platform include reduced transaction costs, increased global focus on health systems strengthening, enhanced predictability of donor funding, and improved harmonization and alignment of funding and programming for health systems strengthening.<sup>12</sup>

The Global Fund’s Board decided at its sixth meeting in October 2003 to hire an independent team of experts to conduct a five-year evaluation of its grants. The impetus was to ascertain the extent to which the Global Fund had reached its performance goals and adhered to its founding principles. After several discussions about the terms of the study, in November 2006, the Board approved the launch of the five-year evaluation, which was overseen by Board-appointed public health experts, known as the Technical Evaluation Reference Group (TERG), and conducted between April 2007 and October 2008 by a separate team of independent consultants who assessed:

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<sup>9</sup> If a grant is terminated, the Global Fund ensures that lifesaving treatments are continuously dispersed for up to 21 months under the Global Fund’s Continuation of Services policy. This policy was invoked to give countries sufficient time to find replacement funding and to avoid treatment interruptions, which can lead to death or drug resistance.

<sup>10</sup> Global Fund, Twentieth Board Meeting Decision Points, November 9-11, 2009, [http://www1.theglobalfund.org/documents/board/20/GF-BM20-DecisionPoints\\_en.pdf](http://www1.theglobalfund.org/documents/board/20/GF-BM20-DecisionPoints_en.pdf).

<sup>11</sup> World Bank, GAVI, Global Fund and WHO, “Work Plan for 2010 Health Systems Funding Platform,” March 2, 2010, <http://siteresources.worldbank.org/INT/HS/2010/04/415176-1251914777461/HealthSystemsFundingPlatformWorkPlanMarch22010.pdf>.

<sup>12</sup> Global Fund, *Global Fund 2010 Innovation and Impact*, Progress Report 2010, p. 88.



- the efficiency and effectiveness of the Global Fund’s structure,
- the effectiveness and impact of the Global Fund’s partnership system, and
- the impact of Global Fund grants on the three diseases.

It is important to note that independent expert teams have conducted eight different evaluations since the Fund was established, all of which have inspired reforms. However, the five-year evaluation provided the first comprehensive assessment of the Global Fund.<sup>13</sup> The team of evaluators published a synthesis of all three assessments in March 2009, which included a broad-range and comprehensive set of findings with accompanying recommendations. Many of these observations could be applied to U.S. global health programs like the President’s Emergency Plan for AIDS Relief (PEPFAR). The findings focused on:

- improving the sustainability of Global Fund grants;
- sustaining spending by recipient countries on HIV/AIDS, TB, and malaria in light of heightened donor spending;
- strengthening health systems;
- improving monitoring and evaluation indicators; and
- enhancing donor coordination.

Since the release of the five-year evaluation report in 2009, the Global Fund instituted several changes based on the recommendations included in the report, and other recommendations made following additional external reviews and internal assessments. By September 2010, the Secretariat had consolidated those and previously launched initiatives into a reform agenda for a more efficient and effective Global Fund.<sup>14</sup> At the Global Fund’s 22<sup>nd</sup> Board Meeting in December 2010, the Board approved the reform agenda and established a Comprehensive Reform Working Group (CRWG) to further develop ongoing efforts and define a more comprehensive plan for Global Fund reform. At the Global Fund Board’s 23<sup>rd</sup> Meeting, held in May 2011, the Board approved a series of measures recommended by the reform working group, including

- **strengthening the accountability framework**—enhancing fiduciary control and risk management, improving the tailoring of risk management approaches to local contexts, and applying stronger standards for implementers;
- **strengthening partnerships**—at the country level, introducing formal agreements on technical and management assistance and at the global level, better clarifying partnership roles;

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<sup>13</sup> Evaluations overseen by the TERG include 1) Assessment of the Country Coordinating Mechanisms (CCMs); 2) Assessment of the Proposal Development and Review Process; 3) 360 Degree Stakeholder Assessment; 4) Global Fund Portfolio Review; 5) Evaluation of the Local Fund Agent System; 6) Five Year Evaluation Study Area 1: Global Fund Organizational Efficiency & Effectiveness; 7) Five Year Evaluation Study Area 2: Global Fund Partner Environment; and 8) Five Year Evaluation Study Area 3: Health Impact of Scaling Up Against HIV, TB & Malaria; Links to all evaluation materials for the studies overseen by the TERG can be found at <http://www.theglobalfund.org/en/terg/>

<sup>14</sup> For further details on the reforms, see Global Fund, *An Agenda for a More Efficient and Effective Global Fund*, September 2010, [http://www.theglobalfund.org/documents/replenishment/2010/Agenda\\_More\\_Efficient\\_and\\_Effective\\_Global\\_Fund\\_en.pdf](http://www.theglobalfund.org/documents/replenishment/2010/Agenda_More_Efficient_and_Effective_Global_Fund_en.pdf).

- **enhancing value for money**—leveraging the Global Fund’s market shaping role to improve price, quality, and availability of key health products, and encourage reprogramming of funding toward more cost-effective interventions;
- **improving governance**—reviewing the Global Fund Board’s governance structures and operating procedures to ensure more efficient and effective decision making; and
- **adapting the Global Fund business model**—moving from one-size-fits-all solutions to better take into account the grant performance record, implementation risks, and the extent of Global Fund support in countries relative to other health financing.

The section below highlights other key changes in the Global Fund’s operations that followed independent evaluations, feedback from various stakeholders, and discussions about misuse of Global Fund resources.

## Addressing Corruption

On January 23, 2011, the Associated Press released an article that discussed instances of corruption discovered by the Global Fund’s Inspector General’s Office.<sup>15</sup> The article focused on allegations of corruption and fraud in four of the 145 countries that receive Global Fund grants: Mali, Djibouti, Mauritania and Zambia. Shortly thereafter, both critics and supporters of the Global Fund released statements about corruption in foreign aid in general and the Global Fund’s response to corruption in particular.<sup>16</sup> Although this is not the first time the Global Fund has uncovered misuse of funds, these recent examples may have increased scrutiny on U.S. support to the Fund, especially in an austere environment. In April 2011, the Senate Foreign Relations Committee released a minority report offering background information on the Global Fund and a discussion of responses taken by the Global Fund to address corruption in general and respond to this case in particular.<sup>17</sup> The report included a number of recommendations to strengthen the oversight of Global Fund procurement procedures (see “Transparency, Monitoring, and Evaluation”).

According to the Global Fund, it has a zero tolerance policy for corruption and has taken several actions to address instances of fraud, including freezing disbursements, expenditures and activities until measures are taken to account for funds; recovering misused funds; and, changing principal recipients.<sup>18</sup> When the situation merits it, grants are terminated, suspended or placed

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<sup>15</sup> John Heilprin, “Fraud Plagues Global Health Fund Backed by Bono, Others,” *Associated Press*, January 23, 2011, [http://www.msnbc.msn.com/id/41221202/ns/health-health\\_care/](http://www.msnbc.msn.com/id/41221202/ns/health-health_care/).

<sup>16</sup> Kaiser Family Foundation, *AP Reports On Global Fund Grant Money Lost To Corruption, Global Fund Responds*, January 25, 2011, <http://globalhealth.kff.org/Daily-Reports/2011/January/25/GH-012511-Global-Fund.aspx>; Roger Bate, *Transparency and the Global Fund’s Healthy Crisis*, American Enterprise Institute for Public Policy Research, February 3, 2011, <http://www.aei.org/speech/100188>; and Michael Gerson, “Putting Fraud Into Context,” *Washington Post*, February 4, 2011, <http://www.washingtonpost.com/wp-dyn/content/article/2011/02/03/AR2011020305176.html>.

<sup>17</sup> U.S. Congress, Senate Committee on Foreign Relations, *Fraud and Abuse of Global Fund Investments at Risk Without Greater Transparency*, committee print, A Minority Staff Report, 112<sup>th</sup> Cong., 1<sup>st</sup> sess., April 5, 2011, S. Prt. 112-17.

<sup>18</sup> For more information, see Global Fund, *Results With Integrity: The Global Fund’s Response to Fraud*, April 2011, [http://www.theglobalfund.org/documents/core/whitepapers/Core\\_ResultsWithIntegrityResponseToFraud\\_WhitePaper\\_en.pdf](http://www.theglobalfund.org/documents/core/whitepapers/Core_ResultsWithIntegrityResponseToFraud_WhitePaper_en.pdf).

under the Global Fund’s Additional Safeguard policies. As of February 2011, the Global Fund has uncovered the misuse of funds in 11 countries totaling \$44.2 million (**Table 1**). About 63% of these misused funds were identified in four countries: Djibouti, Mali, Mauritania, and Zambia. The Global Fund is reportedly seeking restitution of the funds and has already recovered \$4.5 million and submitted evidence in support of criminal investigations in Mali, Mauritania, and Zambia.<sup>19</sup>

**Table 1. Misappropriated Global Fund Resources by Country**  
(current, U.S. \$ millions)

Country (or PR)	Fraud	Unsupported	Ineligible	Unaccounted Income/drugs	Other	TOTAL
Cambodia	-	0.2	-	1.4	-	1.6
Cameroon	0.03	2.2	3.4	-	-	5.6
Djibouti	0.1	4.3	0.9	-	-	5.3
DRC	-	1.1	0.9	-	-	2.0
Haiti	-	0.5	1.3	0.7	-	2.5
Mali	4.1	1.0	-	-	0.1	5.2
Mauritania	6.8	-	-	-	-	6.8
Philippines	-	-	2.0	-	-	2.0
Tanzania	-	-	-	0.8	-	0.8
Uganda	-	-	-	-	1.6	1.6
Zambia	0.01	5.8	5.0	-	-	10.8
<b>Total</b>	<b>11.0</b>	<b>15.1</b>	<b>13.5</b>	<b>2.9</b>	<b>1.7</b>	<b>44.2</b>

**Source:** Global Fund, *Results With Integrity: The Global Fund’s Response to Fraud*, April 2011, p. 5.

**Acronym:** Democratic Republic of Congo (DRC)

**Notes:** **Fraud:** money or property sought to be obtained for personal financial gain through deceptive or false means. **Unsupported expenditures:** expenditures of grant funds made for which supporting documentation is lacking, insufficient or illegitimate. **Ineligible expenditures:** Includes authorized/ unauthorized expenditure that has no relevance to the project, and unjustified salary increase/ bonus/benefits that do not confirm with project agreement. Does not include unauthorized expenditure that has project/program relevance.

Relevant grants in Mali, Mauritania, and Zambia were suspended on December 2010, September 2009 and August 2009 respectively,<sup>20</sup> with disbursements, expenditures and activities frozen until further notice, and only life-saving treatments being supported. One malaria grant was terminated and two TB grants were suspended in Mali in late 2010. A further suspension of an HIV grant was announced in February 2011. Djibouti, Mauritania and Mali, among other countries,<sup>21</sup> have been placed on the Global Fund’s list of Additional Safeguards countries, allowing for increased direct scrutiny of activities at Principal Recipient and Sub-recipient levels.

<sup>19</sup> More than 20 arrests have been made by authorities in Mali, Mauritania and Zambia, including of senior officials.

<sup>20</sup> The Global Fund has also suspended or frozen grants in Ukraine, Uganda, Chad and the Philippines. For more information, see CRS Report RL33396, *The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Progress Report and Issues for Congress*, by Tiaji Salaam-Blyther.

<sup>21</sup> Papua New Guinea and Cote d’Ivoire were also added to the list because of weak financial management systems making them vulnerable to misuse.

On February 4, 2011, the Global Fund announced that it had instituted several measures “to reinforce its financial safeguards and increase its capacity to prevent and detect fraud and misuse in its grants, many of which are already underway.”<sup>22</sup> These measures include:

- expanding the mandate of firms that monitor expenditure in countries in order to enhance fraud prevention and detection;
- strengthening the role of country coordinating bodies in grant oversight;
- heightening scrutiny of activities at higher risk of fraud, such as training;
- redirecting a proportion of all grants to assess and strengthen financial controls at country levels;
- increasing the number of the Fund’s staff responsible for financial management; and
- doubling the budget of the Fund’s independent Inspector General.

At the Global Fund’s May 2011 Board Meeting, several working groups and committees reported on various activities taking place to address corruption within the Fund. In addition, the Global Fund’s Office of the Inspector General (OIG) raised a number of issues the Board might consider, including the following:

- **Reconsidering the relevance of the Global Fund’s model**, given the environment in which the Global Fund is often operating. The OIG proposed that the Fund reconsider whether to remain just a financing institution, reliant upon national ownership. If the Board decides to retain that model, the OIG recommends identifying other options to mitigate the risks of fraud and financial misappropriation that are currently inadequately addressed.
- **Making risk management part and parcel of the grant making process.**
- **Reevaluating the Key Performance Indicator (KPI) structure.** The OIG asserted that the KPI structure’s emphasis on speed and quantity of disbursements often compromises quality and adequate consideration of risks. Further, the OIG recommended that the Board revisit the concept as an appropriate mechanism for measuring the performance of Fund Portfolio Managers and Secretariat staff. At the same time, the OIC urged the Board to consider developing tools to measure the delivery of quality products and the effective use of resources.
- **Establishing minimum acceptable capacity standards** to assess Principal Recipients and develop a system to hold Principal Recipients accountable when things go wrong.
- **Enforcing the policies and guidelines** that have not been implemented at country level.
- **Making the Country Coordinating Mechanisms more effective** in their oversight duties and ensuring that they are without conflicts of interest.<sup>23</sup>

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<sup>22</sup> Global Fund, “Statement by the Board Chair and Vice-Chair,” press release, February 8, 2011, [http://www.theglobalfund.org/en/announcements/?an=an\\_110209](http://www.theglobalfund.org/en/announcements/?an=an_110209).

Critics of Global Fund's fiduciary practices also raised questions about whether the United Nations Development Program (UNDP) had established adequate protections against corruption. UNDP oversees roughly 12% of Global Fund grants, primarily in countries emerging from natural disasters, conflicts, or political crises.<sup>24</sup> Detractors were particularly concerned about allegations that the data UNDP submitted was not comprehensive enough and prevented Global Fund's auditors from conducting thorough financial assessments.

UNDP announced on February 4, 2011, that it had enhanced its fiduciary mechanisms and that it had taken several steps to strengthen the oversight of its funds, including:

- recruiting dedicated and specialized fulltime investigators to respond to credible allegations of fraud or corruption in UNDP-managed Global Fund grants;
- developing formal "capacity development" initiatives in all countries where UNDP manages Global Fund grants;
- allowing the Global Fund to access UNDP audit reports of Global Fund projects, a privilege currently restricted to UN Member States; and
- signing a Memorandum of Understanding between UNDP's Office of Audit and Investigation and the Global Fund's Office of the Inspector-General to strengthen co-operation and information-sharing on investigations into fraud and corruption.

On March 16, 2011, the Global Fund announced that the former Secretary of the U.S. Department of Health and Human Services, Michael Leavitt, and the former President of Botswana, Festus Mogae, will lead a high-level panel of international experts to review and reform Global Fund systems and ensure that its approaches to fraud prevention are among the strongest in the world.<sup>25</sup> The panel will release a final report in September 2011.

According to the Senate Foreign Relations Committee report, the Global Fund has taken other steps towards preventing financial mismanagement, including:

- increasing the staffing and budgetary support for the Office of the Inspector General from 19 staff with a 2009 budget of \$6.67 million to 30 staff positions with a proposed budget of \$19.79 million for 2011; and
- establishing the Global Fund Comprehensive Reform Working Group that is tasked with writing a report that recommends financial reforms. The Working Group consists of the Chair and Vice Chair of the Board of the Global Fund, the Executive Director of the Secretariat, three donor representatives (including the United States), and three representatives from recipient countries.

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(...continued)

<sup>23</sup> Global Fund, *The Office of the Inspector General Progress Report for November 2010-March 2011*, 23<sup>rd</sup> Board Meeting, May 11-12, 2011, pp. 8-9, [http://www.theglobalfund.org/documents/board/23/BM23\\_10OIGProgress\\_Report\\_en.pdf](http://www.theglobalfund.org/documents/board/23/BM23_10OIGProgress_Report_en.pdf).

<sup>24</sup> UNDP, "UNDP Joins Global Fund in Announcing Enhanced Financial Safeguards," press release, February 4, 2011, <http://content.undp.org/go/newsroom/2011/february/undp-joins-global-fund-in-announcing-enhanced-financial-safeguards.en>.

<sup>25</sup> Global Fund, "Global Fund Names Former Health and Human Services Secretary Leavitt and Former President of Botswana Mogae to Lead an Independent Review of Global Fund Financial Safeguards," press release, March 16, 2011, [http://www.theglobalfund.org/en/pressreleases/?pr=pr\\_110316](http://www.theglobalfund.org/en/pressreleases/?pr=pr_110316).

In April 2011, the Global Fund released a report that outlined the steps the Global Fund has taken to safeguard against misuse of funds.<sup>26</sup> Further, on June 23, 2011, the Global Fund announced that it had signed an agreement with the International Aid Transparency Initiative, a multilateral effort (including donors, countries, and civil society organizations) to publicly disclose aid data in a standardized, timely approach.<sup>27</sup>

## **Reforming Financial Eligibility and Recipient Country Contribution Requirements**

At the May 2011 Board meeting, the Board approved the new *Eligibility Counterpart Financing and Prioritization Policy*, which affects the way Global Fund resources are provided.<sup>28</sup> By implementing this new policy, the Board agreed to divide Fund resources, starting with Round 11 grants, into two accounts: the General Funding Pool and the Targeted Funding Pool. Broadly speaking, the General Funding Pool is intended for countries with large disease burdens and limited domestic resources. Roughly 90% of Global Fund resources are available through the General Funding Pool. The Targeted Funding Pool builds upon the dedicated reserve for most-at-risk populations (MARPs) created in Round 10, and now applies to all three diseases (but not for cross-cutting HSS proposals). Proposals in the Targeted Funding Pool will also have a predefined budget ceiling: \$5 million for the first two years and \$12.5 million for a five-year proposal. When submitting a grant proposal, countries must clearly indicate for which funding pool they are applying. Upper middle-income countries must be able to demonstrate a severe or extreme disease burden to be eligible for both pools and the programs must be focused on MARPs and/or highest impact interventions; those with a high disease burden are restricted to the Targeted Funding Pool.

Additionally, the new policy provides Counterpart Financing requirements that replace the old Cost Sharing Policy, which applied only to middle-income countries. This new policy requires all recipient countries, regardless of income level, to show that the government contribution to relevant national disease programs and to overall health is increasing each year, and to report on these contributions annually. The minimum contribution each country must provide toward addressing the related disease follows the following income criteria, with lower middle-income countries split into two groups:

- low-income countries: 5%
- lower lower-middle-income countries: 20%
- upper lower-middle-income countries: 40%
- upper middle-income countries: 60%

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<sup>26</sup> For more information, see Global Fund, *Results With Integrity: The Global Fund's Response to Fraud*, April 2011.

<sup>27</sup> Global Fund, *Global Fund Signs International Aid Transparency Initiative*, press release, June 23, 2011, [http://www.theglobalfund.org/en/pressreleases/?pr=an\\_110623](http://www.theglobalfund.org/en/pressreleases/?pr=an_110623). For more information on IATI, see <http://www.aidtransparency.net/>.

<sup>28</sup> Information about the new financing policies were compiled by CRS from Global Fund, *Report of the 22<sup>nd</sup> Board Meeting*, presented at the 23<sup>rd</sup> Board Meeting, May 11-12, 2011, p.35, [http://www.theglobalfund.org/documents/board/23/BM23\\_02TwentySecondBoardMeeting\\_Report\\_en.pdf](http://www.theglobalfund.org/documents/board/23/BM23_02TwentySecondBoardMeeting_Report_en.pdf) and Global Fund, *Policy on Eligibility Criteria, Counterpart Financing Requirements, and Prioritization of Proposals for Funding from the Global Fund*, presented at the 23<sup>rd</sup> Board Meeting, May 11-12, 2011, [http://www.theglobalfund.org/documents/board/23/BM23\\_14PICPSCJEligibilityAttachment1\\_Policy\\_en.pdf](http://www.theglobalfund.org/documents/board/23/BM23_14PICPSCJEligibilityAttachment1_Policy_en.pdf)

## **Simplifying Reporting Requirements**

In 2008, at its 18<sup>th</sup> meeting, the Global Fund Board decided to revise its funding architecture to simplify its business model and harmonize its grants with those supported by recipient countries and other donors. One strategy that the Board approved was to begin funding grants through a Single Stream Agreement (SSA), whereby principal recipients will report on its activities by disease rather than by round.<sup>29</sup> In other words, if a PR has multiple grant agreements for a disease, the grants will be consolidated into a single agreement and the PR will report on its progress through one submission.<sup>30</sup> The Fund hopes that the strategy will reduce the reporting burden on grant recipients and allow countries to more easily align work plans, budgets, and targets. Adherence to the new funding architecture is voluntary for round 10 and required for round 11. The implementation of SSA will discontinue the use of the Rolling Continuation Channel (RCC) for funding.<sup>31</sup>

The Board also decided at its 18<sup>th</sup> meeting to pilot a new grant proposal process known as the National Strategy Application (NSA).<sup>32</sup> The NSA was funded in a limited number of countries and designed to more closely align Global Fund grant proposals with national health strategies and fiscal cycles; reduce transaction costs and paperwork for recipient countries; improve harmonization with other donors who have agreed to use the process; and encourage broad-based use and support of harmonized funding structures and processes. At its 21<sup>st</sup> meeting, the Board recommended that the Secretariat create a schedule to scale up the NSA.

## **Enhancing Civil Society Participation**

In 2007, the Board approved the routine use of dual-track financing, which enables grants to be managed by two primary recipients, one representing national governments and the other civil society organizations (CSOs) or the private sector. Dual-track financing is not required, though any application with one primary recipient must include a justification for not using the method.<sup>33</sup> The TERG and other health experts have long asserted that CSOs fill key roles in advancing global health. Such functions include advocacy, demand creation, service delivery, policy-setting, and accountability. In the long run, the observers maintained, civil society engagement facilitates

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<sup>29</sup> Global Fund, Twentieth Board Meeting Decision Points, November 9-11, 2009, [http://www1.theglobalfund.org/documents/board/20/GF-BM20-DecisionPoints\\_en.pdf](http://www1.theglobalfund.org/documents/board/20/GF-BM20-DecisionPoints_en.pdf).

<sup>30</sup> Global Fund, New Grant Architecture Concept Note, March 2010, [http://www.theglobalfund.org/documents/grantarchitecture/Architecture\\_High\\_Level\\_Concept\\_Note\\_en.pdf](http://www.theglobalfund.org/documents/grantarchitecture/Architecture_High_Level_Concept_Note_en.pdf).

<sup>31</sup> In November 2006, the Board established the Rolling Continuation Channel (RCC). This funding channel, which began in March 2007, permits Country Coordinating Mechanisms (CCMs) to request additional funding for grants that are performing well but set to expire. The application process for the RCC is not as rigorous as the Round process. RCC-approved grants can receive support for up to an additional six years, with the funds being awarded in three-year intervals. The channel is intended only for those grants that have demonstrated a significant contribution “to a national effort that has had, or has the potential to have in the near future, a measurable impact on the burden of the relevant disease. Global Fund, *Report on the Final Decisions of the Fourteenth Board Meeting*, October 31- November 3, 2006, at [http://www.theglobalfund.org/en/files/boardmeeting14/GF-BM-14\\_Final\\_Decisions.pdf](http://www.theglobalfund.org/en/files/boardmeeting14/GF-BM-14_Final_Decisions.pdf), visited January 16, 2008.

<sup>32</sup> For more information on the NSA, see Global Fund, Report of the Technical Review Panel and the Secretariat on funding recommendations for National Strategy Applications of the First Learning Wave, Twentieth Board Meeting, November 9, 2009, [http://www.theglobalfund.org/documents/board/20/GF-BM20-11\\_TRP\\_ReportToBoard.pdf](http://www.theglobalfund.org/documents/board/20/GF-BM20-11_TRP_ReportToBoard.pdf).

<sup>33</sup> Report of the Policy and Strategy Committee, Global Fund Fifteenth Board Meeting, April 2007, [http://www.theglobalfund.org/documents/board/15/GF-BM15-06\\_ReportPSC.pdf](http://www.theglobalfund.org/documents/board/15/GF-BM15-06_ReportPSC.pdf).

sustainability of outcomes, health system strengthening, and country ownership.<sup>34</sup> According to the Global Fund, by the end of 2009, 84% of grants managed by CSOs either met or exceeded expectations.<sup>35</sup> Since round 8, dual-track financing has been used with 48% of PRs, including 24% of HIV/AIDS grants, 12% of malaria grants, and 12% of TB grants.<sup>36</sup>

## **Applying Debt Payments to Global Fund Grants**

In 2007, the Global Fund launched an initiative called Debt2Health, through which creditors allow countries to substitute the interest payments on their debt for public health spending via the Global Fund. By the end of 2009, the Global Fund had signed agreements with two countries and was anticipating signing a third. The Fund anticipates that the three agreements will channel \$80 million to efforts to fight the three diseases. The Fund is negotiating an additional three agreements that have the potential to generate \$74 million.<sup>37</sup>

## **Expanding Access to Improved Anti-Malarial Medication**

The Affordable Medicines Facility–malaria (AMFm) initiative, launched in April 2009, was originally proposed in a 2004 report by the U.S. Institute of Medicine and developed in consultation with the Roll Back Malaria (RBM) Partnership.<sup>38</sup> The initiative aims to improve access to artemisinin-based combination therapy (ACT) by negotiating lower treatment prices with drug manufacturers and supporting the proper use of the anti-malarial drug. AMFm subsidizes a significant portion of the drug, dropping the purchase price from \$11 per course to less than \$1. Although the AMFm initiative is managed by the Global Fund, UNITAID, Britain’s Department for International Development (DFID), and other donors finance and implement the initiative separately.

Through AMFm, the Global Fund anticipates ACTs supplanting cheaper, commonly used anti-malarial drugs that have high drug resistance rates. Some observers warn, however, that people could take ACTs with the onset of symptoms like fever without being diagnosed with malaria. In light of decreased efficacy of ACTs along the Thai-Cambodia border and that ACTs are the only anti-malarial drugs without widespread resistance, several health experts urge the Fund to finance rapid diagnostic tests to complement AMFm activities and prevent drug resistance to ACTs.<sup>39</sup>

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<sup>34</sup> Rifat Atun et al., “Venice Statement on global health initiatives and health systems,” *The Lancet*, vol. 374, no. 9692 (September 5, 2009), p. 784.

<sup>35</sup> Global Fund, *Global Fund 2010 Innovation and Impact*, Progress Report 2010, p. 47. In assessing its grants, the Global Fund rates the performance of each based on their achievement of pre-established goals and targets. “A1” connotes exceeding expectations, “A2” meets expectations, “B1” adequate, “B2” inadequate but potential demonstrated, “C” unacceptable. Eighty four percent of CSO-managed grants are rated A1, A2, or B1. For more on performance ratings, see <http://www.theglobalfund.org/cn/performancebasedfunding/methodology/?lang=cn>.

<sup>36</sup> Global Fund, “Leveraging the Global Fund Through Dual Track Financing and Community Systems Strengthening,” October 2009, [http://www.rollbackmalaria.org/partnership/wg/wg\\_harmonization/ppt/7hwg16.pdf](http://www.rollbackmalaria.org/partnership/wg/wg_harmonization/ppt/7hwg16.pdf).

<sup>37</sup> Fund, *Global Fund 2010 Innovation and Impact*, Progress Report 2010, p. 86.

<sup>38</sup> The RBM Partnership was launched in 1998 by WHO, the United Nations Children’s Fund (UNICEF), the United Nations Development Program (UNDP) and the World Bank to provide a coordinated global response to the disease. Roughly 500 partners are engaged in the initiative. For more on the initiative, see <http://www.rollbackmalaria.org/>.

<sup>39</sup> See WHO, “WHO releases new malaria guidelines for treatment and procurement of medicines,” press release, March 9, 2010, [http://www.who.int/mediacentre/news/releases/2010/malaria\\_20100308/en/](http://www.who.int/mediacentre/news/releases/2010/malaria_20100308/en/); Rachel Nugent, Emma Back, and Alexandra Beith, *The Race Against Drug Resistance*, CGD, 2010, <http://www.cgdev.org/files/> (continued...)



## Strengthening Supply Chain Systems

In June 2009, the Global Fund launched the Voluntary Pooled Procurement (VPP) Initiative, which encourages collective procurement of drugs and related commodities to decrease prices, expand access to quality medicines, and improve the reliability of drug supplies. The initiative focuses on four product categories: first-line antiretroviral treatment (ART), second-line ART, ACT drugs, and long-lasting insecticide treated nets (LLINs). By monitoring prices, cost savings, and market shares, the Global Fund hopes to strengthen national procurement systems and supply chain management. Between June and December 2009, the Global Fund had procured goods in 16 countries worth \$271.4 million through this mechanism. An additional 18 countries have registered for voluntary pooled procurement and 10 countries have expressed interest in receiving capacity-building and supply chain management assistance.

## U.S. Support of the Global Fund

Since the Global Fund was established, the United States has been a strong supporter of the organization. Officials from the Department of State, USAID, and HHS were all engaged in the creation of the Global Fund and former Secretary of HHS Tommy Thompson was later elected as the second Chair of the Global Fund's Board. At present, U.S. officials from various agencies sit on several Global Fund Boards.

The Obama Administration has signaled its intention to maintain that support despite press accounts of corruption. In a March 2011 statement<sup>40</sup> and at a House hearing, the U.S. Global AIDS Coordinator, Ambassador Eric Goosby, linked the success of PEPFAR programs to the continuance of the Global Fund:

Our dependency on the Global Fund is a real one. It was conceived of as a bilateral attempt through the activity of PEPFAR matched with a multilateral effort through the Global Fund. The Global Fund creates a platform and conduit for other countries who do not have bilateral programs to contribute to the care and prevention and treatment dollars for HIV/AIDS as well as TB and malaria. ... We plan together and look at how we can converge in any given country to where Global Fund is doing one thing, we're doing something that is complementary or expansive or other than they are doing so our programmatic imprint is amplified in our ability to impact the diseases that both the Global Fund focuses on as well as the HIV/AIDS and TB. Without them, our footprint and impact would diminish.<sup>41</sup>

In the Fund's first budget period, U.S. donations accounted for 33% of all contributions to the Fund, with the United States having provided \$300 million of the \$894.3 million contributed in the 2001-2002 budget period. Since then, the United States has remained a key contributor to the Fund (**Table 2**).

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(...continued)

1424207\_file\_CGD\_DRWG\_FINAL.pdf; and Mohga Kamal-Yanni, "Affordable medicines facility for malaria: reasonable or rash?," *The Lancet*, vol. 375, no. 9709 (January 9, 2010), p. 121.

<sup>40</sup> See Department of State, "Statement by Ambassador Eric Goosby, U.S. Global AIDS Coordinator, U.S. Department of State, on the Appointment of the Global Fund Independent Review Panel Co-Chairs," press release, March 16, 2011, <http://www.pepfar.gov/press/releases/2011/158413.htm>.

<sup>41</sup> U.S. Congress, House Committee on Appropriations, Subcommittee on State, Foreign Operations, and Related Programs, *FY2012*, 112<sup>th</sup> Cong., 1<sup>st</sup> sess., March 31, 2011.

**Table 2. Total Global Fund Contributions and Pledges**  
(current \$ U.S. millions and percentages)

Contributor	Paid as of 03/31/2011	% of Total Paid	Total Pledges as of 03/31/2011	% of Total Pledges
United States	5,130.2	26.9%	9,547.8	31.6%
European Union	8,953.4	46.9%	13,156.0	43.5%
European Commission	1,204.2	6.3%	1,669.5	5.5%
Other Countries	2,840.3	14.9%	4,421.6	14.6%
Non-Governmental Donors	957.5	5.0%	1,428.0	4.7%
<b>Total</b>	<b>19,085.6</b>	<b>100.0%</b>	<b>30,222.9</b>	<b>100.0%</b>

**Source:** Global Fund, *Pledges and Contributions*, accessed on April 8, 2011, <http://www.theglobalfund.org/en/mobilization/>.

Congress appropriates U.S. contributions to the Global Fund through two appropriations bills: State, Foreign Operations; and Labor, HHS, and Education. During the Bush Administration, Congress consistently exceeded budgetary requests for the Global Fund and appropriated roughly \$3.6 billion for the Fund from FY2001-FY2008. President Obama has expressed strong support for the Global Fund and in FY2009 and FY2010, Congress exceeded the President's request. In FY2009, Congress provided \$1 billion for the Fund and \$1.05 billion in FY2010, roughly \$150 million more than the President requested (**Table 3**). In FY2011 and FY2012, respectively, President Obama requested \$1 billion and \$1.3 billion for the Global Fund. The Department of Defense and Full-Year Continuing Appropriations Act of 2011 (P.L. 112-10) maintained U.S. contributions to the Global Fund at FY2010 levels (\$1.05 billion), excluding rescissions.

**Table 3. U.S. Appropriations for Global Fund, FY2001- FY2012**  
(\$ U.S. current millions)

	FY2001- FY2003 Actual	FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Estimate	FY2012 Request
Foreign Operations	398.4	397.6	248.0	445.5	625.0	545.5	700.0	750.0	750.0	1,000
Labor/HHS	224.0	149.1	99.2	99.0	99.0	294.8	300.0	300.0	300.0	300.0
FY2004 Carryover	n/a	(87.8)	87.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total</b>	<b>622.4</b>	<b>458.9</b>	<b>435.0</b>	<b>544.5</b>	<b>724.0</b>	<b>840.3</b>	<b>1,000.0</b>	<b>1,050.0</b>	<b>1,050.0</b>	<b>1,300.0</b>

**Source:** Appropriations legislation, congressional budget justifications, and interviews with Administration officials.

**Notes:** As of March 31, 2011, the Global Fund reports having received \$5.1 billion of the \$5.7 billion the United States pledged to provide through FY2010. According to the Fund, the United States pledged to pay \$622.7 million in 2001-2003, \$458.9 million in 2004, \$415.6 million in 2005, \$513.0 million in 2006, \$679.4 million in 2007, \$808.2 million in 2008, \$1.0 billion in 2009, and \$1.05 billion in 2010. See [http://www.theglobalfund.org/documents/pledges\\_contributions.xls](http://www.theglobalfund.org/documents/pledges_contributions.xls).

In each fiscal year since FY2005 (except FY2007), Congress has permitted USAID to use up to 5% of Global Fund appropriations for related technical assistance efforts. In FY2006 and FY2008, Congress required the Secretary of State to withhold 20% of the U.S. Global Fund contribution until she certified to the Appropriations Committees that the Fund had strengthened oversight and spending practices. In FY2009, Congress mandated that 10% of U.S. Global Fund contributions be withheld to ensure oversight.

The \$87.8 million deducted from the FY2004 total reflects language in the U.S. Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act (P.L. 108-25) that prohibited U.S. contributions to the Fund from exceeding 33% of contributions from all sources (discussed below). Through the FY2005 Consolidated Appropriations (P.L. 108-447), Congress replaced the \$87.8 million and added it to the FY2005 contribution.

## Issues for Congress

Since making a founding pledge to the Fund in 2001, the United States has strongly supported the Fund: U.S. contributions have remained higher than any other country, U.S. officials have served on various Global Fund boards, and Congress has steadily raised appropriations to the Fund. At the same time, Congress has passed laws that limit U.S. spending on the Fund, such as a stipulation that prohibits U.S. contributions from exceeding one-third of all contributions.

Despite strong support by past Congresses for global health programs, including the Global Fund, some Members of Congress have begun to question U.S. spending on non-security foreign aid and argue for reducing or eliminating development and health aid. In FY2010, foreign aid was roughly 1% of the U.S. budget and global health aid accounted for about 21% of all foreign aid. Although some Members of Congress argue that cuts to these programs could yield important savings, others contend that the cuts would have little impact on the federal deficit, while significantly imperiling the lives of vulnerable populations reliant on U.S. assistance. The section below discusses issues the 112<sup>th</sup> Congress might consider as it continues to debate spending levels for the Global Fund.

### FY2012 Budget Debate

For FY2011, the 112<sup>th</sup> Congress passed the Department of Defense and Full-Year Continuing Appropriations Act of 2011 (P.L. 112-10), which maintained U.S. support for the Global Fund at FY2010 levels (\$1.05 billion), excluding rescissions. This amount exceeded the President's FY2011 request by \$50 million. However, the President's FY2012 budget increased requested funds for the Global Fund and it is questionable whether the 112<sup>th</sup> Congress will meet the increase while congressional debate continues to focus on limiting government spending overall.

While debating the FY2012 funding level, Congress might consider the extent to which U.S. efforts to combat HIV/AIDS, TB, and malaria internationally should be waged through the Global Fund. The Global Fund has accounted for a declining share of overall U.S. spending on HIV/AIDS, TB, and malaria since FY2007 (**Table 4**). President Obama requests that the Global Fund become a greater share of U.S. global HIV/AIDS, TB, and malaria spending in FY2012.

**Table 4. U.S. Global HIV/AIDS, TB, and Malaria Appropriations Through FY2011**

(current \$ U.S. millions and percentages)

	<b>FY2001- FY2004 Actual</b>	<b>FY2005 Actual</b>	<b>FY2006 Actual</b>	<b>FY2007 Actual</b>	<b>FY2008 Actual</b>	<b>FY2009 Actual</b>	<b>FY2010 Actual</b>	<b>FY2011 Estimate</b>	<b>FY2012 Request</b>
U.S. Spending Global Fund	1,081.7	435.0	544.5	724.0	840.3	1,000.0	1,050.0	1,050.0	1,300.0
U.S. Spending Bilateral HIV/AIDS, TB, Malaria	4,798.3	2,457.5	2,858.4	4,052.9	5,549.6	6,043.6	6,361.6	n/a	6,526.3
<b>TOTAL</b>	<b>5,880.0</b>	<b>2,892.5</b>	<b>3,402.9</b>	<b>4,776.9</b>	<b>6,389.9</b>	<b>7,043.6</b>	<b>7,411.6</b>	<b>7,657.9</b>	<b>7,826.3</b>
<b>Global Fund Share of TOTAL</b>	<b>18.4%</b>	<b>15.0%</b>	<b>16.0%</b>	<b>15.2%</b>	<b>13.2%</b>	<b>14.2%</b>	<b>14.2%</b>	<b>n/a</b>	<b>16.6%</b>

**Sources:** Appropriations legislation and correspondence with the Office of the Global AIDS Coordinator (OGAC).

**Note:** Includes funds from Foreign Operations Appropriations, Labor/HHS Appropriations, and Defense Appropriations. The Department of Defense and Full-Year Continuing Appropriations Act, 2011 did not specify how much would be provided for all bilateral HIV/AIDS, TB, and malaria programs, but did include a \$14 million reduction for OGAC.

Debate about supporting the Global Fund has often focused on HIV/AIDS. Nonetheless, some global health experts urge Congress to consider the impact of the Global Fund on the other two diseases, especially tuberculosis. The Global Fund estimates that by the end of 2009, it committed some \$10.8 billion on HIV/AIDS programs, nearly half as much as the United States on related bilateral projects (about \$23.2 billion) during the same time period. At the same time, the Global Fund committed more than 3.5 times as much resources to TB activities and 2.5 times more on malaria interventions than the United States through 2009.

The Global Fund estimates that the \$3.6 billion that it committed to TB programs accounted for 65% of all donor spending, far exceeding the \$913.3 million in U.S. bilateral spending.<sup>42</sup> Advocates assert that U.S. support for the Global Fund enables the United States to invest in TB programs, an area in which the United States has a relatively limited presence. Advocates of greater spending on TB point to the dire impact of HIV/TB co-infection, particularly in sub-Saharan Africa, which has complicated efforts to control the spread of tuberculosis and accelerated the rate at which people die from either disease. According to WHO, an estimated 1.4 million HIV-positive patients are co-infected with TB. In sub-Saharan Africa, TB is the leading cause of mortality among HIV-infected persons.

Supporters for a diversified U.S. global health portfolio also point to the role that the Global Fund plays in eliminating malaria. According to the Fund, it has committed roughly \$6.1 billion to malaria programs since its inauguration, accounting for some 65% of total donor spending through the end of 2009.<sup>43</sup> Since the launch of the President's Malaria Initiative, U.S. investments in global malaria programs has increased substantially, though U.S. spending on malaria from FY2001 through FY2009 amounted to about half as much as Global Fund commitments.

## **U.S. Leadership in Combating HIV/AIDS, TB, and Malaria**

The United States spends more on combating HIV/AIDS than any other country and is a key donor for international malaria and TB programs. Experts continue to debate whether the United States should maintain that leadership, including in the realm of Global Fund contributions.

### **U.S. Spending Ceilings**

Many urge Congress to increase appropriations to the Fund, in large part because donors have begun to follow the lead of the United States in setting their annual contributions. However, U.S. contributions to the Fund cannot exceed 33% of all contributions, a condition first set through the Leadership Act. The law that extended the authorization of U.S. support to the Fund, the Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 (P.L. 110-293), maintained this requirement. Many observers speculate that Congress instituted the contribution limit to encourage greater global support for the Fund. For this reason, some argue that U.S. ceiling should remain.

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<sup>42</sup> Global Fund, *Making a Difference: Global Fund Results Report*, May 2011, p. 40.

<sup>43</sup> *Ibid.*

## U.S. Share of Donor Contributions

Advocates of the Fund argue that U.S. support for the Fund has become even more important since several global economies began to experience distress. The Global Fund announced in November 2009 that it would reduce the budgets of grants approved in round 9 by 10% for the first two years, and by 25% for the subsequent years.<sup>44</sup> The Fund estimates that it will need between \$13 billion and \$20 billion from 2011 to 2013.<sup>45</sup> The range of required contributions to the Fund represents the rate at which grant approval could escalate in three different scenarios (**Table 5**). However, the Global Fund maintains that it would need some \$20 billion between 2011 and 2013 in order to scale up existing programs and advance progress made in attaining the Millennium Development Goal (MDG) to combat HIV/AIDS, malaria and other diseases.<sup>46</sup>

- **Scenario 1**—the Global Fund provides \$3.9 billion for new proposals over three years, with the remainder used to support future phases of previously approved grants. The Fund reports that funding under this scenario would not be sufficient to cover the expected demand in future rounds and would decrease the rate at which Global Fund grants have advanced responses to the three diseases. Over three years, the Fund expects the \$13 billion to support
  - the allotment of 4.4 million HIV/AIDS drugs, up from 2.5 million in 2009;
  - the supply of 3.9 million annual TB treatments, up from 1.4 million in 2009;
  - the distribution of 110 million LLINs, up from 34 million in 2009;
  - care and support of 2.5 million orphans, up from 1.4 million in 2009; and
  - annual provision of services for 610,000 HIV-positive pregnant women that prevent mother-to-child transmission (PMTCT) of HIV, up from 345,000 in 2009.
- **Scenario 2**—the Global Fund provides \$6.8 billion for new grants in three future rounds and the residual supports previously approved projects. The Fund anticipates that the \$17 billion spent under this scenario would support historical growth trends and would finance
  - the allotment of 5.8 million HIV/AIDS drugs;
  - the supply of 5.2 million annual TB treatments;
  - the distribution of 147 million LLINs;

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<sup>44</sup> Global Fund, *Twentieth Board Meeting*, Board Decisions, November 9-11, 2009, [http://www.theglobalfund.org/documents/board/20/GF-BM20-DecisionPoints\\_en.pdf](http://www.theglobalfund.org/documents/board/20/GF-BM20-DecisionPoints_en.pdf).

<sup>45</sup> Global Fund, *Resource Scenarios 2011-2013: Funding the Global Fight Against HIV/AIDS, Tuberculosis and Malaria*, March 2010, [http://www.theglobalfund.org/documents/replenishment/2010/Resource\\_Scenarios\\_en.pdf](http://www.theglobalfund.org/documents/replenishment/2010/Resource_Scenarios_en.pdf).

<sup>46</sup> In September 2000, the United Nations (U.N.) General Assembly adopted the Millennium Declaration, which committed member states to providing resources to help needy countries reach eight Millennium Development Goals by 2015. The eight MDGs are: (1) eradicate extreme poverty and hunger; (2) achieve universal primary education; (3) promote gender equality and empower women; (4) reduce child mortality by two-thirds; (5) reduce maternal mortality by two-thirds; (6) combat HIV/AIDS, malaria, and other diseases; (7) ensure environmental sustainability (includes halving the proportion of those without access to clean water and sanitation); and (8) develop a global partnership for development. See <http://www.un.org/millenniumgoals/> and CRS Report R41410, *The Millennium Development Goals: The September 2010 U.N. High-level Meeting*, by Luisa Blanchfield and Marian Leonardo Lawson.

- care and support of 3.4 million orphans; and
- annual provision of PMTCT services for 820,000 HIV-positive pregnant women.
- **Scenario 3**—the Global Fund maintains that the \$12 billion that it would spend on the next three rounds reflect the increased demand that the Fund anticipates facing from 2011 through 2013, with the remainder used to support previously approved. Under Scenario C, the Fund asserts that \$20 billion in donor contributions would support
  - the allotment of 7.5 million HIV/AIDS drugs;
  - the supply of 6.8 million annual TB treatments;
  - the distribution of 190 million LLINs;
  - care and support of 4.4 million orphans; and
  - annual provision of PMTCT services for 1.1 million HIV-positive pregnant.

**Table 5. Funding Requirements for the Global Fund, 2011-2013**  
(\$ U.S. current billions)

	2011			2012			2013			Scenario Total
	Phase I	Phase II	RCC	Phase I	Phase II	RCC	Phase I	Phases II	RCC	
Scenario A	1.3	2.6	1.0	1.3	1.6	1.4	1.3	0.9	1.5	
<b>Subtotal</b>		<b>4.9</b>			<b>4.3</b>			<b>3.7</b>		<b>12.9</b>
Scenario B	2.2	2.6	1.0	2.3	1.6	1.4	2.3	0.9	3.0	
<b>Subtotal</b>		<b>5.8</b>			<b>5.3</b>			<b>6.2</b>		<b>17.3</b>
Scenario C	3.5	2.6	1.0	4.0	1.6	1.4	4.5	0.9	3.0	
<b>Subtotal</b>		<b>7.1</b>			<b>7.0</b>			<b>8.4</b>		<b>22.5</b>

**Source:** Global Fund, *Resource Scenarios 2011-2013*, March 2010.

Donors met for two days starting on October 4, 2010, at the United Nations headquarters in New York City to pledge their support for the next three years of the Global Fund.<sup>47</sup> The Global Fund announced on October 5, 2010, that the international community had pledged to provide some \$11.7 billion to the Global Fund over the next three years, roughly \$1 billion less than the Global Fund’s most conservative funding request. The U.S. pledge accounted for roughly 34% (\$4 billion) of that amount. Subsequent pledges totaling \$11.8 million by Luxembourg (\$10.8 million) and Rwanda (\$1 million) were made following the pledging conference.<sup>48</sup>

<sup>47</sup> For more details on the pledging conference, see <http://www.theglobalfund.org/en/replenishment/hague/documents/>.

<sup>48</sup> Global Fund, “Luxembourg Commits EUR 7.5 Million to the Global Fund,” press release, October 27, 2010, [http://www.theglobalfund.org/en/pressreleases/?pr=pr\\_101027](http://www.theglobalfund.org/en/pressreleases/?pr=pr_101027); and Global Fund, “Rwanda Donates \$1 million to the Global Fund,” press release, November 10, 2010, [http://www.theglobalfund.org/en/pressreleases/?pr=pr\\_101110](http://www.theglobalfund.org/en/pressreleases/?pr=pr_101110). CRS used a currency conversion rate of 7.5€ per U.S. dollar for the Luxembourg pledge.

Despite concerns about the Global Fund's ability to finance qualified grants from developing countries, some observers would like the Global Fund to address its own capacity before urging Congress to increase support for the organization. The team of independent experts that conducted the five year evaluation of the Fund, for example, concluded that:

The Global Fund has contributed to the rapid expansion of programming addressing HIV/AIDS, tuberculosis, and malaria in 136 countries through more than 550 grants. In doing so, it has helped to mobilize existing capacity in the most affected countries, perhaps to the limits reasonably achievable without further capacity development. Recent studies, including the Five-Year Evaluation, suggest that the Global Fund is contributing to strengthening health systems but also point to continued systems weaknesses in key areas. Going forward, the weaknesses of existing health systems critically limit the performance potential of the Global Fund. However, the increasing focus on health systems strengthening (HSS) among Global Fund partners presents a unique opportunity to collectively address these issues.<sup>49</sup>

## **Coordinating the Global Fund with U.S. Global Health Programs**

Since the Global Fund was launched, the United States has sought to better coordinate Global Fund and related bilateral programs. Through the Global Health Initiative (GHI), the Obama Administration has affirmed its intention to increase cooperation with the Fund, indicating that one of the seven basic principles of GHI is to “strengthen and leverage key multilateral organizations, global health partnerships and private sector engagement” with the purpose of implementing a coordinated strategy across other major donors and national governments.<sup>50</sup> In its Five-Year Strategy report, the Office of the Global AIDS Coordinator (OGAC) emphasized its partnership with the Global Fund and outlined several steps to ensure the Fund's long-term sustainability, including transferring some PEPFAR programs to the Global Fund and coordinating and aligning activities related to the funding, monitoring, and evaluation of PEPFAR, Global Fund, and UNAIDS programs.<sup>51</sup>

Many observers question the strength of the U.S. commitment to donor coordination. For example, though U.S. representatives have advocated better alignment of project implementation, a common framework for such a notion has yet to be formalized. The Global Fund has begun to develop a joint funding platform for health systems strengthening with other groups, however, like GAVI, the World Bank, and WHO. Though the United States is not party to the platform, OGAC expressed limited support for the undertaking.<sup>52</sup> While OGAC applauded increased coordination among donors of health system strengthening efforts, it also contended that each donor has a unique mandate and role to play in strengthening health systems. WHO and other health experts urge key donors, including the United States, to align reporting and auditing

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<sup>49</sup> Macro International, Inc., *The Five-Year Evaluation of the Global Fund to Fight AIDS, Tuberculosis, and Malaria: Synthesis of Study Areas 1, 2 and 3*, March 2009, p. 21.

<sup>50</sup> USAID, *Implementation of the Global Health Initiative*, Consultation Document, pp. 6-7, [http://www.usaid.gov/our\\_work/global\\_health/home/Publications/docs/ghi\\_consultation\\_document.pdf](http://www.usaid.gov/our_work/global_health/home/Publications/docs/ghi_consultation_document.pdf).

<sup>51</sup> OGAC, *The U.S. President's Emergency Plan for AIDS Relief, Five Year Strategy, Annex: PEPFAR and the Global Context of HIV*, December 2009, pp. 13 and 16, <http://www.pepfar.gov/documents/organization/133436.pdf>.

<sup>52</sup> OGAC, U.S. Government Positions on Decision Points for the Twentieth Board Meeting of the Global Fund, <http://www.pepfar.gov/documents/organization/134924.pdf>.

requirements, the frequency and type of data collected and reported, and fiscal cycles in an effort to reduce the transaction costs and staffing requirements of recipient countries.<sup>53</sup>

## **Transparency, Monitoring, and Evaluation**

Some critics of the Fund contend that the Fund's oversight mechanisms are not strong enough to protect against wasteful spending, particularly in countries that have a well-documented history of corruption and poor financial management. Fund supporters counter that the release of evaluations and findings on the Global Fund's website reflect the Fund's commitment to reporting and monitoring its projects. Specifically, the Fund has uploaded onto its website an abundance of information on grant proposals and budgets, grant spending trends, and results of board meetings, which include decisions regarding the suspension of grants. Fund advocates also argue that the Fund's decisions to suspend temporarily, and in some cases discontinue, poor performing grants demonstrate the effectiveness of the Fund's oversight and funding mechanisms.

Some in Congress have long advocated for stronger oversight of Global Fund spending. Supporters of this idea have welcomed language included in FY2006 and FY2008 foreign operations appropriations measures, which required the Secretary of State to withhold up to 20% of the U.S. contribution to the Global Fund until she determined the Fund had adhered to U.S. reporting and monitoring standards. In FY2009, the withholding was reduced to 10%, and FY2010 foreign operations appropriations did not include such language. Similarly, the Hyde-Lantos Act (P.L. 110-293), which authorized the extension of PEPFAR programs and funding for U.S. bilateral TB and malaria programs, included language that described actions the Global Fund could take to improve transparency.

Some Global Fund supporters contend, however, that such action is unnecessary in light of the consistent release of information by the Global Fund on grant performance and funding. Global Fund advocates point to actions by the Global Fund to release information on discoveries of fraud despite the negative press reports that surfaced in early 2011. On March 2, 2011, for example, the Global Fund reported that it had suspended another grant in Mali after discovering misuse of funds.<sup>54</sup>

Some experts applaud the Global Fund's efforts in this area and urge the United States to release similar information on the performance and funding of its bilateral health programs.<sup>55</sup> Since the launch of PEPFAR, the United States has become the world's largest donor to global HIV/AIDS programs. Little is known, however, about the performance of PEPFAR programs and whether the U.S. Inspector General's Office has uncovered any misuse of funds.<sup>56</sup> USAID did announce, however, that it had suspended some \$640 million in funds to the Academy for Educational

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<sup>53</sup> WHO Maximizing Positive Synergies Collaborative Group, "An assessment of interactions between global health initiatives and country health systems," *The Lancet*, vol. 373, no. 9681 (June 20, 2009).

<sup>54</sup> Global Fund, "The Global Fund Suspends AIDS Grant in Mali," press release, March 2, 2011, [http://www.theglobalfund.org/en/pressreleases/?pr=pr\\_110302](http://www.theglobalfund.org/en/pressreleases/?pr=pr_110302).

<sup>55</sup> See Chunling Lu et al., "Absorptive capacity and disbursements by the Global Fund to Fight AIDS, Tuberculosis and Malaria: analysis of grant implementation," *The Lancet*, vol. 368, no. 9534 (August 5, 2006), pp. 487-488.

<sup>56</sup> Nandini Oomann, *What Can We Learn from the Global Fund's "Massive Fraud"?*, Center for Global Development, January 25, 2011, <http://blogs.cgdev.org/globalhealth/2011/01/what-can-we-learn-from-the-global-fund%E2%80%99s-%E2%80%9Cmassive-fraud%E2%80%9D.php>.



Development due to misuse of funds.<sup>57</sup> The non-governmental organization Center for Global Development has recommended that the Department of State develop clearer guidelines for performance-based funding, make funding decisions transparent, and publish data on individual grant performance.<sup>58</sup>

In light of the vigorous debate regarding responses by the Global Fund to corruption, a number of recommendations made by the Senate Foreign Relations Committee's minority staff to strengthen the oversight of Global Fund grants in particular and U.S. global health spending in general may receive attention in the 112<sup>th</sup> Congress.<sup>59</sup> These included calls to:

1. Make U.S. contributions to the Global Fund contingent upon the Global Fund Boards' adoption of reforms laid out by the United States Department of State. The Department of State would be required to certify to Congress that the reforms were in place before funds could be released.
2. Withhold all funding to UNDP until it certifies that its internal rules and procedures have been sufficiently modified to allow the Inspector General of the Global Fund, the Inspector General of the World Bank, and any investigative arm of any multilateral organization to which the United States contributes funds full access to their audits, investigations, records and personnel.
3. Withhold U.S. contributions from the Global Fund to the UNDP until the U.S. receives confirmation of such certification.
4. Instruct the Government Accountability Office to conduct a study regarding the coordination of the Office of Inspectors General (or equivalent offices) of all U.S. Government entities and multilateral organizations receiving U.S. taxpayer funds that oversee the integrity of global health programs.
5. Have the U.S. Representative to the Global Fund reiterate in the strongest terms to the Board of the Global Fund that the United States has no tolerance for fraud and abuse and that the Office of the Inspector General needs to acquire adequate resources and personnel to audit and investigate programs on the ground.
6. Have the Global Fund take any steps necessary to ensure that Local Fund Agents and CCMs are capable of managing grants and are properly trained on how to spot and mitigate suspected fraudulent activities.
7. Have the U.S. Government conduct a top to bottom analysis of U.S. investment and contributions to international organizations and funds, similar to that conducted by Britain. On March 1, 2011, the United Kingdom Department for International Development issued a Multilateral Review, which evaluated the 43

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<sup>57</sup> USAID, "USAID Suspend Academy for Educational Development from Receiving New U.S. Government Awards," press release, December 8, 2010, <http://www.usaid.gov/press/releases/2010/pr101208.html> and Michael Carroll, *Testimony of Michael G. Carroll, Deputy Inspector General, USAID, Before the Wartime Commission on Wartime Contracting in Iraq and Afghanistan*, USAID, Ensuring Contractor Accountability: Past Performance and Suspension and Debarments, February 28, 2011, [http://www.usaid.gov/oig/whoware/testimony\\_022811\\_CWC\\_SD\\_Hearing.pdf](http://www.usaid.gov/oig/whoware/testimony_022811_CWC_SD_Hearing.pdf).

<sup>58</sup> CGD, *Are Funding Decisions Based on Performance?*, 2010, p. 19, <http://www.cgdev.org/content/publications/detail/1424030/>.

<sup>59</sup> See U.S. Congress, Senate Committee on Foreign Relations, *Fraud and Abuse of Global Fund Investments at Risk Without Greater Transparency*, committee print, A Minority Staff Report, 112<sup>th</sup> Cong., 1<sup>st</sup> sess., April 5, 2011, S. Prt. 112-17.

international funds and organizations that the United Kingdom contributes with respect to value for the money and each fund's and organization's effectiveness in combating poverty, taking in account transparency and accountability.<sup>60</sup>

8. Have the U.S. government work more closely with host governments on establishing or increasing the country's commitment to making its own investments in health programs. When possible, the countries must demonstrate some commitment in moving towards sustainability and cease complete reliance on the donor community for the indefinite future.

## Conclusion

The Global Fund is a relatively young organization that has become increasingly well-established. To date, the Fund has committed to grant roughly \$21.7 billion for HIV/AIDS, TB, and malaria programs in 150 countries. These funds have been used to treat more 3 million people for HIV/AIDS, nearly 8 million people for TB and 142.4 million people for malaria, saving an estimated 6.5 million lives.

Despite these advancements, observers raise several issues that could influence U.S. support for the Fund. These include questions about:

- **The appropriate balance between U.S. support for the Global Fund and bilateral HIV/AIDS, TB, and malaria programs**—Fiscal austerity has become a dominant theme in appropriations debates. Since the Global Fund was created, some have weighed U.S. contributions to the Global Fund against U.S. spending on bilateral HIV/AIDS, TB, and malaria efforts. The Office of the Global AIDS Coordinator rejects this notion and presents the Global Fund as a complement to U.S. bilateral programs. Nonetheless, the 112<sup>th</sup> Congress will likely continue to compare U.S. support for the Global Fund against related bilateral programs, especially PEPFAR.<sup>61</sup>
- **How to coordinate Global Fund and bilateral HIV/AIDS, TB, and malaria programs**—When President Obama announced GHI, he expressed his intent to reshape U.S. global health policy so that global health efforts were better integrated and coordinated. Despite references throughout the GHI Implementation Plan to stronger collaboration with the Global Fund, the extent to which such an effort will occur is not yet clear. While several official U.S. documents support calls from the Global Fund to enhance donor coordination, the United States has expressed limited support for a joint funding platform for health systems strengthening.<sup>62</sup> U.S. officials maintain each donor has a unique mandate and role to play.<sup>63</sup>

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<sup>60</sup> Following the review, Britain reaffirmed its commitment to the Global Fund and considered it “very good value for the U.K. taxpayer.” See, U.K. Department of International Development, *Statement by the Secretary of State for International Development: the Bilateral and Multilateral Aid Reviews*, Oral Statement to the House of Commons, March 1, 2011, <http://www.dfid.gov.uk/Media-Room/Speeches-and-articles/2011/BAR-MAR-oral-statement/>.

<sup>61</sup> See question posed by Honorable Charlie Dent at U.S. Congress, House Committee on Appropriations, Subcommittee on State, Foreign Operations, and Related Programs, *Global Health and HIV/AIDS Programs*, 112<sup>th</sup> Cong., 1<sup>st</sup> sess., March 31, 2011.

<sup>62</sup> OGAC, U.S. Government Positions on Decision Points for the Twentieth Board Meeting of the Global Fund, (continued...)

- **Growing emphasis on improving health systems**—Despite calls by the Global Fund for more financial support, the team of experts who conducted a five-year evaluation of the Fund warned that recipient countries might not be able to continue receiving assistance at current scale without significant investments in health systems.<sup>64</sup> The Global Fund and other donors have increased spending on improving global health systems, nonetheless challenges in this area persist. One of the goals of the Global Health Initiative is to improve health systems through several strategies, such as addressing health system bottlenecks, strengthening data collection systems, improving human resources for health, and donor coordination.<sup>65</sup> Several global health experts recommend that the Global Fund and other donors support national health plans and address the major gaps in basic health service availability and readiness as part of HIV/AIDS, TB, and malaria efforts.
- **Whether to use Global Fund resources in middle income countries**—Several observers question the use of Global Fund resources in middle income countries. In 2010, eleven countries were considered both donors and recipients: China, India, Malaysia, Namibia, Nigeria, Romania, Rwanda, Russia, South Africa, Thailand, and Tunisia.<sup>66</sup> China has received the most attention from all of these countries, due in part to the substantial amount of grants it has received from the Fund and the rapid growth of its economy. Since 2002, the Global Fund has approved grants in China totaling \$947.2 million, of which \$549.2 million has been disbursed. In contrast, China has pledged \$30 million to the Global Fund over three years and has paid \$16 million. The Global Fund awards grants to lower middle-income countries, but expects them to contribute up to program costs. According to the Senate Foreign Relations Committee’s minority report, as a middle-income country with a per capita income of \$3,650, China is eligible for Global Fund grants and pays roughly 80% of total program costs.<sup>67</sup> The Committee recommends, however, that China no longer receive Global Fund resources. In May 2011, the Global Fund approved the new Eligibility, Counterpart Financing and Prioritization Policy that limits how much funding middle income countries could receive through the Fund and requires all countries to contribute to national disease and health strategies and demonstrate increased funding for these activities annually (see “Reforming Financial Eligibility and Recipient Country Contribution Requirements”).

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(...continued)

<http://www.pepfar.gov/documents/organization/134924.pdf>.

<sup>63</sup> Ibid.

<sup>64</sup> Macro International, Inc., *The Five-Year Evaluation of the Global Fund to Fight AIDS, Tuberculosis, and Malaria: Synthesis of Study Areas 1, 2 and 3*, March 2009, p. 21.

<sup>65</sup> Department of State, *Implementation of the Global Health Initiative: Consultation Document*, February 1, 2010, pp. 14-16, <http://www.pepfar.gov/documents/organization/136504.pdf>.

<sup>66</sup> For more information on the Global Fund’s policy for supporting middle-income countries, see Global Fund, *Counterpart Financing*, <http://www.theglobalfund.org/en/application/process/counterpartfinancing/?lang=en>.

<sup>67</sup> U.S. Congress, Senate Committee on Foreign Relations, *Fraud and Abuse of Global Fund Investments at Risk Without Greater Transparency*, committee print, prepared by A Minority Staff Report, 112<sup>th</sup> Cong., 1<sup>st</sup> sess., April 5, 2011, S. Prt. 112-17.

- **The Fund's responses to allegations of corruption**—The Global Fund's announcement that funds from some its grants were misspent has opened a rigorous debate in the foreign aid community. Some observers applauded the Global Fund for its transparency and encouraged others to release similar information, arguing that the Global Fund is not alone in facing these problems. On the other hand, some have called for governments to withhold support for the Global Fund until adequate safeguards are established. The Global Fund's release of unsavory information regarding its programs raises several questions. If the Global Fund is penalized for being honest in its shortcomings, will others hesitate to do so? When allegations of corruption and malfeasance are discovered, what is the appropriate response? What impact might reduced funding have on those relying on aid programs for life-saving treatments?

## Appendix A. Glossary

3D Fund	Three Diseases Fund
AMFm	Affordable Medicine Facility—malaria
ACT	Artemisinin-based Combination drug Treatment
ART	Antiretroviral Therapy
CBJ	Congressional Budget Justification
CCM	Country Coordinating Mechanism
CDC	U.S. Centers for Disease Control and Prevention
CGD	Center for Global Development
CSO	Civil Society Organization
DOD	U.S. Department of Defense
DOL	U.S. Department of Labor
DOTS	Directly Observed Treatment Short-Course
EU	European Union
GAO	U.S. Government Accountability Office
GAVI	Global Alliance for Vaccines and Immunization
GHCS	Global Health and Child Survival
GHI	Global Health Initiative
HHS	U.S. Department of Health and Human Services
HSS	Health System Strengthening
IRS	Indoor Residual Spraying
ITN	Insecticide-Treated Net
LFA	Local Funding Agent
LLIN	Long Lasting Insecticide-treated Nets
MDG	Millennium Development Goals
MDR-TB	Multi-Drug Resistant Tuberculosis
NGO	Non-Governmental Organization
NSA	National Strategy Application
NTD	Neglected Tropical Diseases
OGAC	Office of the Global AIDS Coordinator
PEPFAR	President's Emergency Plan for AIDS Relief
PMTCT	Prevention of Mother To Child HIV Transmission
PR	Principal Recipient
RBM	Roll Back Malaria
RCC	Rolling Continuation Channel
SR	Sub-recipient
SSA	Single Stream Agreement

TB	Tuberculosis
TERG	Technical Evaluation Reference Group
UN	United Nations
UNAIDS	Joint United Nations Program on HIV/AIDS
UNDP	United Nations Development Program
USAID	U.S. Agency for International Development
VCT	Voluntary Counseling and Testing
VPP	Voluntary Pooled Procurement
WHO	World Health Organization

## Appendix B. Cancelled, Discontinued, and Terminated Grants, 2001-April 11, 2011

**Table B-1. The Global Fund to Fight AIDS, Tuberculosis, and Malaria:  
List of Discontinued Grants**

Type of Discontinuation	Country	Grant Number	Date
<b>Termination</b>			
	Mali	MAL-708-G06-T	12/3/2010
	Myanmar	MYN-202-G01-T	8/18/2005
		MYN-305-G02-H	8/18/2005
		MYN-305-G03-M	8/18/2005
<b>Suspension (i.e. suspension of disbursements and grant activities until conditions for lifting are met, essential services continue)</b>			
	Chad	TCD-202-G01-T	11/17/2006
		TCD-304-G02-H	11/17/2006
	Mali	MAL-607-G04-M	12/3/2010
		MAL-607-G05-M	12/3/2010
		MAL-809-G07-H	12/3/2010
	Mauritania	MRT-506-G03-H	9/3/2009
	Uganda	UGD-102-G01-H	8/24/2005
		UGD-202-G02-M	8/24/2005
		UGD-202-G03-T	8/24/2005
	Ukraine	UKR-102-G01-H	1/29/2004
		UKR-102-G02-H	1/29/2004
		UKR-102-G03-H	1/29/2004
<b>Principal Recipient Change (i.e. termination of grant with one PR and its replacement with another)</b>			
	Argentina	ARG-102-G01-H	7/1/2005
	Armenia	ARM-202-G01-H	6/7/2010
	Bangladesh	BAN-202-G01-H	12/1/2009
	Bolivia (Plurinational State)	BOL-304-G01-H	2/29/2008
		BOL-304-G02-M	2/28/2008
		BOL-304-G03-T	2/25/2008
		BOL-306-G04-H	2/25/2009
	Burkina Faso	BUR-202-G02-H	7/15/2009
		BUR-404-G03-T	6/11/2009
	Burundi	BRN-202-G02-M	10/1/2006
	Cambodia	CAM-202-G03-M	5/1/2009

Type of Discontinuation	Country	Grant Number	Date
	Central African Republic	CAF-404-G02-H	7/1/2009
		CAF-404-G03-T	7/1/2009
	Costa Rica	COR-202-G01-H	6/20/2008
	Côte d'Ivoire	CIV-202-G01-H	7/20/2009
	Dominican Republic	DMR-304-G02-T	10/1/2009
		DMR-708-G03-T	10/1/2010
	El Salvador	SLV-202-G02-T	5/15/2008
	Gabon	GAB-506-G03-M	4/1/2009
	Georgia	GEO-607-G06-H	1/1/2011
		GEO-S10-G07-H	4/1/2011
	Guatemala	GUA-304-G01-H	10/1/2010
		GUA-607-G03-T	2/22/2011
	Guinea-Bissau	GNB-304-G01-T	7/1/2008
		GNB-404-G02-H	7/1/2008
		GNB-404-G03-M	7/1/2008
	Haiti	HTI-102-G01-H	1/1/2011
	Honduras	HND-102-G01-H	5/1/2008
		HND-102-G03-M	5/1/2008
	Kyrgyzstan	KGZ-809-G06-M	1/1/2011
	Nicaragua	NIC-202-G02-T	12/2/2009
	Niger	NGR-304-G02-M	12/1/2006
	Nigeria	NGA-506-G06-T	7/1/2009
	Philippines	PHL-202-G02-T	1/1/2010
		PHL-506-G04-H	12/23/2009
	Yemen	YEM-305-G02-H	10/1/2007
		YEM-305-G03-H	10/1/2007
	Zambia	ZAM-405-G09-H	1/1/2011
		ZAM-405-G13-M	4/1/2011
	Zimbabwe	ZIM-102-G01-H	10/5/2010
		ZIM-506-G03-H	10/5/2010
		ZIM-506-G04-H	12/1/2010
		ZIM-506-G05-T	12/1/2010
		ZIM-506-G06-M	8/1/2009
<b>NoGo (i.e. Decision to discontinue funding at the end of Phase I)</b>			
	Bolivia (Plurinational State)	BOL-306-G05-M	9/9/2008
	Mauritania	MRT-607-G04-M	2/11/2011



Type of Discontinuation	Country	Grant Number	Date
<b>NoGo (i.e. Decision to discontinue funding at the end of Phase I)</b>			
	Mauritania	MRT-607-G05-T	2/11/2011
	Nigeria	NGA-102-G01-H	4/28/2006
		NGA-102-G03-H	4/28/2006
	Pakistan	PKS-202-G02-M	4/13/2006
	Senegal	SNG-102-G02-M	2/25/2005
	Sierra Leone	SLE-405-G03-M	6/11/2007
	South Africa	SAF-102-G02-C	12/16/2005
	Sri Lanka	SRL-607-G08-T	8/15/2010
	Timor-Leste	TMP-304-G02-T	1/1/2008
	Uganda	UGD-202-G02-M	1/22/2007
		UGD-202-G03-T	1/22/2007
	Zanzibar	ZAN-607-G06-H	10/15/2010

**Source:** Sent to CRS from the Global Fund.

**Notes:**

**Termination**—immediately cancel financial support. If funds are immediately revoked, the Fund might invoke its continuity of services policy, which ensures that life-extending treatment is continued for suspended or cancelled grants or for those whose terms have expired until other financial support is identified.

**Suspension**—temporarily withhold support for grants. Funds for suspended grants can be restored once fiduciary or performance concerns are resolved.

**Principal Recipient Change**—replacement of one Principal Recipient with another. The Global Fund might replace the Principal Recipients for grants that have been suspended due to poor performance or financial mismanagement. The new Principal Recipient becomes responsible for implementing the grant.

**No Go**—discontinue support for grants in Phase II. This action is applied to grants that do not meet performance targets. Countries whose grants have been discontinued can apply and have secured funding in subsequent Rounds.

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