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

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Raymond W. Copson and Tiaji Salaam
Foreign Affairs, Defense, and Trade Division

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

Summary

The Global Fund to Fight AIDS, Tuberculosis, and Malaria, headquartered in Geneva, Switzerland, is an independent Swiss foundation intended to attract and rapidly disburse new resources in developing countries for the struggle against infectious disease. The Fund is a financing vehicle, not a development agency, and its grants are intended to complement existing efforts rather than replace them. Approximately \$4.8 billion has been pledged to the Fund, while about \$1.7 billion has been received or was in process as of November 1, 2003.

A May 2003 report by the U.S. General Accounting Office (GAO) praised the Global Fund for “noteworthy progress in establishing essential governance and other supporting structures” but noted that the Fund’s ability to finance additional grants was threatened by a lack of resources. At the June 2003 Global Fund Board meeting, Executive Director Richard Feachem appealed for \$3 billion in additional contributions through 2004, including \$1 billion from the United States, \$1 billion from Europe, and \$1 billion from other sources.

The origins of the concept of an independent funding mechanism to fight infectious disease lie partly in ideas developed in the 106th Congress and in proposals made by U.N. Secretary General Kofi Annan. The Fund was established in January 2002, following negotiations involving donor and developing country governments, non-governmental organizations (NGOs), the private sector, and the United Nations.

As a result of three rounds of grant awards, the Global Fund has committed to disbursing \$2.1 billion to 121 countries and three territories in the Caribbean through 2006. Proposals are submitted to the Global Fund by Country Coordinating Mechanisms (CCMs) based in the recipient countries and including representatives of government, NGOs, faith-based groups, and others. Grants are made to Principal Recipients (PRs), which may be NGOs or government agencies, and their operations must be audited. PRs are also monitored by Local Funding Agents (LFAs), which may be accounting firms or other independent organizations and which report to the Global Fund. Some have expressed concern about the absorptive capacity of recipient countries.

U.S. contributions to the Global Fund will total \$623 million through FY2003. The Administration has requested \$200 million for the Fund in FY2004 and has pledged the same amount annually through FY2008. Appropriations bills currently before Congress (H.R. 2800 and H.R. 2660) would provide twice this amount or more. H.R. 1298/P.L. 108-25, the major AIDS bill signed into law on May 27, 2003, authorizes up to \$1 billion as a contribution to the Global Fund in FY2004.

For further information, see U.S. General Accounting Office Report GAO-03-601, *Global Health: Global Fund to Fight AIDS, TB, and Malaria Has Advanced in Key Areas, but Difficult Challenges Remain*; and CRS Report RS21181, *HIV/AIDS International Programs: Appropriations, FY2002-FY2004*.

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

Background

The Global Fund to Fight AIDS, Tuberculosis, and Malaria, was established in Geneva, Switzerland, in January 2002. The Fund makes grants in developing countries aimed at reducing the number of HIV, tuberculosis, and malaria infections, as well as the illness and death that result from such infections. The Fund is an independent foundation, and its board of directors consists of representatives of seven donor countries and seven developing countries, as well as one representative from a developed country non-governmental organization (NGO), a developing country NGO, the private sector, and a contributing private foundation. Ex officio members include a representative of the community of people living with HIV/AIDS, tuberculosis or malaria. On January 31, 2003, the Global Fund's Board of Directors chose Tommy Thompson, the U.S. Secretary of Health and Human Services, as its chair. Thompson is also the U.S. representative to the board.¹ The Executive Director of the Global Fund is Dr. Richard Feachem, a British physician who has held teaching and administrative positions in international health in the United States and Britain.

The Global Fund's efforts are intended to mitigate the impact of infectious disease on countries in need and thus to contribute to a reduction in poverty. Over five years, the Fund hopes to achieve an "unprecedented scale-up" in AIDS treatment by funding anti-retroviral therapy for 500,000 patients over five years. Moreover, the Fund expects to be supporting programs to provide care for 500,000 children orphaned by AIDS, to treat two million people for tuberculosis infection, and to provide 20 million courses of treatment for drug-resistant malaria worldwide.²

Global Fund documents emphasize that it is a financing instrument complementing existing programs and that it is intended to attract, manage, and disburse additional resources, rather than re-channel existing resources. The Fund is a fiduciary agent designed to direct new resources to programs in countries in need, rather than an agency that implements projects. At the same time, the Fund coordinates closely with bilateral assistance agencies, including the U.S. Agency for International Development (USAID) and international organizations engaged in the

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

² *The Global Fund to Fight AIDS, Tuberculosis, and Malaria: Questions and Answers*. See Global Fund website

struggle against AIDS, tuberculosis, and malaria. The World Bank serves as the Global Fund's trustee, receiving contributions made by donors and disbursing funds as the Global Fund directs.

Origins

The origins of the concept of an independent funding mechanism to fight infectious disease lie partly in ideas developed in the 106th Congress. In August 1999, Rep. Barbara Lee introduced the AIDS Marshall Plan Fund for Africa Act (H.R. 2765). This bill, which did not come to a vote, would have established an AIDS Marshall Plan Fund for Africa Corporation as an independent U.S. agency able to receive contributions from foreign governments as well as private sources. In January 2000, again in the 106th Congress, Rep. James Leach introduced the Global AIDS and Tuberculosis Relief Act of 2000 (H.R. 3519), which passed both the House and Senate and was signed into law (PL. 106-264) in August 2000. H.R. 3519 included provisions supporting the creation of a World Bank AIDS Trust Fund. Had it been created along the lines indicated in H.R. 3519, this fund would have made grants to governments and NGOs in order to stem the spread of AIDS and promote affordable access to treatment. The Foreign Operations Appropriations legislation for FY2001,³ enacted in late October 2000, provided up to \$20 million for a U.S. contribution to an international HIV/AIDS fund.

U.N. Secretary General Kofi Annan urged the creation of an independent funding vehicle on April 26, 2001, in a speech to African leaders gathered at a summit on HIV/AIDS and other infectious diseases in Abuja, Nigeria. Annan introduced the term "Global Fund" and said there should be a "war chest" of \$7 billion to \$10 billion per year for the struggle against AIDS. (Subsequently, experts said that \$7 billion to \$10 billion was the amount required by 2005 from all sources, not just the Global Fund.) Annan's proposal attracted considerable attention, and on May 11, 2001, Annan came to the White House, with Nigeria's President Olusegun Obasanjo, to hear President Bush pledge \$200 million as a "founding contribution" to a global fund. The President added that more would follow "as we learn where our support can be most effective."⁴ Moreover, he emphasized that the fund should be a public-private partnership, drawing upon the contributions of private corporations, foundations, faith-based organizations, and NGOs.

The creation of a Global Fund was endorsed by the United Nations General Assembly Special Session on HIV/AIDS (UNGASS), held in June 2001, and by the Group of Eight (G-8) summit of industrialized countries plus Russia, meeting in Genoa, Italy, in July 2001. The G-8 partners affirmed that the Global Fund would be a public-private partnership, and their final communique stated that "we are determined to make the fund operational by the end of the year."⁵ In October 2001, a Transitional Working Group (TWG) was convened, which included representatives of developing and donor countries, NGOs, the private sector, and the United Nations.

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

⁴ Remarks by the President, May 11, 2002.

⁵ Communique dated July 22, 2001.

In December, the TWG reached agreement on documents related to Global Fund governance, accountability, and other issues. The Global Fund held its first board meeting in January 2002.

Grants

The Global Fund has held three rounds of its grant application and awards process and has committed itself to disbursing \$2.1 billion to 238 programs in 121 countries and three territories in the Caribbean through 2006.⁶ The programs being supported are typically slated to last for five years but will be closely reviewed after two years before additional funds are provided. If they are performing satisfactorily, the programs already approved would be eligible for an additional \$2.2 billion after 2004. The third round of grant applications closed on May 31, 2003, and generated more than 200 proposals from about 85 countries. The proposals were seeking approximately \$2 billion over two years.⁷

The Global Fund announced during its sixth board meeting on October 16, 2003, that it had awarded third round project proposals totaling \$623 million, as compared with \$866 million awarded in the second round. A Global Fund spokesman attributed the difference to a shortage of aggressive proposals for treating AIDS patients — and said more such proposals are expected in the future.⁸ (For a discussion of the funding situation at the Global Fund, see below, **Fiscal Sustainability**.)

The Global Fund's financial policy is that it awards grants based on recommendations made by its Technical Review Panel for pledges made through the calendar year of the Board decision. Proposals awarded during the third round exceeded the pledges made for 2003. In order to fund the projects approved during the third round, the Board decided to defer formal confirmation of proposals totaling \$138 million (out of \$623 million) until January 2004.⁹ Of the funds awarded to date, 60% are to go to Africa, and 60% are for AIDS. Half of the project funds will be used by governments and one-third will be used by non-governmental organizations (NGO). Nearly half of the funds (46%) will be spent on treatment and 40% will be spent on infrastructure and training.¹⁰

Once a proposal has been approved, the Global Fund must enter into an agreement with the Principal Recipient (PR, see below, **Process and Procedure**) on

⁶ "Global Fund Commits US \$623 Million to New Grants to Fight AIDS, TB, and Malaria", Global Fund Press Release, October 16, 2003. [<http://www.theglobalfund.org>].

⁷ *The Global Fund's 5th Board Meeting, 5 June 2003: Richard Feachem's Report to the Board*. Available at the Global fund's website.

⁸ "World Group Backs Earlier AIDS Funding Date," *Boston Globe*, October 17, 2003.

⁹ *Ibid.*

¹⁰ "Where is Global Fund Money Going?", Global Fund website. Accessed on October 23, 2003.

record keeping, financial accountability, procurement, and other matters.¹¹ Concluding these agreements initially caused some delay in the disbursement of funds, but Director Feachem reported in June 2003 that “steady, sustainable progress” was being made, and that the Fund aims to initiate disbursement of funds three months after entering grant agreements. Additionally, at the most recent board meeting (October 15-17, 2003), the Board approved a monitoring and evaluation strategy, which endorsed the concept of results-based disbursements, annual audits of the Principal Recipients (PR, see below), and quarterly performance reports. The Board also required the Secretariat to develop a monitoring and evaluation plan by the end of 2003, to operationalize the newly-approved strategy.¹²

The Fund’s first disbursements were issued to Ghana in November 2002 and to Haiti and Tanzania in December 2002. In Ghana, the \$4.2 million HIV/AIDS grant is funding the building of 16 Voluntary Counseling and Testing (VCT) centers, the provision of Prevention of Mother to Child Transmission (PMTCT) services to 600 mothers per year, and antiretroviral therapy for 2,000 people with AIDS. It is also strengthening Home Based Care (HBC) and peer education within rural communities by involving people living with HIV. AIDS kills 40,000 people per year in Ghana. The second grant signed in Ghana (\$2.3 million) will allow Ghana to treat an additional 20,000 tuberculosis patients using the Directly Observed Treatment, Short-course (DOTS) over the next two years. One of the main objectives of the program is to strengthen partnership between the private and public sectors.¹³

Haiti is using its \$24.7 million grant to scale up its HIV/AIDS treatment and prevention programs. It is expected that by the end of the year the funds will provide antiretroviral therapy to more than 1,200 people living with HIV using community members to promote adherence to treatment. The program will also encourage behavior change through the social marketing of over 15 million condoms and an expansion of youth prevention services, targeting 400,000. In 2001, 30,000 Haitians died from AIDS; twice the number who succumbed to the disease in the United States. An estimated 250,000 Haitians are living with HIV/AIDS.¹⁴

Insecticide-treated mosquito nets financed by the Global Fund are being used in Tanzania to reduce the incidence of malaria. The \$12 million program includes a voucher scheme enabling pregnant women to purchase treated mosquito nets at a third of their cost. The project will encourage private sector involvement in the production and distribution of the nets. Studies conducted in Tanzania have shown that the use of treated mosquito nets can reduce infant mortality by up to 27% and cut the number of illnesses from malaria in half. About 80,000 children under five die

¹¹ U.S. General Accounting Office (GAO), *Global Health: Global Fund to Fight AIDS, TB, and Malaria Has Advanced in Key Areas, but Difficult Challenges Remain*, GAO Report GAO-03-601, May 2003, p. 3-4, 21-22.

¹² Interview with USAID official. October 24, 2003.

¹³ “Ghana to Receive \$6.5 million for HIV/AIDS and TB Prevention and Treatment,” Global Fund Press Release, November 22, 2002. See Global Fund website.

¹⁴ “Global Fund Money to Scale Up AIDS Treatment and Prevention Efforts in Haiti,” Global Fund press release, December 2, 2002. See Global Fund website.

from malaria each year in Tanzania.¹⁵ Other agreements that have been signed aim at scaling up the malaria program in Zanzibar, a tropical island that is part of Tanzania; accelerating the HIV/AIDS program in Ukraine; strengthening HIV/AIDS and tuberculosis programs in Thailand; and financing the purchase of HIV and AIDS medications in Kenya.¹⁶

Process and Procedure

The Global Fund accepts grant proposals from national Country Coordinating Mechanisms (CCMs), which the Fund describes as “national consensus groups.”¹⁷ According to the Fund, CCMs should be inclusive and seek representation from all stakeholders, including government; the NGO community; the private sector; people living with HIV/AIDS, tuberculosis, and/or malaria; religious and faith groups; the academic sector; and United Nations agencies represented in the applicant country.¹⁸ The Fund views CCMs as essential in assuring true partnerships that involve all relevant actors in developing a grant proposal, sharing information, and communicating with one another on Global Fund issues. CCMs can also serve as forums through which national efforts on AIDS, tuberculosis, and malaria can be coordinated and strengthened.¹⁹ Applications from individual organizations, such as NGOs, are permitted only from countries without legitimate governments or in other exceptional circumstances.

A May 2003 report by the U.S. General Accounting Office (GAO), while praising the Global Fund for “noteworthy progress in establishing essential governance and other supporting structures” and for “responding to challenges,” noted several problems with respect to the CCMs.²⁰ These included difficulties in communication between the CCMs and Global Fund headquarters; misperceptions within CCMs about the roles and responsibilities of the CCM itself and of CCM members; and, in some CCMs, a lack of information sharing and infrequent meetings. However, the GAO report also noted that the Fund was addressing these problems through enhanced communication, holding workshops, including language describing the duties of CCMs in grant agreements, and other measures.²¹ Feachem told the Fund’s Board on June 5, 2003, that during the third round application

¹⁵ “Global Fund Money Will Make Mosquito Nets Widely Available in Tanzania,” Global Fund press release, December 2, 2002. See Global Fund website.

¹⁶ Proposals approved during the three rounds, as well as press releases on grants and agreements, may be viewed at the Global Fund website.

¹⁷ The Global Fund to Fight AIDS, Tuberculosis, and Malaria, *Guidelines for Proposals*, March 2003, p. 5.

¹⁸ *Guidelines for Proposals*, p. 6.

¹⁹ *Guidelines for Proposals*, p. 5.

²⁰ *Global Health: Global Fund to Fight AIDS, TB, and Malaria*, p. 3-4, 15-18.

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

process, he had seen “more inclusive processes in CCMs with greater involvement of NGOs.”²²

The CCM submits a single Country Coordinated Proposal (CCP) to the Global Fund, where it is reviewed by the 22-member Technical Review Panel (TRP), consisting of independent experts in the three diseases, as well as others with broader global health experience. The TRP is tasked with identifying the proposals most likely to have a “clear and demonstrable impact in the fight against AIDS, TB, and malaria,”²³ and refers those proposals to the Board for discussion and final decisions on approval. All of the TRPs recommendations for the second round of grant awards were approved by the Board.²⁴

Within the recipient country, projects are implemented by one or more Principal Recipients (PRs), which should be agencies or organizations that belong to the CCM. The PRs are responsible not only for carrying out the project, but also for managing its finances. Each PR must have an independent auditor acceptable to the Fund,²⁵ but the work of the PRs is also monitored by Local Fund Agents (LFAs), which represent the Global Fund within the recipient country and are regarded as the Fund’s “eyes and ears.” Each LFA is expected to have an in-country presence, enabling it to assess the capabilities of the PRs and effectively evaluate their financial and program reports. The identification and selection of LFAs, which has been carried out in conjunction with the CCMs, has been a prolonged process, but private sector accounting firms, a private foundation, and a U.N. agency have been recruited to fill the LFA role in various countries.²⁶ The LFAs are paid centrally through the Global Fund, and their fees are not deducted from the grants. The GAO notes that there are misunderstandings and resentments toward the LFAs in some countries and that the Global Fund is trying to address these by encouraging local participation in the work of the LFAs. The GAO is also concerned that it may be difficult to maintain the independence of the LFAs in poor countries where elites are small. In such situations, LFAs may have difficulty recruiting experts who are not already involved in the Global Fund-supported program in one way or another.²⁷

Resources

A shortage of resources at the Global Fund for meeting current and future commitments has been a concern for many observers, and was a major focus of the May 2003 GAO report. According to the GAO,²⁸

²² *Richard Feachem’s Report to the Board.*

²³ Chrispus Kiyonga, then Board Chairman, quoted in Global Fund press release, March 11, 2002.

²⁴ *Technical Review Process* at the Global Fund website.

²⁵ *Global Health: Global Fund to Fight AIDS, TB, and Malaria*, p.21.

²⁶ *Global Health: Global Fund to Fight AIDS, TB, and Malaria*, p.14.

²⁷ *Global Health: Global Fund to Fight AIDS, TB, and Malaria*, p 24-25.

²⁸ *Global Health: Global Fund to Fight AIDS, TB, and Malaria*, p 32.

The Fund's ability to approve and finance additional grants is threatened by a lack of sufficient resources. The Fund does not currently have enough pledges to allow it to approve more than a small number of additional proposals in 2003. In addition, without significant new pledges, the Fund will be unable to support all of the already approved grants beyond their initial 2-year agreements.

The GAO cited Global Fund estimates that \$1.6 billion in additional pledges was required in 2003 and \$3.3 billion in 2004.

**Table 1. Pledges and Contributions to the Global Fund,
2001- November 2003**
(\$ millions)

	Pledges	Total Paid to Date
United States	1,622.72	622.72
European Union members and European Commission	2,630.09	766.43
Other national donors	427.52	179.21
Individuals, groups, and events	1.70	1.64
Corporate	1.62	1.56
Bill and Melinda Gates Foundation	100.00	100.00
Other foundations, non-profits, and NGOs	.15	.15
Total	4,783.80	1,671.71

In his address to the Board on June 5, 2003, Director Feachem said that the Fund was short \$600 million needed to fully fund anticipated October 2003 third round of awards, and he set a target of \$3 billion to be raised through the end of 2004. He expressed the hope that \$1 billion of this amount would come from the United States, \$1 billion from Europe, and \$1 billion from other donors that had already contributed, such as Japan and Canada, as well as from oil-rich states, foundations, and the private sector.²⁹ Germany, which has paid in about \$50 million to the Global Fund; Australia, which has not pledged; and the Persian Gulf states are often mentioned as countries that could do substantially more for the Global Fund.³⁰ President Jacques Chirac of France and Britain's Prime Minister Tony Blair have urged the European Union (EU) to boost Europe's pledge to \$1 billion through

²⁹ *Richard Feachem's Report to the Board.*

³⁰ "\$623 Million OK'd in Disease Fight, Short of Fund's Target," *Newsday*, October 17, 2003.

2004,³¹ but have not yet won a commitment from their fellow EU leaders.³² Whether the Fund would be able to sustain its current pace of grant-making in view of resource limitations was reportedly a subject of intense discussion at the Fund's closed-door board meeting, held in Chiang Mai, Thailand, in October 2003.³³ (See below, **Fiscal Sustainability**.)

Overall, according to the Global Fund, some \$4.8 billion has been promised to date by donors in pledges covering various multi-year time periods, and of this amount, \$1.7 billion has been paid. **Table 1**, based on data published by the Global Fund, summarizes pledges and actual contributions for 2001 through November 1, 2003.³⁴

U.S. Contributions

U.S. contributions to the Global Fund are provided through the Department of Health and Human Services (HHS) appropriations and through the Child Survival and Health Programs Fund, which is funded by the Foreign Operations appropriations. **Table 2** shows funding provided by Congress for the Global Fund through these two appropriations, as well as Administration-requested amounts for FY2003 and FY2004.³⁵ U.S. Government and Global Fund documents had been reporting the FY2002 U.S. pledge as \$200 million, so that U.S. contributions through FY2003 would total \$650 million.³⁶ However, \$25 million of the expected \$200 million for FY2002 was to come through USAID and was governed by "up to" language in the FY2002 appropriations.³⁷ Congressional appropriators later determined that this \$25 million should be devoted to other priorities, so that the U.S. contribution for FY2002 is now reported as \$175 million. The FY2003 Omnibus

³¹ Jacques Chirac press conference (Evian, France), June 1, 2003.

³² Blair and Chirac letter to Greek Prime Minister Costas Simitis, June 14, 2003. Greece hosted an EU summit that failed to make a specific \$1 billion commitment on June 21, 2003. However, the summit called upon member states to make a "substantial contribution," and the issue of a \$1 billion commitment remains under discussion. "EU Leaders AIDS Budget Disappoints AIDS Groups," *Reuters*, June 21, 2003.

³³ "Global Fund Slows Aid Going to Fight 3 Diseases," *Washington Post*, October 17, 2003; "World Group Backs Earlier Funding Date," *Boston Globe*, October 17, 2003.

³⁴ *Pledges and Contributions (2001-2003)*, Global Fund website, last updated October 10, 2003.

³⁵ For more detail, see CRS Report RS21181, *HIV/AIDS International Programs: Appropriations, FY2002 - FY2004*.

³⁶ See *Pledges and Contributions (2001-2003)*, table at the Global Fund website, last updated October 10, 2003; and "U.S. Commits \$1.65 Billion to the Global Fund: Seven Times Greater than the Next Largest Donor," White House, Office of the Press Secretary, May 30, 2003. See also, U.S. Congress, House, *Foreign Operations, Export Financing, and Related Programs Appropriations Bill 2003, Report to Accompany H.R. 5410* (H.Rept. 107-663). This report stated that the U.S. contribution would total \$650 million through 2003, if the \$250 million contribution provided in the bill was approved. This was the same amount included in the final appropriations measure for FY2003 (P.L. 108-7).

³⁷ P.L. 107-115, Foreign Operations Appropriations for FY2002, Title II.

Appropriations (P.L. 108-7) specified \$250 million for the Global Fund through the Child Survival account and \$100 million through the HHS appropriations, but these amounts were reduced by the .65% recession in Title VI of Division N of the legislation.

Table 2. U.S. Contributions to the Global Fund
(\$ millions)

	FY2001 (Actual)	FY2002 (Actual)	FY2003 (Request)	FY2003 (Actual)	FY2004 (Request)
Child Survival/USAID	100	50	100	248.375	100
HHS		125	100	99.35	100
Total	100	175	200	347.725	200

H.R.1298/P.L.108-25, the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003, which was signed into law on May 27, 2003, authorizes “up to” \$1 billion as an FY2004 contribution to the Global Fund. Although President Bush has praised this legislation, the Administration’s request for the Global Fund in FY2004 remains at \$200 million. The President’s Emergency Plan for AIDS Relief envisages an annual contribution of \$200 million through FY2008.³⁸ This level of proposed funding has drawn criticism,³⁹ but at the same time appropriators have warned that it would be difficult to meet the expectations raised by H.R. 1298 in view of budgetary constraints.⁴⁰ Nonetheless, AIDS activists and others have continued to press for the \$1 billion on grounds that the Global Fund has performed well to date and in their view continues to have a key role in scaling up prevention, care, and treatment.⁴¹ FY2004 appropriations bills currently before Congress would provide \$400 million or more for the Global Fund. For more detail, see CRS Report RS21181, *HIV/AIDS International Programs: Appropriations, FY2002-FY2004*.

Among other Fund-related provisions, H.R.1298/P.L.108-25 requires the establishment of an interagency U.S. technical review panel that will periodically review all proposals received by the Global Fund and provide guidance to U.S. representatives to the Fund. The legislation specifies that from 2004 through 2008,

³⁸ See “U.S. Commits \$1.65 Billion to the Global Fund” and “Fact Sheet: U.S. Actions at G8 Summit, Day One,” White House, Office of the Press Secretary, June 2, 2003.

³⁹ See, for example, “Keeping an AIDS Promise,” *Boston Globe*, June 10, 2003.

⁴⁰ *Congressional Record*, May 1, 2003, p. H3584. See also the remarks of Rep. Nita Lowey, Ranking Member of the Subcommittee, on the same page. For information on the FY2004 Foreign Operations process, see the CRS web page on *Foreign Operations Appropriations, FY2004* [<http://www.congress.gov/brbk/html/apfor1.shtml>] and CRS Report RL31811, *Appropriations for FY2004, Foreign Operations, Export Financing, and Related Programs*.

⁴¹ See, for example, Global AIDS Alliance, *Fund the Fund to Save Families and Communities*, May 27, 2003. Available at [<http://www.globalaidsalliance.org>.]

the U.S. contribution to the Global Fund in each fiscal year not exceed one-third of contributions from all other sources; and mandates that the U.S. Comptroller General monitor and evaluate projects supported by the Global Fund.

Absorptive Capacity Issues

The General Accounting Office and others have raised concerns about whether poor countries affected by AIDS will have the capacity to absorb the new resources becoming available through the Global Fund and other sources.⁴² Facing shortages of health care workers and an inadequate health infrastructure, such countries could be hard pressed to make effective use of increased supplies of medicines and other inputs for preventing and treating AIDS, tuberculosis, and malaria. The long-term solution to this problem, analysts note, is for the Global Fund and other donors to support the expansion of health sector capacity in poor countries through training and investment. In the short term, the GAO points out, the Global Fund is dealing with the absorptive capacity issue by requiring that applications describe national health capacity — and that LFAs “preassess” the ability of PRs to handle funds effectively.⁴³ Other concerns are that large inflows from the Global Fund and other sources of assistance to combat AIDS could distort economic priorities in poor countries and lead to inflation. Some experts doubt, however, that inflows from the Global Fund will be large enough to have major economic impacts.⁴⁴ Some also argue that the economic dangers posed by HIV, which has infected more than 40 million people worldwide, and of malaria and tuberculosis, are far greater than any risks that might be posed by increased assistance, whether from the Global Fund or from other donors.

Fiscal Sustainability

In October 2003, reports emerged during the sixth board meeting that the United States and some other board members had concerns about the timing of the launching of Round Four. According to press accounts, representatives of the United States and some other board members reportedly argued that there wasn't sufficient information for Board members to be certain how much money might be available to fund proposals. Representatives of the United States advocated delaying announcing the fourth round until the next board meeting scheduled for March 2004. Then, the U.S. delegation reportedly felt, the Global Fund would have a more accurate assessment of its financial standing, because more information on 2004 pledges would be available (including any adjustments to the U.S. contribution that might come from the appropriation process). Additionally, more information would be available on the progress of Round One programs as a result of the financial reports and progress reports they would be submitting in support of continued funding. Reports produced by the Secretariat in response would reflect potential savings or additional unanticipated financial needs, which could affect funds available for the fourth round.

⁴² *Global Health: Global Fund to Fight AIDS, TB, and Malaria*, p. 41-44.

⁴³ *Ibid.*, p. 41.

⁴⁴ *Ibid.*, p. 43.

Others, particularly representatives of communities affected by AIDS, tuberculosis and malaria, NGO delegations, and attendees from developing countries, reportedly argued that the rapid spread of HIV/AIDS, the resurgence of tuberculosis, and the rise in incidences of malaria meant that many countries could not afford to wait. Furthermore, some felt that if the Global Fund delayed Round Four, it would not be able to capitalize on activities to be held on December 1, 2003, World AIDS Day, and the official launching of the World Health Organization's (WHO) "3-by-5" initiative. The "3-by-5" initiative seeks to ensure that 3 million HIV-positive people worldwide receive treatment by 2005. WHO does not have the resources to implement this initiative. Instead, it will rely on the international community, particularly the United States' \$15 billion Emergency AIDS Initiative, the World Bank's Multi-Country HIV/AIDS Program (MAP), and the Global Fund. Thus, some felt that if the Global Fund were to be a viable part of the "3-by-5" initiative, it would be best to announce the launch of Round Four proposals on December 1, 2003. Board members finally decided to officially announce the launch of Round Four on January 10, 2004, and approve proposals in June 2004.