

## The Global Fund: Can it be saved?

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# The Global Fund

To Fight AIDS, Tuberculosis and Malaria

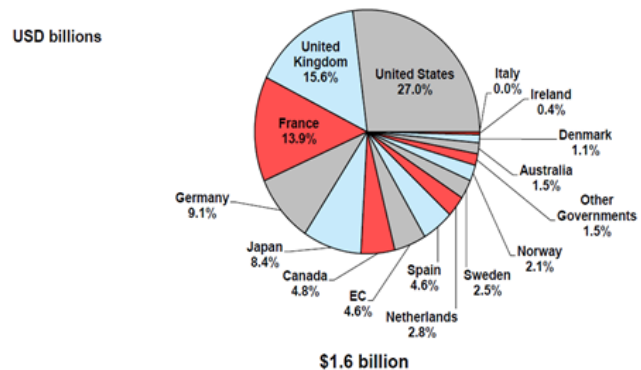
Today Dr. Michel Kazatchkine tendered his resignation as Executive Director of The Global Fund to Fight AIDS, Tuberculosis, and Malaria (The Fund). Regardless of whether you've ever heard of the French AIDS scientist, or even of The Fund, you should keep reading. This is a critical, dangerous moment for *all* of Global Health.

In his letter delivered today to the Board of The Fund, [Kazatchkine](#) made clear the parameters of the political struggle that forced his resignation. "The Global Fund has helped to spearhead an entirely new framework of international development partnership. Although we still have a long way to go to make this new approach work in every country, I believe that the Global Fund has permanently changed the development landscape for the better," Kazatchkine wrote.

But under stress during the world economic crisis, with radically declining support from donors, a battle has ensued, Kazatchkine wrote. "Today, the Global Fund stands at a cross-road. The prevailing economic climate poses new and formidable challenges to all international development efforts. In the international political economy, power-balances are shifting and new alignments of countries and decision-making institutions are emerging or will have to be developed to achieve global goals. Within the area of global health, the emergency approaches of the past decade are giving way to concerns about how to ensure long-term sustainability, while at the same time, efficiency is becoming a dominant measure of success."

It is almost possible to hear Kazatchkine spitting out the words "efficiency" and "sustainability." Indeed, a battle has been brewing since the financial crisis of November 2008 filtered pain down a year later on all types of foreign aid recipients, for everything from humanitarian crisis responses to malaria bed net distribution. Put in broad strokes, it is a fight between

**International AIDS Assistance: Donor Governments as Share of Global Fund Contributions by Donor Governments, 2010**



Source Kaiser Family Foundation/ Jen Kates

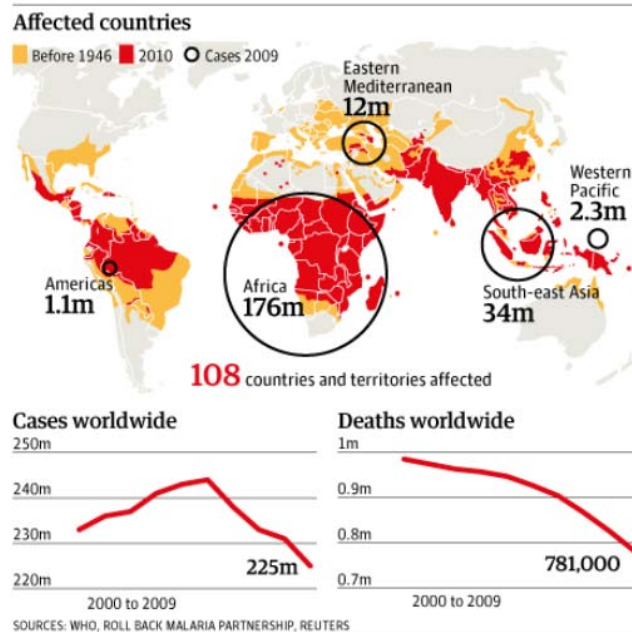
those that believe the AIDS pandemic and allied diseases constitute global “emergencies” that must be tackled with full force, mistakes be damned; versus those that feel AIDS is now a chronic disease, managed with medication, requiring a permanent infrastructure of care and treatment that can eventually be operated and funded by the countries, themselves. It is a classic battle of titans, pitting urgency against long term sustainability.

The Fund was established ten years ago as a unique mechanism for moving billions of dollars from rich countries to poorer ones, to combat and treat three infectious diseases. Inspired by AIDS activists’ and physicians’ demands for access to life-sparing medicines, The Fund launched in 2002 in radical form. It is para-United Nations, meaning it is technically outside of the UN system, but all of the major health-related UN agencies and the World Bank sit on its Board. The Fund acts like a granting agency, accepting disease control and treatment application from governments and health organizations. The applications are reviewed by technical experts, often returned for redesign, and eventually deemed worthy of support. At the closure of a given grant cycle The Fund convenes a replenishment meeting, telling donors – mostly the governments of the U.S., U.K., France, and Germany – how much money is needed to support the accumulated grants.

This grant/replenishment mechanism is novel, unlike any other funding that directs resources for health or development from the North to the South, or from traditionally wealthy nations to the poorer ones. As designed, the mechanism puts recipients in the driver’s seat, stipulating how much money they want, and how they plan to spend it. Donors were assured that mechanisms were in place to monitor the cash flows, minimizing corruption, and maximizing the numbers of lives saved.

And The Fund worked. Just six years after its conception The Fund dispersed \$2.3 billion in 2008. By 2010, The Fund was disbursing \$3.5 billion annually. It was responsible for underwriting about 40 percent of all HIV treatment in poor countries and much of the care in middle-income nations such as China and India. More than two thirds of all malaria prevention and treatment in the world is now dependent on The Fund; three-quarters of all tuberculosis efforts. The Fund’s most marked impact has been on malaria, which has plummeted with infusion of cash for bed nets, insecticides, medicines and public health personnel. At the close of 2011 the World Health Organization (WHO) [estimated](#) that the number of malaria deaths fell 25 percent

### The fight against malaria



between 2000 and 2010 – *by a third in sub-Saharan Africa*. In 2010, WHO reckons, 216 million people contracted malaria, which killed 655,000 of them.

A key point underscored repeatedly in a recently released WHO malaria report is that these successes reflect growing dependency on The Fund. The same is true for TB control. And while the United States government is by far the biggest supporter of HIV prevention and treatment programs, The Fund ranks second, and its collapse would leave more than a million HIV+ people without treatment, condemning them to swift death.

The prolonged recession and economic realignments are now hitting aid-dependent organizations hard, and will continue to exact budgetary pain for at least two more years. (If the Chinese financial wizards are right the world may be at the front end of a [25 year recession](#).) The initial reactions from global leaders like Kazatchkine was to scramble from donor to donor, hoping to garner guarantees of not only continued current-level financial support, but even expansion of funding to allow larger numbers of people to benefit from their services in poorer countries. Time was bought, and most of the major donors fulfilled their commitments in 2009 and 2010.

But with no end in sight to the economic downturn in the U.S., the tsunami-earthquake-Fukushima catastrophes in Japan and deepening crisis in the EuroZone, 2011 brought financial angst crashing down on Global Health. In October 2010 The Fund convened a [replenishment meeting](#), asking donors for \$20 billion for five years' worth of disbursements. The donors were indignant: they committed just over half that amount. The Fund was flabbergasted.

After taking stock of its donor situation The Fund announced that it was cancelling the next grant round, and will not accept new grants until late 2013, disbursing those funds in 2014. Medecins Sans Frontiers and other health advocacy groups [cried in protest](#), issuing estimates of numbers of people that would die for lack of new grants rounds.

The International Health Metrics and Evaluation Institute (IHME) in Seattle estimates that overall Global Health funding [stagnated](#), and can only be expected to grow by 1-2 percent annually (if at all) over the next few years. Many programs are already feeling the budget blade in their backs. Humanitarian crises such as the famine in the Horn of Africa are groveling for handouts.

With this dire situation has come the search for more efficient ways to spend stagnating or shrinking resources: eliminate redundancies, better anticipate crippling foreign exchange rates amid monetary speculation, improve volume purchasing and supply chain management, and root out all semblances of corruption. Donor scrutiny increased. And under the bright lights of forensic financial investigation The Fund could not account for some [\\$34 to \\$39 million](#). Moreover, specific “missing money” corruption cases opened in Mali, Mauritania, Djibouti, and Zambia, spawning loud protests from donors. Sweden, Germany and Ireland froze their monies for The Fund in escrowed accounts.

A [High-Level Independent Review Panel](#) convened in early 2011 to audit The Fund's books, and investigate how the money was being spent at the country levels. In November the Panel released a condemning report, citing a litany of problems so lengthy that they cannot be summarized here: among them were fraud, theft, inconsistent decision-making by grant reviewers, nearly complete failure to develop metrics for reliably measuring the outcomes of The Fund's spending, and sluggish disbursement from the organization's Geneva headquarters.

[The Board convened in Accra](#), Ghana on November 21, and by multiple accounts was stunned by the Panel report, and by internal audit findings. From a number of sources that attended the Accra meeting and subsequent Board gatherings I have gleaned a nightmarish picture. Some African leaders described [riots and demonstrations](#) protesting [stock-outs of vital medicines](#), especially for HIV. Malaria experts said that even a momentary set-back in funding could swiftly push mosquito populations back to high levels, bringing the deadly parasites back to African and Asian villages.

The Board demanded Kazatchkine's resignation. He refused.

The Board's audit showed that The Fund has committed assets of \$10 billion for 2011-13. But only about \$4 billion was in its bank accounts. Auditors presented a "risk adjusted forecast for resources," which demonstrated few avenues for fulfilling its commitments, much less taking on new ones.

The Board called for a [Transitional Funding Mechanism](#), aimed at finding ways to stretch available resources, [eliminate inefficiencies](#) and get better bang for the HIV/malaria/TB buck. Key to that Mechanism would be appointment of a General Manager to oversee all spending, pushing Kazatchkine aside to a sort of figurehead status.

Kazatchkine refused. He was under tremendous pressure from the Sarkozy government – reportedly taking calls during the Accra meeting and following gatherings from the French Ministry of Foreign Affairs. It is an election year in France, and President Nicholas Sarkozy is battling a very cold image, seen by many of his voting population as an uncaring conservative that is putting Paris financial market concerns above the needs of the poor and middle class. He needs a softer asset – and The Fund has always been a darling of French foreign aid. February marks the 10<sup>th</sup> anniversary of The Fund, and Sarkozy plans a grand celebration in Paris, which must be chaired by the French head of The Fund.

The French situation was complicated further in 2011 when Kazatchkine was attacked in Paris newspapers for allegedly diverting Fund HIV money to a small [foundation run by French First Lady Carla Bruni](#). A [furious round](#) of [accusations](#) and [counter-accusations](#) flew in the French media, but official investigations cleared Kazatchkine of all wrong-doing. He is not a member of Sarkozy's party, nor a supporter of the President's reelection. But Kazatchkine is French, and the prospect of a grand Parisian celebration of his institution's 10<sup>th</sup> birthday was important.

Kazatchkine would not (could not) step down. And the Board's selection for General Manager declined to step into the position so long as Kazatchkine remained.

Over the Christmas and New Years' holidays, U.S. Secretary of State Hillary Clinton pressured the French, according to several sources that asked not to be identified, arguing that the very credibility of The Fund was on the line – Kazatchkine had to step down. She also gave a [speech](#) telling other donors to step up to the plate and support The Fund, noting that “to sit on the sidelines now would be devastating.”

Apparently a deal was finally struck, allowing Kazatchkine to stay in his position until March 16 (after the Paris celebration).

In his resignation letter today he writes, “As the Global Fund faces a challenging year of transition, it is more important than ever that staff, partners, donors, implementers, friends and supporters of the Fund pull together to maintain the remarkable hope that the Fund has generated around the world, and to keep up the fight.”

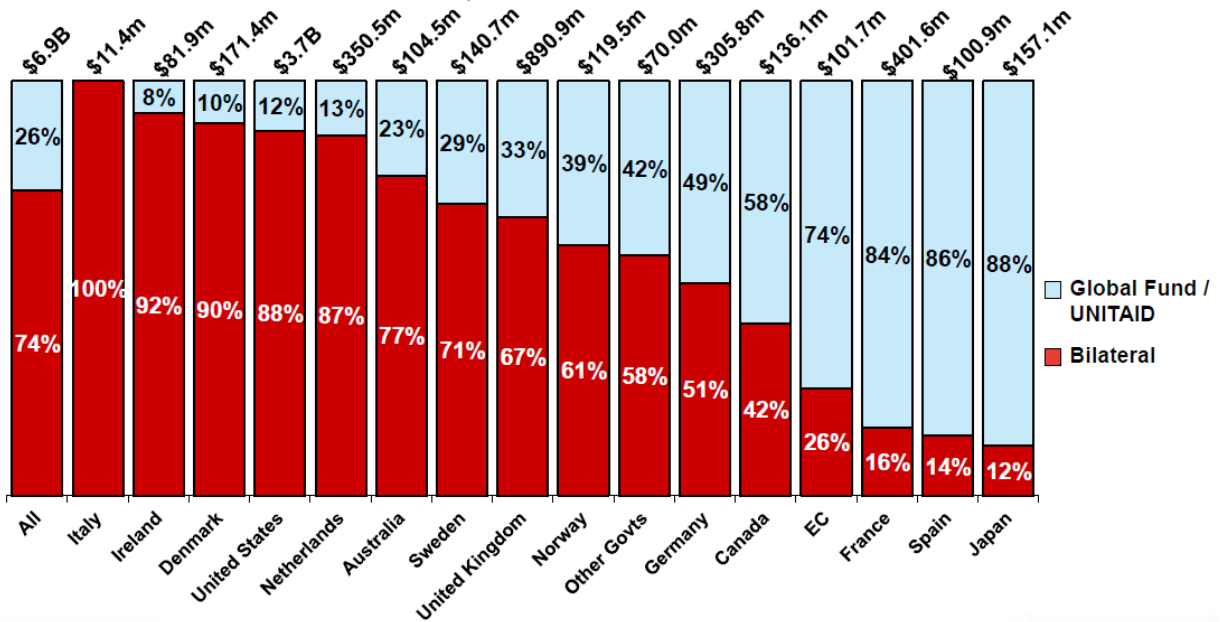
Stepping into the newly created position of General Manager of The Fund is Gabriel Jaramillo, who served on the High-Level Panel that audited The Fund in 2011. Columbia-born Jaramillo was CEO of Banco Santander Banespa Brasil, and previously was an executive for Citibank. Jaramillo served as Special Advisor to [Malaria No More](#). At the World Economic Forum in Davos later this week Bill Gates will throw his support behind Jaramillo, pledging a 5-year funding commitment to The Fund that will significantly increase his foundation's support above the current \$100 million/year level. The government of Saudi Arabia [announced](#) this week that it will provide The Fund with \$25 million in 2013. Similar proclamations are expected over coming days, following Kazatchkine's resignation letter, but it is unlikely the total in this flurry will top \$500 million for 2013.

This tragic series of events has unfolded at The Fund amid a tremendous shake-up throughout Global Health. A similar set of events unfolded in 2010 at GAVI – the umbrella alliance for vaccines – nearly sinking the institution. But following a major overhaul of the institution, [dismissal of its executive](#) and intervention from Bill Gates, GAVI went into a funding meeting with donors in London in June. It came out with more than a billion dollars than it requested, thanks largely to U.K. Prime Minister [David Cameron](#), and has a popular new leader, Dr. Seth Berkley (founder of the International AIDS Vaccine Initiative).

WHO is also in the middle of a [major shake-up](#) that has in recent months featured lay-offs of 300 employees and a \$1 billion budget cut. Director-General Margaret Chan is executing a top-to-bottom reform of the agency that is both painful and necessary.

We can hope that this awful moment in The Fund's history will leave the institution stronger, tougher, and better supported in 2013.

## International AIDS Assistance: Funding Channels for Donor Government Disbursements, 2010



From Kaiser Family Foundation/ Jen Kates