

# The Global Fund to Fight AIDS, TB, and Malaria

## A Progress Report

**Principal Author**  
Todd Summers

**Project Director**  
J. Stephen Morrison

March 2003



## About CSIS

For four decades, the Center for Strategic and International Studies (CSIS) has been dedicated to providing world leaders with strategic insights on—and policy solutions to—current and emerging global issues.

CSIS is led by John J. Hamre, former U.S. deputy secretary of defense. It is guided by a board of trustees chaired by former U.S. senator Sam Nunn and consisting of prominent individuals from both the public and private sectors.

The CSIS staff of 190 researchers and support staff focus primarily on three subject areas. First, CSIS addresses the full spectrum of new challenges to national and international security. Second, it maintains resident experts on all of the world's major geographical regions. Third, it is committed to helping to develop new methods of governance for the global age; to this end, CSIS has programs on technology and public policy, international trade and finance, and energy.

Headquartered in Washington, D.C., CSIS is private, bipartisan, and tax-exempt. CSIS does not take specific policy positions; accordingly, all views expressed herein should be understood to be solely those of the author(s).

© 2003 by the Center for Strategic and International Studies.  
All rights reserved

Center for Strategic and International Studies  
1800 K Street, N.W., Washington, D.C. 20006  
Tel: (202) 887-0200  
Fax: (202) 775-3199  
E-mail: [books@csis.org](mailto:books@csis.org)  
Web site: <http://www.csis.org/>

# The Global Fund to Fight AIDS, TB, and Malaria

## A Progress Report

**Principal Author**  
Todd Summers

**Project Director**  
J. Stephen Morrison

March 2003





# Contents

Preface and Acknowledgments	iv
What Has Been Achieved?	1
Urgent Challenges and Recommendations	9
Summary of Recommendations	17
Appendix A: Estimated Resource Needs for the Global fund— 2002 through 2008	19

# Preface and Acknowledgments

The CSIS Task Force on Strengthening U.S. Leadership on HIV/AIDS is cochaired by Senators Bill Frist (R-Tenn.) and John Kerry (D-Mass.) and is funded by the Bill and Melinda Gates Foundation and the Catherine Marron Foundation. J. Stephen Morrison, director of the CSIS Africa Program, is the task force's executive director. Undertaken in collaboration with the Centers for Disease Control and Prevention and the U.S. Agency for International Development, the task force outlines strategic choices that lie ahead for the United States in fighting the global HIV/AIDS pandemic. The task force seeks to build bipartisan consensus on critical U.S. policy initiatives and to emphasize to senior U.S. policymakers, opinion leaders, and the corporate sector the centrality of U.S. leadership in strengthening state capacities in acutely affected countries to enhance prevention, care, and treatment of HIV/AIDS.

Todd Summers of Progressive Health Partners is chair of the Task Force Committee on Resource Mobilization and Coordination. He authored the following analysis of the Global Fund with input from J. Stephen Morrison, task force director; Helene Gayle, Bill and Melinda Gates Foundation; Jennifer Cooke, CSIS Africa Program; James O'Brien, Albright Group; Mark Schneider and Kathy Ward, International Crisis Group; Jennifer Kates, Henry J. Kaiser Family Foundation; and Bernard Rivers, Global Fund Observer.

# The Global Fund to Fight AIDS, TB, and Malaria

## A Progress Report

*Todd Summers*

In 2001, UN secretary general Kofi Annan called for the creation of a global fund to address HIV/AIDS, TB, and malaria in heavily affected, poorer nations. His vision was of an innovative international public-private partnership that would mobilize substantially higher resources to meet rapidly expanding requirements globally for prevention, treatment, and care.

Not even two years later, in defiance of the skeptics, his vision has been transformed into a functioning, independent, international institution that already has approved \$1.5 billion to fight HIV/AIDS, tuberculosis, and malaria. The Global Fund to Fight AIDS, TB, and Malaria not only exists, it has raised more than \$3.3 billion, completed two funding rounds, and benefited extensively from the investment and leadership of the Bush administration. Countries affected by the epidemic have put in place coordinating mechanisms. On-the-ground institutions responsible for prevention and treatment—which have shown great capacity to use meager resources well—are poised to scale up their efforts.

This progress may end soon, however. The fund lacks sufficient money for its next funding round, scheduled for this fall. Delays will imperil the structures now put in place. New and additional U.S. commitments, along with new pledges at the summer's G-8 meetings, can maintain momentum. Nonetheless progress to date has been both remarkable and unprecedented.

### **What Has Been Achieved?**

In its mission statement, the Global Fund identifies its key tasks as attracting, managing, and disbursing funds to address HIV/AIDS, tuberculosis, and malaria. Richard Feachem, its executive director, restates them slightly: “raise it, spend it, prove it.”<sup>1</sup> On the first anniversary of its launch, just what has the Global Fund achieved?

- \$3.4 billion committed from 34 countries: About \$2.2 billion was committed to the Global Fund as initial or “founding” pledges. In addition, the United States recently increased its pledge by \$1.15 billion, including \$1 billion announced by President Bush in his 2003 State of the Union address plus an additional \$150 million added by Congress in the FY2003 budget. Total pledges from the U.S. stand at \$1.65 billion to be paid through 2008.
- Almost all pledges (over 97 percent) have come from governments. Many of the Global Fund’s founding pledges were multiyear commitments, some spanning up to five years. Of the \$3.4 billion total pledged to date, \$944 million was due by the end of 2002, of which \$853 million (over 90 percent) has been received.<sup>2</sup> An additional \$92 million has also been received as payments against 2003 pledges. Receipts to date total \$945 million.
- Two funding rounds completed, totaling \$1.5 billion: The Global Fund’s Board of Directors has approved funding for rounds one and two, at \$616 and \$883 million respectively. Details are provided below.
- Secretariat is fully operational: Following the appointment of Dr. Richard Feachem in 2002, the Global Fund Secretariat of about 70 persons has been put in place.
- Board of Directors is engaged: The relatively small Board of Directors (18 voting members) has met four times and established committees to review issues in detail and develop recommendations for board action.
- Results-based disbursement structure established: A new (albeit untested) results-based disbursement mechanism has been established to move funds from the Global Fund’s accounts at the World Bank (its trustee) to the grantee’s “principal recipients” only after agreed benchmarks have been reached.

### **\$3.4 Billion Committed, \$945 Million Paid**

The G-8 member countries, joined by 26 other nations and the European Commission, have made pledges to the Global Fund totaling about \$3.4 billion through 2008. These range from \$1.65 billion from the United States to about \$8,000 from Kenya. In addition to these public sector pledges, the Bill and Melinda Gates Foundation committed \$100 million, and other private sector, philanthropic, and individual donors have added over \$4 million. Almost all pledges (over 97 percent) have come from governments. Many of the Global Fund’s founding pledges were multiyear commitments, some spanning up to five years. Of the \$3.4 billion total pledged to date, \$944 million was due by the end of 2002, of which \$853 million (over 90 percent) has been received. An additional \$92 million has also been

---

1. R. Feachem, opening remarks to the fourth meeting of the Global Fund’s Board of Directors (January 29, 2003). Available at <[www.globalfundatm.org/journalists/speeches/speech\\_Feachem290103.html](http://www.globalfundatm.org/journalists/speeches/speech_Feachem290103.html)>.

2. As of March 17, 2003; updated figures are available on the Global Fund’s Web site at <[www.globalfundatm.org/contribute.html](http://www.globalfundatm.org/contribute.html)>.

received as payments against 2003 pledges. Receipts to date total \$945 million. (See table 1.)

**Table 1. Top 10 Donors to the Global Fund\***

	<b>Pledged (in millions)</b>	<b>Term</b>	<b>Paid to Date</b>
United States	\$1,650	2001-2008	\$275
UK	218	2002-2005	78
Germany	214	2002–	12
Italy	200	2002-2003	109
Japan	200	2002-2004	80
France	161	2002-2004	108
Netherlands	145	2002-2004	16
EC	129	2001-2002	65
Canada	100	2001-2004	25
Gates Found	100	2002-2003	50
<b>Total Pledged</b>	<b>\$3,372</b>		<b>\$945</b>

\*Current as of March 17, 2003.

The United States has been a leading supporter of the fund and is its largest funder, accounting for nearly half (49 percent) of funds pledged. It committed \$500 million as the Global Fund was first established in 2001-2002; an additional \$1 billion over five years was just announced by President Bush in his 2003 State of the Union address; and Congress approved an additional \$150 million in its FY 2003 budget beyond the \$500 million requested by the President. To date, \$650 million has been appropriated by Congress (\$100 million from FY01, \$200 from FY02, and \$350 million in FY03).

**Table 2. Summary of Funding Rounds**

	Countries	Components <sup>a</sup>	Dollars <sup>b</sup> (in millions)
Round 1	40	58	\$616
Round 2	60 <sup>c</sup>	100	\$883
Round 3	To be approved 10/03 <sup>d</sup>		\$1,600
Round 4	To be approved 03/04 <sup>d</sup>		\$1,900
Round 5	To be approved 10/04 <sup>d</sup>		\$1,900

<sup>a</sup> Components are disease-specific programs within an overall application; unless presented as part of an integrated program, components within a single application are reviewed and approved individually.

<sup>b</sup> Figures are for first two years only.

<sup>c</sup> 45 new, 15 also approved for round 1 funding.

<sup>d</sup> Preliminary; based upon resource mobilization strategy developed by the Global Fund Secretariat.

**Table 3. Approved Grants by Disease and Region**

	Round 1	Round 2	Aggregate
<b>By Disease (in percent)</b>			
HIV/AIDS	56	57	56
TB	18	14	15
Malaria	12	28	22
HIV & TB	11	1	5
Integrated	3	<1	2
<b>By Region (in percent)</b>			
Africa	56	61	59
SE Asia	16	9	12
Americas	12	9	11
E. Europe	6	9	7
W. Pacific	10	4	6
Eastern Medit.	1	8	5
<b>Total (in millions)</b>	<b>\$616</b>	<b>\$883</b>	<b>\$1,499</b>

## Two Funding Rounds Completed

Two funding rounds have been held to date. Applicants are allowed to request funds for up to five years, but grant awards are provided for only the first two years. Approval of the remaining three years of funding is based on performance assessments and funding availability.

To assure that its promises of funding can be fulfilled, the Global Fund's board requires that it have adequate pledges of funds before approving proposals recommended to it by the technical review panel (TRP), an independent set of experts. The secretariat must wait until those pledges are actually deposited before it can execute the formal grant agreements.

These policies balance the need to assure continuity in funding to grantees and a reluctance to stockpile all five years of funding (which would create massive reserve accounts and thereby complicate fundraising).

**Figure1. Global Fund Secretariat**

<b>Executive Director</b>	
<p><b>Operations Team, including COO</b></p> <ul style="list-style-type: none"> <li>• Finance and administration</li> <li>• Human resources</li> <li>• Legal contracts &amp; counsel</li> </ul> <p><i>External Relations:</i></p> <ul style="list-style-type: none"> <li>• Resource mobilization</li> <li>• Communication</li> <li>• Partnerships</li> </ul> <p><i>Strategy and Evaluation Team:</i></p> <ul style="list-style-type: none"> <li>• Strategic analysis</li> <li>• Monitoring &amp; evaluation</li> <li>• Procurement</li> </ul>	<p><b>Fund Portfolio Teams</b></p> <p><i>Africa:</i></p> <ul style="list-style-type: none"> <li>• Anglophone Africa</li> <li>• Francophone &amp; Lusophone Africa</li> </ul> <p><i>Asia:</i></p> <ul style="list-style-type: none"> <li>• South Asia, Middle East, North Africa</li> <li>• East Asia, Southeast Asia, Oceania</li> </ul> <p><i>Latin America/Eastern Europe:</i></p> <ul style="list-style-type: none"> <li>• Latin America</li> <li>• Eastern Europe, Central Asia</li> </ul>

The actual funding round process established by the board is as follows:

- Funding rounds are announced based on a calendar approved by the board; two rounds per year are anticipated for at least the next few years.
- After initial screening by the secretariat, proposals are reviewed by the TRP, with input from WHO and UNAIDS. Recommendations are then sent by the TRP to the board for approval.
- The board approves grants as recommended by the TRP, based on four classifications: (1) approved with few changes needed; (2) approved contingent upon moderate changes; (3) rejected but urged to resubmit; and (4) rejected. Approv-

als are provided for only the first two-year period, with extensions for an additional three years conditioned upon achievement and availability of funds.

- After approval by the board, the secretariat commences negotiation of the final grant agreements, including resolution of any contingencies identified by the TRP and board.

## Figure 2. Key Structures of the Global Fund

**Board of Directors:** 18 voting members; a “northern” half including donors, foundations, and the private sector, and a “southern” half including recipients and NGOs, along with 4 nonvoting *ex officio* members.<sup>a</sup>

**Secretariat:** Staff of the Global Fund, led by the executive director (see figure 1 above); based in Geneva and numbering about 70 persons.

**Technical Review Panel (TRP):** A 25-person independent panel of experts, convened by the secretariat and meeting for two-week periods twice each year; it reviews grant proposals and recommends approval (sometimes conditionally) or deferral to the board.<sup>b</sup>

**Country Coordinating Mechanism (CCM):** Country-level partnership that develops applications to the Global Fund, monitors their implementation, and coordinates with other donor and domestic programs in country; intended to be multisectoral.

**Principal Recipient (PR):** Legal entity that receives and manages grant funds at the country level; it is to be the part of the CCM that implements grants.<sup>c</sup>

**Local Fund Agent (LFA):** Organizations contracted by the secretariat to assess and monitor country-level activities, including progress on achieving financial and programmatic milestones.<sup>d</sup>

**Partnership Forum:** Broad group of stakeholders of the Global Fund, scheduled to meet biannually, with first meeting in 2004.

a. Information on the Board of Directors can be found at <[www.globalfundatm.org/overview.html](http://www.globalfundatm.org/overview.html)>.

b. Information on the technical review panel can be found at <[www.globalfundatm.org/TRP.html](http://www.globalfundatm.org/TRP.html)>.

c. Information available from application guidelines: <[www.globalfundatm.org/files/PPguidelines2nd.pdf](http://www.globalfundatm.org/files/PPguidelines2nd.pdf)>.

d. The role of local fund agents (LFAs) is evolving; this information comes from “Status of Fiduciary and Disbursement Arrangements,” a document prepared for the board’s second meeting.

The first funding round, approved by the board in April 2002, provides \$616 million over two years to 40 countries. (See table 2.) Over five years, the total for round 1 is about \$1.6 billion (extension of grants to years 3 to 5 is conditioned upon both performance and availability of funds).

The second funding round was just approved by the board at its January 2003 meeting and will provide an additional \$883 million over two years to 60 countries (some of which also received round one funding). Over five years, the total for round 2 is \$2.1 billion.

A third funding round of \$1.6 billion (estimates for the initial two-year commitments only based on continued increases in the number and size of applications to the fund) is scheduled to be announced in the fall of 2003. Most of that amount,

plus support for any further funding rounds and funds to extend existing grants beyond their initial two-year periods, must still be raised.

### **Secretariat Is Fully Operational**

The secretariat is nearly fully staffed, totaling 70 positions (about half are temporary posts or secondments rather than permanent hires). Despite the pressure to hire quickly, the secretariat is diverse, representing 36 countries; 55 percent of staff is female; and a large share—including half of the leadership team—has been recruited from nongovernmental organizations (NGOs) and private-sector companies.

The staff is organized into two broad groupings: portfolio management and function teams including operations, external relations, and strategy/ evaluation (see figure 1), with the bulk of positions concentrated in the former.

The secretariat's operating budget for 2003 is estimated at \$39 million, including \$16.4 million for contracts with local fund agents (LFAs: independent contracted firms responsible for oversight of country-level funding processes and progress in achieving programmatic milestones). Relative to the disbursements for rounds one and two in 2003, this represents 3 percent in Geneva-based overhead and an additional 2 percent in country-based oversight costs. (See table 4.)

### **Board of Directors Is Engaged**

The Global Fund's Board of Directors is lean, comprising 18 voting members: 14 representing individual countries or groupings of countries, 2 representing NGOs from the "north" and "south," and 2 representing the private and foundation sectors. It also has 4 *ex officio* members (WHO, UNAIDS, World Bank, and Switzerland<sup>3</sup>). It has agreed to meet three times per year, twice in Geneva and once in a recipient country; four meetings have taken place to date.

Four board committees have been formed to consider more complex issues and develop recommendations for board action: (1) Governance and Partnerships, (2) Portfolio Management and Procurement, (3) Monitoring and Evaluation, Finance and Audit, and (4) Resource Mobilization.

Following conclusion of their one-year terms, the board's first chair (Chrispus Kiyonga) and vice chair (Seiji Morimoto) stepped down. Tommy Thompson, U.S. secretary of health and human services was elected in January 2003 to serve as the new chair; Dr. Suwit Wibulpolprasert, Thailand's deputy health minister, was elected as vice chair. Both serve one-year, renewable terms.

The fund's new leadership and secretariat are currently reviewing committee chairs and vice chairs. Committees are deliberately small; board members are limited to participating in three committees. Only board members, or with permission other delegates in their constituency, can serve on these committees.

---

3. The Switzerland representative is a legal requirement.

**Table 4. Global Fund Operational Budget—2003** (in U.S.\$ millions)

Secretariat Teams	Amount	Percent
Office of the Chairman and Executive Director	\$2.3	6
Portfolio Management	\$22.1	
• Global Fund Staff	\$5.7	
• Local Fund Agents	\$16.4	57
Operations	\$9.1	24
External Relations	\$3.3	9
Strategy and Evaluation	\$1.9	5
<b>Total</b>	<b>\$38.7</b>	

### Results-Based Disbursement Structure Established

To ensure that Global Fund resources are used properly, the secretariat and board have devoted considerable energy to establishing comprehensive disbursement structures. At the secretariat level, these are led by the Fund Portfolio Teams (see figure 1). Their work is central to the fund's operations:

- Negotiating and signing grant agreements;
- Monitoring grant implementation and fiduciary arrangements in coordination with local fund agents; and
- Working with the Global Fund's institutional partners (e.g., UNAIDS, WHO, bilateral relief agencies, and other nongovernmental organizations) to monitor and strengthen country processes.

Local fund agents (LFAs) are also critical, serving as the secretariat's mechanism for assuring financial accountability at the country level (see figure 2). This is to be coordinated with other multilateral and bilateral agencies. For round one, four firms have been engaged as LFAs: KPMG, Crown Agents, PWC, and UNOPS for grants made under the first funding round.

The board has raised concerns about the role and selection of LFAs. Some have argued that the LFAs should serve a narrow role as auditors and financial watchdogs; others see them performing additional tasks as the local "eyes and ears" of the secretariat. Suffice it to say that their role is evolving.

As to selection, concerns were raised about the noncompetitive selection of the four LFAs for round one and the reliance on large, multinational organizations rather than country-based entities. This will also be an area for further discussions between secretariat and board.

## Urgent Challenges and Recommendations

While much has been accomplished, the Global Fund still faces significant political and operational challenges.

### Results Needed Soon

UN secretary general Kofi Annan pushed for the creation of the Global Fund because of global impatience with the pace and nature of response to the three deadly epidemics and growing awareness that resources needed to be mobilized and expedited to the acutely affected countries on a far higher scale than had been heretofore seen—and with a greater focus on results.

This same impatience also creates steady pressure on the Global Fund to demonstrate its additionality. Donors are reluctant to commit additional support until the fund demonstrates its ability to speed money to front-line efforts and avoid the well-worn pathways to waste, fraud, and abuse; advocates are reluctant to continue pushing for that support until the fund proves its ability to quickly and massively increase prevention, care, and treatment efforts; and the private and philanthropic sectors have yet to significantly engage.

For all of these separate interests, the jury is still out on the Global Fund. While much has been accomplished in its first year, the fund has yet to make significant disbursements—only a few million dollars have actually gone to grantees. The executive director has committed to expediting that cash flow but also cautions that lack of tolerance for any misuse of funds dictates that sound fiduciary and oversight structures be in place before funds are disbursed.

Reasonable and precise process measures will reveal whether the Global Fund mechanism is working: whether applications are reviewed and approved based on merit and need; whether funding is flowing to grantees and ultimately to front-line providers; and whether grantees are achieving their targets with reasonable speed and efficiency.

Process measures will also reveal whether the fund is at least as good a performer, if not a better and more efficient financing instrument, than other bilateral or multilateral agencies, complementing their work rather than competing with them. It must also show its ability to leverage nonpublic resources, such as deep pricing discounts on commodities—especially drugs. The Global Fund was created to attract new resources, not just cash. Public sector donors may lose interest in the fund as a financing vehicle if their contributions do not leverage substantial contributions from others.

By demonstrating quick results with their investments, donors will be in a better position to obtain increased funding for future rounds.

### Recommendations

- The board and secretariat must focus on getting the Global Fund's structural entities to fulfill their roles, achieve results, and communicate those results to donors:

- CCMs must demonstrate that they are an effective, inclusive coordinating group capable of bringing the broad array of stakeholders for the three diseases to the table to develop thoughtful proposals and to assure that successful grants are properly implemented.
  - Principal recipients must be responsible stewards of funds, expediting their flow to direct providers while maintaining adequate fiduciary oversight.
  - LFAs must serve as watchdogs over the funding, alerting the secretariat to any shortcomings or improprieties of the country-level processes.
- The secretariat, through its Strategy and Evaluation Team, and the board, through its Monitoring and Evaluation Committee, must focus quickly on refining process measures that will help demonstrate functionality.
  - Secretary Thompson should push the board to coalesce as a body focused on shaping the Global Fund into an efficient financing mechanism that complements existing bilateral and multilateral efforts. Board members must move beyond representing their isolated constituencies, as is typical with other multilateral boards, and instead focus on the “big picture.”

## Resource Mobilization Is Lagging

The Global Fund is in a delicate bind. Most of the founding grants provided by donors to launch the fund have now been awarded, yet it is still too early to demonstrate concrete results and use that evidence to win high-level resource commitments from donors.

Yet without these new, ample resources, the early momentum of the Global Fund will be slowed, and its promise as a global vehicle for addressing three devastating diseases will be threatened. The board and secretariat have been far too slow in addressing the Global Fund’s resource mobilization challenges, leading some to declare it “bankrupt” (which is both inaccurate and harmful to fundraising). Resource mobilization must become the primary work of the board, secretariat, and advocates.<sup>4</sup>

In the short term, \$3.5 billion is needed to fund new grants in rounds 3 and 4. Round 3, estimated at \$1.6 billion, is due to be approved this October; round 4, projected at \$1.9 billion, is slated for the spring of 2004 (these amounts are estimates for the initial, two-year grants and are subject to revision based on receipt of approvable grant requests). U.S. contributions to these two funding rounds would need to come from FY04 funds (covering October 2003 to September 2004). (See table 5 and appendix 1.)

What is the fair share for the United States to contribute? Many observers are using the U.S. contribution to the UN (roughly 25 percent) as a guide for calculating the appropriate U.S. contribution to the fund. Others argue that the United States should contribute 33 percent, the country’s share of global gross domestic product (GDP).

---

4. B. Rivers, “Resource Mobilization—Crunch Time,” Global Fund Observer, <[www.aids-span.org/gfo/archives/newsletter/issue2.htm](http://www.aids-span.org/gfo/archives/newsletter/issue2.htm)>.

**Table 5. Estimate of New Pledges Needed by U.S. Fiscal Year (in U.S.\$ millions)**

U.S. Fiscal Year	2002	2003	2004	2005	2006	2007	2008	Totals
Grants— years 1–2	616	883	3,500	3,800	3,800	3,800	3,800	20,199
Grants— years 3–5				2,190	4,725	5,130	5,130	17,175
Administrative Costs	13	38	42	46	50	54	58	301
Subtotal	629	921	3,542	6,036	8,575	8,984	8,988	37,675
U.S. share at 25 percent	157	230	886	1,509	2,144	2,246	2,247	9,419
U.S. share at 33 percent	208	304	1,169	1,992	2,830	2,965	2,966	12,433
U.S. pledges to date	-300	-350	-200	-200	-200	-200	-200	-1,650
Funds needed at 25 percent	-143	-263	423	1,309	1,944	2,046	2,047	7,364
Funds needed at 33 percent	-92	-139	830	1,792	8,329	2,765	2,766	10,552

Notes: Pledge amount for 2002 includes appropriations from FY01 and FY02; negative amounts in "Funds Needed" carried forward as credit

If the United States contributes a 25 percent share of the \$3.5 billion for these two rounds (plus administrative costs), this would amount to \$886 million; at 33 percent, the share would be \$1.17 billion. In comparison the president's FY04 budget proposal included \$200 million for the Global Fund, a substantial gap at either share level. Congress did approve an additional \$150 million for the Global Fund in FY03 beyond that requested, and this amount would be available to offset demands in FY04.

Over the medium term, funding rounds 5 and 6 will also require ample, forward funding. The Global Fund has preliminarily estimated future semiannual funding rounds at \$1.9 billion each for a total of \$3.8 billion per year for new grants.

In addition, two-year grants being signed now will expire at the end of 2004 and beginning of 2005, and so \$2.19 billion will be needed in U.S. fiscal year 2005 to fund the remaining years 3-5 of the grant rounds one and two (see appendix 1). Combined, total funds needed for new grants, extensions of existing grants, and administrative costs that fall within U.S. fiscal year 2005 would total \$6 billion.

Over the full five years through U.S. fiscal year 2008, amounts needed for new grants, extensions of existing grants, and administrative costs would total about \$38 billion. The U.S. share would be \$9.4 billion at 25 percent and \$12.4 at 33 percent. This would represent 63 percent and 83 percent respectively of the \$15-billion fig-

ure announced by President Bush as the total for U.S. global HIV/AIDS support over that same five years.<sup>5</sup>

While these funds should only be channeled through the Global Fund if, in fact, it is effective, donors must be prepared for its success—and the resulting ongoing funding imperative—much as the fund should recognize that these grants depend on substantial and documented evidence of progress.

## Recommendations

In addition to recommendations published in our previous report on resource mobilization,<sup>6</sup> we recommend the following:

- To meet the demands of grantees for extensions and supplements, and to support new funding rounds, the United States should approve significant, long-term support. The United States has been a leader in creating and funding the Global Fund. At a time when its work is beginning to show results, U.S. support should not waver. Congress should substantially increase pledges to the Global Fund as part of the president's new global AIDS initiative, providing at least 25 percent of the funding to allow rounds 3 and beyond to continue as scheduled and to support extensions of current grants that have demonstrated worthiness for continued support.
- The United States should apply heightened pressure on G-8 and G-20 member states for increased commitments, using their respective summits as fora for harnessing the contributions needed to fully fund the Global Fund.
- The United States should press the UN Security Council to undertake a review session—more than three years after the January 2000 first Security Council session on HIV/AIDS—that examines the status of the pandemic, the threat it poses, and progress in mobilizing substantial new resources. It should seek in this session to win pledges for substantial future increases in resources, delivered through bilateral and multilateral channels, especially the Global Fund.
- The United States should leverage its contributions by limiting its contributions to 25 to 33 percent of funds needed, the former a more plausible target given funding constraints. This limitation should be applied to immediate Global Fund needs; calculating the U.S. share based on long-term commitments, stretching through 2008, does not fairly represent its stake in current demands.
- President Bush, Secretary of State Powell, or another top-ranking U.S. official should host a White House meeting with top-level business leaders to promote private sector support of the Global Fund. This should be done in coordination with the private sector representatives on the fund's board (currently led by

---

5. We note that contributions to the Global Fund include efforts on three diseases, not just HIV/AIDS. U.S. contributions to the fund are mistakenly counted in their entirety as part of its global HIV/AIDS support rather than apportioning out amounts actually used for HIV/AIDS grants.

6. T. Summers, S. Morrison, et al., *The Global Fund to Fight AIDS, TB, and Malaria: Challenges and Opportunities* (Washington, D.C.: CSIS, June 2002), <[www.csis.org/africa/0206\\_Globalfundbook.pdf](http://www.csis.org/africa/0206_Globalfundbook.pdf)>.

McKinsey & Company's Rajat Gupta). It would provide an opportunity to share the successes of the fund and articulate different ways in which the private sector can help.

- The secretariat should develop and publish long-range estimates of funding needs that better capture cash-flow demands to support approved grants, extensions, attrition and supplementation, and new funding rounds. It should correlate its estimates of new funding needs with thoughtful estimates of global need and absorption capacity, such as it has done with the work of the WHO's Commission on Macroeconomics and Health.
- The secretariat should rapidly build its own capacity to support the Global Fund's resource mobilization efforts. The secretariat and board have important roles to play in soliciting new funds and reassuring donors of the fund's capacity to use them. The board should adopt and implement a strategy for raising funds, including approaches to branding initiatives by other donors and the appointment of fund envoys (private sector, cultural, and governmental) authorized to seek contributions; the secretariat should assure that it has staff in place to support this effort.

### **Private and Foundation Sectors Need to be Better Engaged**

Much of the needed funding will have to come from the governments of wealthy nations. To date, with the notable exception of the Gates Foundation, most funds have come from the public sector. Neither foundations nor businesses have expressed much interest in utilizing the Global Fund as a vehicle for grant making. This is not a lack of confidence in the Global Fund, but rather a reflection of their inclination to more closely integrate cash and in-kind support with other priorities and interests. Outreach to the private sector has been limited; however, more can and should be done.

Foundations and businesses have much to offer the Global Fund. At its last board meeting, both the private and foundation sectors committed to developing resource mobilization strategies focused on their respective constituencies. These will then be available to the secretariat to integrate into the fund's broader resource mobilization efforts.

The private sector contributions should come from both cash and in-kind support, especially price reductions for pharmaceuticals. The latter could generate major savings as efforts to provide treatment to the millions living with HIV are expanded. Up to now, the Global Fund has been understandably cautious to avoid any appearance of encroaching upon the WTO Doha round, including its discussion of affordable access to antiretroviral medications by poor countries facing public health emergencies.

Foundation support should include grants to augment country-level efforts, both in program planning and implementation. In addition, foundations with significant country-level presence (e.g., the Ford Foundation) may be able to provide assistance to the country coordinating mechanisms or signal to the local fund agents that local efforts are in trouble. This also applies to businesses operating

within recipient countries, which could be important sources for technical assistance and other supports.

## Recommendations

- The secretariat and the board's Resource Mobilization Committee need to develop an aggressive and thoughtful strategy on engaging the private and foundation sectors as part of the Global Fund's overall resource mobilization strategy. This strategy should focus on engaging them both at the global level and at the country level. That effort should engage the international chambers of commerce, the World Trade Organization (WTO), the World Economic Forum, the Global Business Coalition on AIDS, Funders Concerned About AIDS, and could well be advanced by a private sector donors conference linked to a more traditional donors conference such as that sponsored by the World Bank.
- The time may be fast approaching when the public health leadership provided by the Global Fund, UNAIDS, WHO, and others needs to enter a more concerted discussion with global trade leadership such as WTO on devising more feasible, cost-reducing price reductions. This might be coupled with further analysis of ways to maximize the Global Fund's capacity as a bulk purchaser for drugs and other commodities, leveraging major price reductions and other in-kind supports from manufacturers and distributors.

## Communications Need Improvement

There have been some improvements in communications from the Global Fund, though there remains plenty of room for improvement. Now available from its Web site are details on approved grants, application guidelines and applications, contacts at CCMs, and limited information on secretariat and board operations.

Yet more is needed, and resource mobilization efforts are being hampered. Misconceptions about the fund persist, particularly about its mechanisms for monitoring country-level processes to minimize misuse or waste of funds. Activist efforts to promote increased contributions by erroneously declaring the Global Fund "bankrupt" have fueled skepticism about its viability.

Also challenging the Global Fund is the shortage of credible spokespersons that can, on its behalf, address misconceptions and report on its progress. Dr. Feachem has traversed the globe, joined at times by former board chair Chrispus Kiyonga, but there is a limit to how much a few persons can do—and a limit to how much time they can spend meeting with donors instead of recipients.

## Recommendations

- Incoming chair Tommy Thompson should actively assist in communicating the successes, challenges, and funding needs of the Global Fund, along with other members of the board and senior secretariat staff. In his dual role as fund chair and HHS secretary, he should actively encourage congressional travel to coun-

tries acutely affected by HIV/AIDS that are putting to use expanded assistance from the Global Fund and bilateral programs.

- High-profile public figures should be enlisted to advocate on the fund's behalf. To be effective, they must be well briefed and supported so that their efforts to attract increased contributions can also serve as opportunities to share accurate information on the fund's progress.
- The fund must identify and implement mechanisms to put the face of its beneficiaries at the forefront. Those providing direct services, and those benefiting from those services, need to bear witness to the impact that the fund is having on their lives and communities. The Global Fund's communication-focused partnership with the Kaiser Family Foundation might be an excellent vehicle for utilizing technology to increase the connection between donors and beneficiaries, critical to garnering pledges.

### **Expectations Are Unrealistic**

While cynicism abounds, many interests with a stake in the fund's success also foster unrealistic expectations of what the fund can achieve. Public sectors donors, weary from often ineffective or corrupt development efforts, have warned that funds will cease to flow at the first sign that Global Fund resources are being wasted on ineffective programs or misused by corrupt governments.

Advocates have expressed grave concern that, for all the Global Fund's efforts, targets for increased access to care and treatment are set too low. They have also complained that the secretariat's work on negotiating grant agreements and funding programs is going too slowly and is looking too much like "business as usual" for a fund created to do business "not as usual."

In important ways, these are competing interests. Donors must be assured that their investments in the Global Fund are properly safeguarded. Beneficiaries of the fund, and their advocates, are entitled to a process that accelerates access to services that will save lives.

The Global Fund's leadership must find ways to balance these two interests, utilizing systems that are both safe and effective. Donors must be reasonable in their expectations: there will be fraud and abuse, and programs will fail. That is the nature of the work. To be completely safe, the flow of funds would slow to a trickle. Some failure is necessary if the Global Fund is to support innovation, and innovation is certainly needed to massively and rapidly increase efforts.

One important point to emphasize is that the board, supported by the analysis of the technical review panel, already has demonstrated its willingness to say "no" when proposals are not quite good enough. In both funding rounds processed so far, the TRP has rejected about 60 percent of country proposals—even from high-burden countries. Now it also has to show the capacity to not merely say "no" but to help countries rework, revise, and resubmit proposals that will be effective in prevention, treatment, and care.

For their part, beneficiaries and advocates must be more tolerant of the Global Fund's needs to safeguard donor investments. One headline story of egregious abuse of funds, and interest in future donations will plummet.

## Recommendations

- The secretariat should begin a dialogue with its various key constituencies to identify their determinants for success of the Global Fund, and if possible, to insure that these are based on fair, informed assessments of the Global Fund's role and inherent limitations. This dialogue should inform its communication efforts so that accurate data are used as these determinants are evaluated.
- The secretariat should request that its constituencies identify and support resource teams that can be seconded on an emergency basis to help needy countries that have had applications rejected improve their proposals so that they can receive Global Fund assistance.

## Partnerships Need Improvement

Partnership agreements have been established with UNAIDS and are under negotiation with the WHO, Stop TB, and Roll Back Malaria. Day to day, however, these relationships appear tense. A more concerted effort is needed to build better communication links with these multilateral partners. Since the Global Fund is solely intended as a financing vehicle, expertise from the multilateral partners is needed to improve country-level programs supported by the Global Fund.

## Recommendations

- Global Fund donors, who also serve on the coordinating bodies of these multilaterals, should use this access to promote a more unified and coordinated approach. They should be less tolerant of territoriality and infighting among multilateral agencies and increase monitoring of their joint efforts.
- Multilateral and NGO partners should be provided with training and support before funding rounds are released. Inconsistent messages abound as to what the Global Fund "wants," what aspects of applications will be successful or unsuccessful, and how the process for reviewing applications works. Clearly, communications need to be improved, both between the Global Fund and its multilateral partners, and from the partner's headquarters to their field personnel.
- Improved partnerships are also needed with NGOs at both the global and country levels. For example, some of the tasks currently delegated to the local fund agents might better be done by the larger NGOs that have more presence and experience at the country level (and might also be more cost effective).
- The secretariat and the board, through its Governance and Partnerships Committee, should develop a strategy for better engaging multinational NGOs, businesses, and foundations to provide ongoing technical support to CCMs so that their planning, application, and monitoring efforts are improved. Those providing this technical assistance should be divorced from any monitoring and assessment responsibilities so that CCMs are more comfortable identifying areas in need of improvement.

## Summary of Recommendations

### Demonstrate Results Soon

The board and secretariat must focus on getting the instrumentalities of the Global Fund to fulfill their roles:

- CCMs as viable, transparent structures capable of preparing thoughtful proposals and managing affairs at the country level;
- Principal recipients as effective stewards of grant funds;
- LFAs, as the “eyes and ears” of the Global Fund, assuring that funds are not diverted or misused.
- The secretariat should watch over this process, working with the fund’s board and its multilateral and bilateral partners to implement a workable system—and to demonstrate to donors that the system is worthy of investment.
- The board must focus more energy on “big picture” issues such as accountability, additionality, and resource mobilization.

### Intensify Resource Mobilization

- The United States should continue and increase its support of the Global Fund by approving significant, long-term funding equal to at least 25 percent of future funding rounds.
- The United States should use its influence with its G-8 and G-20 partners to secure more funding from them, leveraging its own contributions.
- The UN Security Council should undertake a review session that examines the status of the HIV/AIDS pandemic and the world’s response. It should help spark pledges for substantial future increases in resources, delivered through bilateral and multilateral channels, especially the Global Fund.
- The United States should limit its contributions to 25–30 percent of funds needed over the short term and use that limitation to pressure other donor nations to fund the balance of what is needed.
- President Bush or another top-ranking U.S. official should bring business leaders to the White House in support of significantly increased private sector contributions (cash and in-kind) to the Global Fund.
- The secretariat needs to energize its efforts on resource mobilization, starting with a long-range estimate of funding needs, pledge payments, and cash flow.

### Better Engage Private and Foundation Sectors

A resource mobilization strategy is needed that incorporates major funding from governments with contributions from the private and foundation sectors, engaging them at both the country and global levels. This should include a private sector donors conference.

Greater communication between the Global Fund, WHO, UNAIDS, and the WTO is needed on price reductions for drugs. The fund's board and secretariat should also carefully review ways to maximize its bulk procurement capacity.

### **Improve Communication**

- Secretary Tommy Thompson, the newly elected chair, should play a leading role in the Global Fund's communication efforts, working with the board and secretariat to catalyze broad support for the fund's work.
- High-profile public figures should be recruited, coordinated, and supported to speak on the fund's behalf and to solicit contributions.
- Better mechanisms are needed to put the face of the Global Fund's beneficiaries at the forefront, insuring that donors appreciate the importance of its work to millions of individuals and their families and communities.

### **Align Expectations with Reality**

- Dialogue should begin with key stakeholders to identify their determinants of success, working to insure that they are appropriate and reasonable; this dialogue must inform the Global Fund's efforts to develop, measure, and communicate its effectiveness.
- Stakeholders should help to develop emergency support teams to help countries with high needs that have consistently failed to submit fundable applications to the Global Fund.

### **Improve Partnerships**

- Donors should use their leadership roles with the Global Fund's bilateral partners to insure coordination and collaboration.
- The Global Fund's multilateral, bilateral, and NGO partners should be properly trained if they are to effectively support countries seeking to obtain funding.
- NGOs are especially well suited to partner with the Global Fund in support of country-level processes, perhaps assuming some of the nonfiduciary tasks now assigned to the LFAs.

A P P E N D I X A

Estimated Resource Needs for the Global Fund—2002 through 2008

Calendar Year and US Fiscal Year	2002		2003		2004		2005		2006		2007		2008		TOTAL	
	FISCAL	CAL	FISCAL	CAL	FISCAL	CAL	FISCAL	CAL	FISCAL	CAL	FISCAL	CAL	FISCAL	CAL	FISCAL	CAL
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
<b>NEEDS:</b>	616	616	-	-	-	-	-	-	-	-	-	-	-	-	616	616
Round 1 1-2 \$ 616	616	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
\$1,609 3-5 \$ 993	-	-	-	-	-	-	993	993	-	-	-	-	-	-	993	993
Round 2 1-2 \$ 883	-	883	-	-	-	-	-	-	-	-	-	-	-	-	-	-
\$2,080 3-5 \$ 1,197	-	-	-	-	-	-	1,197	1,197	-	-	-	-	-	-	1,197	1,197
Round 3 1-2 \$ 1,600	-	-	1,600	-	-	-	-	-	-	-	-	-	-	-	1,600	1,600
\$3,760 3-5 \$ 2,160	-	-	-	-	-	-	2,160	2,160	-	-	-	-	-	-	2,160	2,160
Round 4 1-2 \$ 1,900	-	-	1,900	-	-	-	-	-	-	-	-	-	-	-	1,900	1,900
\$4,465 3-5 \$ 2,565	-	-	-	-	-	-	2,565	2,565	-	-	-	-	-	-	2,565	2,565
Round 5 1-2 \$ 1,900	-	-	1,900	-	-	-	-	-	-	-	-	-	-	-	1,900	1,900
\$4,465 3-5 \$ 2,565	-	-	-	-	-	-	1,900	1,900	-	-	-	-	-	-	1,900	1,900
Round 6 1-2 \$ 1,900	-	-	1,900	-	-	-	-	-	-	-	-	-	-	-	1,900	1,900
\$4,465 3-5 \$ 2,565	-	-	-	-	-	-	1,900	1,900	-	-	-	-	-	-	1,900	1,900
Round 7 1-2 \$ 1,900	-	-	1,900	-	-	-	-	-	-	-	-	-	-	-	1,900	1,900
\$4,465 3-5 \$ 2,565	-	-	-	-	-	-	1,900	1,900	-	-	-	-	-	-	1,900	1,900
Round 8 1-2 \$ 1,900	-	-	1,900	-	-	-	-	-	-	-	-	-	-	-	1,900	1,900
\$4,465 3-5 \$ 2,565	-	-	-	-	-	-	1,900	1,900	-	-	-	-	-	-	1,900	1,900
Round 9 1-2 \$ 1,900	-	-	1,900	-	-	-	-	-	-	-	-	-	-	-	1,900	1,900
\$4,465 3-5 \$ 2,565	-	-	-	-	-	-	1,900	1,900	-	-	-	-	-	-	1,900	1,900
Round 10 1-2 \$ 1,900	-	-	1,900	-	-	-	-	-	-	-	-	-	-	-	1,900	1,900
\$4,465 3-5 \$ 2,565	-	-	-	-	-	-	1,900	1,900	-	-	-	-	-	-	1,900	1,900
Round 11 1-2 \$ 1,900	-	-	1,900	-	-	-	-	-	-	-	-	-	-	-	1,900	1,900
\$4,465 3-5 \$ 2,565	-	-	-	-	-	-	1,900	1,900	-	-	-	-	-	-	1,900	1,900
Round 12 1-2 \$ 1,900	-	-	1,900	-	-	-	-	-	-	-	-	-	-	-	1,900	1,900
\$4,465 3-5 \$ 2,565	-	-	-	-	-	-	1,900	1,900	-	-	-	-	-	-	1,900	1,900
Round 13 1-2 \$ 1,900	-	-	1,900	-	-	-	-	-	-	-	-	-	-	-	1,900	1,900
\$4,465 3-5 \$ 2,565	-	-	-	-	-	-	1,900	1,900	-	-	-	-	-	-	1,900	1,900
<b>Totals:</b>	<b>616</b>	<b>616</b>	<b>883</b>	<b>2,483</b>	<b>3,500</b>	<b>3,800</b>	<b>5,990</b>	<b>8,150</b>	<b>8,525</b>	<b>8,930</b>	<b>8,930</b>	<b>8,930</b>	<b>8,930</b>	<b>8,930</b>	<b>\$ 37,374</b>	<b>\$ 41,839</b>
Years 1-2	616	616	883	2,483	3,500	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	\$ 20,199	\$ 22,099
Years 3-5	-	-	-	-	-	-	2,190	4,350	4,725	5,130	5,130	5,130	5,130	5,130	\$ 17,175	\$ 19,740
Admin Costs:	13	13	38	38	42	42	46	46	50	50	54	54	58	58	\$ 301	\$ 301
<b>Total Needs:</b>	<b>629</b>	<b>629</b>	<b>921</b>	<b>2,521</b>	<b>3,542</b>	<b>3,842</b>	<b>6,036</b>	<b>8,196</b>	<b>8,575</b>	<b>8,980</b>	<b>8,984</b>	<b>8,984</b>	<b>8,988</b>	<b>8,988</b>	<b>\$ 37,675</b>	<b>\$ 42,140</b>
Pledges To Date:				819	512	512	369	369	244	244	236	236	235	235	\$ 3,359	\$ 3,359

Notes:

- Two-year amounts for funding rounds 6 forward have not been developed by the Global Fund; we used amount from funding round 5, remaining constant with no increases projected (this is not a tacit endorsement of static funding levels).
- Amounts for three-year extensions are estimates based on subtracting approved two-year amounts from the reported total five-year requests of approved applications. The timing presented reflects the need to have funds in hand to approve grants and does not represent actual cash flow estimates.
- For funding rounds 3, 4, and 5, this assumes that the total needed for years 3-5 (the extension amount) is 1.35 times the total of years 1-2, approximately the proportion of previous rounds.
- Pledges given without a specific commitment as to timing (about \$173 million) are evenly distributed from 2003 through 2008.