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1. NEWS: Donor Governments Pledge Record – But Insufficient – Amounts to the Fund

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Donors are expected to give the Global Fund about $11.7 billion over the three years 2011-2013. This is 20% more than the $9.7 billion that was pledged three years ago for the 2008-2010 period; but it is significantly less than the Global Fund says that it needs.

More than 40 countries, together with the European Commission, faith-based organizations, private foundations and corporations attended a pledging session in New York on Tuesday chaired by UN Secretary-General Ban Ki-Moon. Firm pledges for 2011-2013 were made totalling $9.2 billion. Some of the donors were not yet ready to make commitments. With the Global Fund projecting that these donors will end up giving some $2.5 billion, this leads to a total projected revenue of $11.7 billion.

The Fund says that its total needs over the three years 2011-13 will be $13-20 billion. Over the past few months, donor government studied the Fund's needs and effectiveness and deliberated over how much each would commit to for the three years in question. They then came to New York this week to announce their decisions.

Pledge highlights

The amounts pledged were as shown in Table 1. Some highlights of the pledges were as follows:

- The four countries that pledged (or are projected to pledge) the most for 2011-13 are the USA ($4,000 m., 40% up on its pledge for the previous three years), France ($1,480 m., 20% up), Germany ($822 m., no change) and Japan ($800 m., 28% up).
- The three countries that pledged the largest percentage of their Gross National Income (GNI) are Norway and France (0.018% each) and Canada (0.013%).
- The four major donors whose pledges grew the most in percentage terms since their pledges for the previous three years were Finland (increased 100%), Australia (increased 56%), the USA (increased 40%) and Japan (increased 28%).
- Previous major donors who have as yet made no pledge for 2011-2013 are Spain (which pledged $600 m. for the previous three years), Italy (which pledged $541 m. for the previous three years), Sweden ($269 m.), Ireland ($98 m.), and Belgium ($56 m.) Given that these countries pledged a total of $1,563 m. for the previous three years, and that the Global Fund is only projecting to receive $1,100 m. for 2011-2013 from these plus a number of other countries, it is clear that the Fund expects some former major donors to significantly reduce or even end their contributions. One possible such country is Italy, which still has paid nothing from the $177 m. it pledged to pay in 2009 and the $177 m. it pledged to pay in 2010.
- The $4,000 m. pledge by the USA is the largest pledge ever made to the Global Fund. It is the first multi-year pledge that the USA has given to the Fund. The pledge is conditional on the Fund developing and implementing "a comprehensive set of reforms to maximise the impact of Global Fund grants."
- The pledges by Russia ($60 million) and China (14 million) were far less than the Fund had hoped.

Table 1: Donor Pledges to the Global Fund for 2011-2013

Donor	Amount pledged for 2011-2013, million USD *	% change from 2008-2010 **	2011-2013 av. annual pledge as % of 2008 GNI
Australia	**203.2**	+56%	0.008%
Canada	**528.4**	+20%	0.013%
China	**14.0**	+133%	0.000%
Denmark	**96.5**	+1%	0.010%

Donor	Amount pledged for 2011-2013, million USD *	% change from 2008-2010 **	2011-2013 av. annual pledge as % of 2008 GNI
European Commission	**452.3**	+10%	n/a
Finland	**16.4**	+100%	0.002%
France	**1,480.3**	+20%	0.018%
Germany	**822.4**	No change	0.008%
Japan [1]	**800.0**	+28%	0.005%
Korea (Rep. of)	**6.0**	-14%	0.000%
Kuwait	**0.5**	-67%	0.000%
Luxembourg	**10.3**	No change	0.008%
Monaco	**0.3**	New donor	n/a
Namibia	**0.8**	New donor	n/a
Netherlands [2]	**294.7**	-7%	0.012%
Nigeria	**10.0**	New donor	n/a
Norway	**230.2**	+20%	0.018%
Russia	**60.0**	-72%	0.001%
South Africa	**2.1**	+1,400%	0.000%
Switzerland	**21.6**	No change	0.001%
Tunisia	**2.0**	New donor	n/a
United Kingdom [3]	**607.4**	+7%	0.007%
United States	**4,000.0**	+40%	0.009%
Countries that gave during 2008-2010 but have not yet pledged re 2011-2013: Belgium, Greece, Hungary, Iceland, India, Ireland, Italy, Latvia, Liechtenstein, New Zealand, Poland, Portugal, Romania, Saudi Arabia, Singapore, Slovenia, Spain, Sweden, Thailand	**Global Fund hopes to receive $1,100 million from these and other donors**		
Private: Gates Foundation	**300.0**	No change	
Private: Chevron	**25.0**	-17%	
Private: Takeda Pharmaceutical	**3.0**	New donor	
Private: Gift from Africa (a campaign)	**3.0**	New donor	
Private: United Methodist Church	**28.0**	New donor	
Private: Other possible private donors	**300.0**		
Innovative financing: Debt2Health - firm	**49.9**		
Innovative financing: Debt2Health - possible	**59.4**		
Innovative financing: Exchange Traded Funds	**13.0**		
Innovative financing: Possible new schemes	**150.0**		
Total:	**11,690.70**		

Data source: Global Fund press release at www.theglobalfund.org/en/pressreleases/?pr=pr_101005c

* *Some of these amounts have been converted from other currencies.*

** *For pledges not made in USD, percentages shown are those that apply to the original currencies*

[1] *Amount pledged by Japan will be given over "the coming years".*

[2] *Netherlands pledge will be announced later. This is a conservative estimate by the Global Fund.*

[3] *UK pledge to be finalised/revised in the next few months.*

Needs

In early 2010, the Global Fund provided donors with three possible resource needs scenarios for the period 2011-2013:

- **Resource Needs Scenario 1**, which would cost **$13 billion**, would allow for the continuation of funding for existing programmes. New programmes could only be funded at a significantly lower level than in recent years.
- **Resource Needs Scenario 2**, which would cost **$17 billion**, would allow for the continuation of funding for existing programmes, and funding for new programmes at a level that comes close to that of recent years.
- **Resource Needs Scenario 3**, which would cost **$20 billion**, would allow for the continuation of funding for existing programmes, and for well-performing programmes to be scaled up significantly, allowing in turn for more rapid progress towards achieving the health-related Millennium Development Goals.

The Fund said that the differences between the human benefits of Scenarios 1 and 3 would be as follows:

Table 2: Human Benefits from Different Global Fund Scenarios

Benefit	Resource Needs Scenario 1	Resource Needs Scenario 3	Difference between Scenarios 1 and 3
People on ARV therapy	4.4 million	7.5 million	3.1 million
DOTS treatments provided annually	3.9 million	6.8 million	2.9 million
Long-lasting insecticidal nets distributed annually	110 million	190 million	80 million
Orphans and other vulnerable children provided with support annually	2.5 million	4.4 million	1.9 million
HIV-positive women receiving PMTCT annually	0.6 million	1.1 million	0.5 million

Data source: " Resource Scenarios 2011-2013", available at www.theglobalfund.org/en/replenishment/hague/documents

Consequences

The Global Fund said some time ago that however much money was raised, it would need $8.8 billion over 2011-2013 for "continuations within existing grants," plus paying for Round 9 grants that have not yet been signed, plus operating costs. On top of that, it would need a further $4.2 billion (Scenario 1) if it was to fund Rounds 10, 11 and 12 at a significantly lower level than earlier rounds, or it would need $8.2 billion (Scenario 2) if it was to fund Rounds 10, 11 and 12 at a similar level to earlier rounds.

In fact, though, this week's pledges provide only $2.9 billion for Rounds 10, 11 and 12. The current estimate of the cost of Phase 1 of Round 10 is $2.0 billion. So the prospects for adequately funding Rounds 11 and 12, and Phase 2 of Round 10, are currently bleak, unless funds significantly in excess of this week's pledges end up being raised.

Reactions

Ban Ki-Moon, UN Secretary-General, said upon opening the pledging session "We are within sight of ending deaths from malaria by 2015. That would be a great victory, on the order of eliminating smallpox, or polio. But we must defeat all these three diseases, completely. If we lose the ground we have gained, we will be back to square one – all that effort and investment, lost. The decisions you make here today will determine the outcome."

The Treatment Access Campaign (TAC) in South Africa said, "Just as countries are beginning to build the infrastructure and systems to deliver services, the funding appears to be drying up." Shaun Mellors, a member of the Communities delegation to the Global Fund Board, added, "To turn around now would be disastrous for all that we have achieved in the last 25 years. We applaud some donors

who have stepped up to the plate by pledging what was expected, and call on others to prioritise the lives of people."

Michel Kazatchkine, Executive Director of the Global Fund, said "This amount is not enough to meet expected demand. It will lead to difficult decisions in the next three years that could slow down the effort to beat the three diseases. I will continue a relentless effort to seek the additional resources the Global Fund needs to fully contribute towards achieving the MDGs."

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2. NEWS: OIG Report Documents Weaknesses in Oversight of Procurement and Supply Management
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Deficiencies in the oversight of procurement and supply management (PSM) arrangements may be exposing Global Fund grants to unnecessary and unacceptable risks. This is one of the conclusions of an audit report released by the Fund's Office of the Inspector General (OIG) in April 2010.

In its 79-page report, *"Review of Oversight of Grant Procurement and Supply Chain Management Arrangements,"* the OIG said that it undertook this audit for the following reasons:

- procurement of drugs and other health-related commodities represents 40-50% of the total expenditure of grant funds, and significant sums are spent on distribution arrangements;
- the Global Fund Five-Year Evaluation raised concerns about the PSM oversight standards;
- country audits undertaken by the OIG revealed common weaknesses in PSM capacity and systems at the country level; and
- procurement is considered by several agencies in the development sector to be one of the areas most likely to be subjected to irregular activities such as corruption.

In addition, the OIG said, numerous procurement-related allegations have been received by the OIG, and some grants have been suspended by the Global Fund in part due to procurement-related irregularities.

The OIG said that its country audits reveal the following widespread problems:

- weak forecasting of requirements for drugs and health product;
- weak technical specifications for procurement;
- absence of, or weak, procurement policies and procedures;
- high product prices;
- poor performance of third-party procurement agencies;
- poor inventory management;
- poor storage and transportation facilities at national and sub-national level;
- drug stockouts and expiries;
- weak procurement planning resulting in frequent emergency procurements; and
- inadequate management information systems.

The OIG said that these deficiencies "suggest that the [Global Fund's] oversight arrangements have failed to spot and mitigate the risks that have emerged" and that, in consequence, the OIG cannot at present give assurance that the PSM arrangements are operating effectively in the countries audited."

Principal recipients (PRs) have full responsibility for undertaking grant-related PSM. The Global Fund's role in grant PSM has focused primarily on establishing policy and assisting countries with interpreting policy requirements. The Global Fund also provides limited oversight of the procurement

and supply management processes to ensure that PSM is undertaken in a fair, transparent, objective and effective manner.

Within the Global Fund system, the Board, the Secretariat, country coordinating mechanisms (CCMs) and local fund agents (LFAs) all have a role to play in PSM oversight, as do some national drug or procurement regulatory authorities. In its report, the OIG made the following observations concerning these players:

- **PRs.** Procurement agents are retained by PRs when the PR has capacity limitations in undertaking procurement activities. However the contractual responsibilities for PSM still rest with the PR in accordance with the grant agreement. Most PRs do not have the capacity to contract, monitor and evaluate the activities of procurement agents.
- **CCMs**. CCMs have sometimes nominated PRs that do not meet the requisite PSM capacity; and then, once programme implementation is underway, CCMs do not have adequate oversight mechanisms in place to enable them to spot emerging problems. In addition, many CCMs have not paid enough attention to their role in strengthening coordination of PSM activities across PRs, diseases and programmes funded by other donors.
- **LFAs.** The role of LFAs in relation to PSM activities is clearly defined, but many LFAs have difficulty fulfilling this role because they lack PSM expertise. These LFAs rely on "fly in" consultants. In cases where these consultants are unable to fly into a country to undertake an assessment, the assessment is done by "desk review" – but these reviews do not allow the consultant to verify some of the information provided by PRs. In addition, periodic LFA monitoring does not always cover PSM activities (except in the Latin America and Caribbean region, where the LFAs are requested once a year to review the implementation of a sample of procurement processes undertaken by each PR in that region).
- **National authorities.** The country audits undertaken by the OIG revealed that these national regulatory bodies have limited engagement with Global Fund programmes and, unless their capacity is strengthened, cannot provide effective oversight of these programmes.
- **Global Fund Secretariat.** Procurement oversight at the Global Fund Secretariat is undertaken through the Country Team Approach (CTA) where the fund portfolio managers (FPMs) seek advice from the technical advisory teams – i.e., Pharmaceutical Management Advisory Services (PMAS), Monitoring and Evaluation (M&E), Finance and Legal units – to support their decision-making. However, there is no requirement for FPMs to consider and follow up on advice given. There are also no mechanisms in place to ensure that action is taken on issues raised by the advisory teams. Under the CTA, if there is no consensus on a matter, it goes to the director of the relevant Country Programs unit, who makes a decision in consultation with the Director of the Country Programs Cluster. There is no input from the advisory teams at this stage. This undermines the checks and balances established in the CTA.

  The Pharmaceutical Management Unit (PMU) provides PSM oversight by developing policy and assisting countries with interpreting policy requirements. The PMAS, which is part of the PMU, has only eight staff, which negatively affects its ability to support over 140 country grant programmes.

The OIG commented as follows on some of the mechanisms set up to assist with PSM:

- **Price and Quality Reporting (PQR) Mechanism.** While the PQR tracks the prices and suppliers of a few health products, it does not provide a comprehensive database of information for decision-making. There is no evidence that quality assurance issues observed through PQR data are followed up and resolved in line with Global Fund policy. There is no mechanism in place to provide assurance that PQR data is actually provided by PRs, and the Secretariat continues to face challenges in this respect. The penalty for failure to provide the data is, on paper, a freeze of disbursements. However, the country audits undertaken by the OIG revealed that PRs that have not entered data on the PQR were still able to get their disbursements. The PQR's effectiveness is also reduced by the limited selection of health products it covers.

- **PSM plans.** PRs are supposed to complete a PSM plan prior to signing the grant agreement, but this requirement is often deferred. In fact, in the sample of 16 countries selected by the OIG for review, only one grant had a PSM plan prepared prior to grant signature. When the PSM plan is deferred, the Global Fund misses an opportunity to address issues upfront that could potentially affect the timely implementation of programmes. And once grant implementation is underway, there is no mechanism in place to ensure that the PR complies with the PSM policies stipulated in the grant agreement and the PSM plan.
- **Technical assistance.** In many cases, capacity development has been piecemeal and aimed at improving the ability of PRs to comply with a set of procedures, as opposed to addressing systematic structural issues. In other cases, the capacity development programmes only targeted PSM at low functional levels (e.g., improvement of individual technical skills). This did not address fundamental PSM issues and, sometimes, did not result in sustainable improvements to the overall PSM control environment.

The OIG made the following additional observations:

- Ineffective supply chain management systems have resulted in problematic forecasting, drug stock outs and expiries.
- There is no policy to regulate the selection and use of third-party procurement agents.
- While "conditions precedent" (CPs) are often included in grant agreements to address capacity gaps identified during LFA assessments, there is no policy at the Global Fund that regulates the implementation of CPs. This means that CPs may be waived without addressing the risks they were set up to mitigate.

The OIG noted that the Global Fund is currently developing several initiatives which, once implemented, should strengthen the PSM oversight function. These include establishment by the Board of a Market Dynamics and Commodities Ad-hoc Committee to oversee specific PSM activities; the rolling out of the CCM dashboard, which draws attention to PSM as part of the CCM's oversight function; revision of the Progress Update and Disbursement Report (PU/DR) form used by LFAs to include, among other things, PSM-related reporting; and the introduction of Country Profiles by the PMU.

The audit report contains 17 recommendations on ways in which the Global Fund can address the problems identified by the OIG. Some of them, such as the following two recommendations, raise issues that could impact the Global Fund's core principle of country ownership:

- The Global Fund should consider the benefits of playing a more active role in resolving, or mobilising development partners at global and national level to resolve, procurement problems, even if it comes at the cost of bending the principles of the Global Fund as a "financing only" entity.
- The Global Fund Secretariat should institute measures through which PR's PSM activities are monitored in accordance with the grant agreement, approved PSM plan and Global Fund procedures.

The OIG said that "it is for debate whether greater PSM oversight at a country level would be in conflict with the Global Fund model. The important question arises about how far procurement oversight structures established by the Global Fund can go without overstepping its mandate as a financing mechanism and interfering with the obligations of PRs in relation to PSM."

The Global Fund Secretariat said that it welcomed the recommendations, that it agreed with all of them (fully or partially), and that many of the recommended actions are covered in the Secretariat's 2010 workplan.

The information in this article was taken from "Review of Oversight of Grant Procurement and Supply Chain Management Arrangements," Office of the Inspector General, Global Fund, 22 April 2010, available at www.theglobalfund.org/en/oig/reports.

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3. NEWS: Report Documents Gaps in Civil Society Participation on CCMs
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People living with HIV are present on CCMs, but often lack genuine access to decision-making. Key affected populations are often absent from CCMs. CCM members (not just government representatives) are often unable or unwilling to create the conditions needed for the meaningful participation of these populations.

These are some of the conclusions of a survey on civil society participation on CCMs, conducted by the Civil Society Action Team (CSAT). The survey was conducted among civil society organisations, networks and listservs in 40 countries around the world, between September 2008 and April 2009.

The survey also found that although the Global Fund requires that non-government representatives on the CCMs be selected by their own sectors, this is still not happening in many CCMs, where representatives of civil society organisations (CSOs) are invited or selected by the CCM or government officials. Even where CSO representatives are selected by civil society, sometimes the processes are not fully inclusive, often due to financial or practical challenges.

The survey also found that:

- communications within CCMs and from CSO representatives on the CCM to their constituents is often limited and unsystematic;
- civil society representatives often lack the capacity and expertise to fully engage in CCM processes and to properly represent their constituents; and
- multi-sectoral involvement in proposal development and grant oversight is often limited.

The report on the survey results recommended that the Global Fund take "strong and decisive action in countries that continue to sideline civil society representatives, especially those from groups of people living with HIV and key affected populations." The report also recommended that "international civil society," in collaboration with the Global Fund and UNAIDS, develop models for the fair and transparent election of its representatives."

Finally, the report recommended that civil society develop accountability mechanisms for its representatives that include required and desirable professional attributes.

The information for this article comes from "Study on Civil Society Participation in Global Fund Country Coordinating Mechanisms," 2010, available at www.csactionteam.org.

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4. REMINDER: Guides and Reports Available on the Aidspan Website
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The following is a partial list of the guides and reports available on the Aidspan website at www.aidspan.org/guides:

Guides

A Beginner's Guide to the Global Fund
July 2009; in English, French, Spanish and Russian
Provides a broad introduction to the Global Fund for people who have little or no prior experience of the Fund. Comes in three versions: the full guide (about 60 pages); an eight-page summary, and a two-page summary.

The Aidspan Guide on the Roles and Responsibilities of CCMs in Grant Oversight
March 2009; in English, French, Spanish and Russian
Describes what grant oversight is, and provides basic advice on how a CCM can plan and implement oversight.

The Aidspan Guide to Building and Running an Effective Country Coordinating Mechanism (CCM)
SECOND EDITION SEPTEMBER 2007; IN ENGLISH, FRENCH AND SPANISH
Provides advice on how to build a strong and effective CCM. Topics covered include the structure of the CCM, CCM membership, CCM operations, the CCM's role in proposal development and project implementation, and information sharing and constituency communications.

Reports

Grant Consolidation and the Single Stream of Funding – An Aidspan Q&A
JULY 2010; IN ENGLISH, FRENCH, SPANISH AND RUSSIAN
Provides basic information on the concepts of grant consolidation and the single stream of funding, and on how Global Fund applicants and implementers will be affected.

Aidspan Report: Key Strengths of Rounds 8 and 9 Proposals to the Global Fund
JANUARY 2010; IN ENGLISH, FRENCH, SPANISH AND RUSSIAN
Provides information to Global Fund applicants on key attributes of a strong proposal, based on an analysis of the strengths of all approved Round 8 and 9 proposals, as identified by the Technical Review Panel (TRP).

Aidspan Report: An Analysis of Global Fund Grant Ratings
NOVEMBER 2008; IN ENGLISH
Provides information on how different types of PR have performed.

Aidspan Report: Do Global Fund Grants Work for Women? An Assessment of the Gender Responsiveness of Global Fund-Financed Programmes in Sub-Saharan Africa
JULY 2008; IN ENGLISH
Examines the extent to which approved proposals from sub-Saharan Africa in Rounds 1-7 included services and activities that were gender-responsive. Also reports on what results have been achieved for gender-related services and activities in Global Fund grants in five focus countries: Kenya, Malawi, Tanzania, Uganda and Zambia.

Aidspan White Paper: Scaling Up to Meet the Need: Overcoming Barriers to the Development of Bold Global Fund-Financed Programs
APRIL 2008; IN ENGLISH
Discusses the obstacles at country level and at the Global Fund level to adequately scale up programmes; and what should be done to address these obstacles.

Aidspan White Paper: Providing Improved Technical Support to Enhance the Effectiveness of Global Fund Grants
MARCH 2008; IN ENGLISH
Discusses the problems that arise in the provision of adequate, timely, appropriate and effective TS for programmes financed by the Global Fund; and what can be done about these problems.

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5. NEWS: Two New Debt2Health Agreements Signed
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New Debt2Health agreements have been signed among the Global Fund and several countries. One agreement involves Australia and Indonesia; another involves Germany and Côte d'Ivoire. This brings the total number of Debt2Health agreements to four.

Debt2Health is an innovative financing initiative of the Global Fund. It helps channel money of developing countries away from debt repayment and towards life saving investments in health. The first two agreements involved, respectively, Germany and Indonesia, and Germany and Pakistan.

Under an agreement signed in July 2010, Australia will cancel about US$75 million of Indonesia's debt and, in return, Indonesia will invest half of this amount in national programmes to combat

tuberculosis through the Global Fund. Indonesia has the third highest rate of tuberculosis in the world, with more than 90,000 Indonesians dying from the disease every year. Despite tuberculosis being preventable and curable, the disease is on the rise in Indonesia and many other developing countries.

Under an agreement signed in September 2010, Germany will cancel about $27 million of Côte d'Ivoire's debt, and Côte d'Ivoire will invest half of this amount in national programmes to combat HIV/AIDS through the Global Fund. Côte D'Ivoire is the first African country to benefit from Debt2Health. The HIV prevalence rate in the West African country is 3.9 %.

To date, a total of about $210 million has been written off in swap agreements between creditor and debtor countries.

The information for this article was taken from two Global Fund press releases: "Australia, Indonesia and the Global Fund sign debt swap agreement to increase Tuberculosis services in Indonesia"; and "Global Fund, Côte D'Ivoire and Germany sign agreement to convert debt into resources to fight AIDS." Both press releases are available at www.theglobalfund.org/en/pressreleases.

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6. NEWS: Global Fund and Manufacturers Reduce Prices of Malaria Drugs in Eight Countries
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Malaria patients in eight countries in sub-Saharan Africa and Asia will pay significantly less for ACTs (artemisinin-based combination therapies) purchased through the private health care system, as a result of agreements between the Global Fund and six manufacturers of malaria drugs.

The Global Fund says that these agreements place affordable life-saving malaria drugs within reach of millions of people in need, especially children. This public- private collaboration is part of Phase 1 of the Global Fund's Affordable Medicines Facility-malaria (AMFm), which involves pilot projects in eight countries: Cambodia, Ghana, Kenya, Madagascar, Niger, Nigeria, Senegal, Tanzania (mainland and Zanzibar) and Uganda.

The six manufacturers are: Ajanta Pharma, Cipla, Guilin, Ipca, Novartis and Sanofi-aventis. All six pharmaceutical companies meet the Global Fund's quality criteria for supplying ACTs to first-line buyers under the AMFm.

The Clinton Health Access Initiative (CHAI) negotiated the agreements. Private importers will now pay up to 80% less than they did in 2008-2009 for ACTs, bringing the factory gate prices down to the same level as for public sector buyers. The AMFm will then subsidise purchases made by first-line buyers, all of whom have signed an undertaking to pass the benefit of low prices down the supply chain.

The manufacturers have also agreed not to market any oral artemisinin monotherapy, which are undesirable because they increase the risk of widespread resistance to the artemisinin in ACTs.

The Global Fund launched Phase 1 of the AMFm at the end of 2009. After two years, providing the AMFm is successful, the Global Fund is expected to expand it globally. (See "Global Fund Board Approves Proposals for Phase 1 of the "Affordable Medicines Facility - Malaria" (AMFm) Funding Stream" in *GFO 111*.)

The information for this article was taken from "Agreements reduce prices of malaria medicines by up to 80%," a Global Fund press release, available at www.theglobalfund.org/en/pressreleases/?pr=pr_100714.

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7. NEWS: Report Renews Concerns About Stolen Malaria Medicines
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A report published recently in a medical journal has focussed renewed attention on the problem of donated malaria drugs being stolen and then sold in the private sector in Africa. According to researchers, in a study conducted between 2007 and early 2010, of nearly 900 samples purchased from private pharmacies in 11 African cities, 6.5% were stolen. For artemisinin combination therapies (ACTs), the most effective medications available for malaria, the percentage was higher; 15% of the 2007 samples and 30% of the 2010 samples were stolen drugs.

The report, which appeared in the journal *Research and Reports in Tropical Medicines*, was co-authored by Roger Bate of the American Enterprise Institute (AEI) and two colleagues from Africa Fighting Malaria (AFM). AEI is a conservative think tank. AFM is an NGO based in Washington, D.C. and South Africa whose mission is to “make malaria control more transparent, responsive and effective.” Some critics claim that AFM is more about promoting ideology than delivering services. AFM's original focus was the promotion of a public health exemption for the use of the insecticide DDT for malaria control.

The 11 cities involved in the study were located in six countries: Ghana, Kenya, Tanzania, Uganda, Rwanda and Nigeria. The researchers acknowledge that the sample size was small, thus making it difficult to reach firm conclusions concerning the extent of the problem. However, they say, “a potentially serious problem may well exist.” It is a public health problem, in the sense that drugs intended for hospitals and clinics are diverted to for-profit pharmacies. But there are also other possible harms, such as increased trade in counterfeit medicines, and in expired and otherwise substandard medicines.

Most of the malaria drugs being donated to African countries come from programmes supported by the Global Fund or the (U.S.) President’s Malaria Initiative. Manufacturers package donated drugs differently than those meant for resale, which is how the researchers were able to identify which drugs had been stolen.

The Global Fund’s communication director, Jon Lidén, told the media that the Fund is investigating the possible theft and sale of donated malaria medications in a number of countries. Lidén did not say which countries. "There have been anecdotes about stolen drugs as long as there have been donated drugs in Africa," he said. "This is not a new thing at all, but we have had some more clear or concrete allegations – though so far not substantiated – in the last months that has led us to start a full investigation of these issues." The investigation is being carried out by the Global Fund’s Office of the Inspector General (OIG).

Lidén told *Global Fund Observer* that “there is a large difference between finding random stray drugs in market stalls on the one hand and actually finding sufficient evidence of theft and perpetrators of such theft to be able to take firm action on the other. Thefts can range from organized stealing of drugs in large quantities to individuals pilfering a few boxes of drugs here and there. The Global Fund cannot sanction countries without a clear sense of the nature and size of the problem. This is the task the OIG is pursuing at the moment and it will take some time.”

The drugs purchased in the study had been donated to ministries of health. Exactly where in the supply chain these medications are being stolen, and who is responsible for the thefts is unknown. Tido von Schoen-Angerer, of Médecins Sans Frontières, said that it is extremely difficult to determine the scale of the problem since drugs are not often followed from their origin to their ultimate destination in Africa.

In 2009, an audit of the U.S. President's Malaria Initiative in Angola found that malaria drugs were "persistently stolen." Four major thefts of the malaria drug, Coartem, valued at over $642,000, were reported.

The OIG identified counterfeiting as a “significant risk” in an audit on procurement practices published in April 2010. The OIG said:

> Quality assured health products imported using Global Fund funds may be exchanged for inferior or counterfeit products which are then distributed to the intended recipients of the grants. The quality assured health products are then sold in commercial centers in the country or exported to neighbouring countries. Although this risk cannot be easily quantified, it has a

great impact on the grant program both in terms of reputational risk as well as endangering the lives of the recipients of Global Fund programs.

The OIG recommended that the Global Fund consider (a) encouraging implementers to strengthen their supply and logistics management; and (b) requiring tracking of products to the intended beneficiaries.

Lidén said that the Global Fund's Affordable Medicines Facility – malaria (AMFm) initiative should help to reduce thefts. The AMFm initiative is designed to significantly reduce the cost of ACTs through a combination of negotiating lower prices with manufacturers and providing subsidies. A significant reduction in the cost of ACTs would remove some of the incentive for the thefts. The AMFm initiative is currently in a pilot phase in 12 countries in Africa. If the pilot is successful, the initiative will be expanded to other countries.

Information for this article came from the following sources:

- *"Global Fund investigates possible theft, sale of malaria medication," T. Miller, The Rundown, Public Broadcasting System (PBS), 4 September 2010, www.pbs.org/newshour/rundown/2010/09/global-fund-investigating-possible-theft-of-malaria-medication.*
- *"Some donated malaria drugs being stolen in Africa," M. Cheng, Associated Press (AP), 1 September 2010, http://www.salon.com/wires/health/2010/09/01/D9HV3PB80_af_med_stolen_malaria_drugs.*
- *Review of Oversight of Grant Procurement and Supply Chain Management Arrangements, Office of the Inspector General, Global Fund, 22 April 2002, www.theglobalfund.org/en/oig/reports.*

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8. NEWS: Board Approves COS Request from Russia, Amidst Concerns about Stockouts
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On 1 September 2010, the Global Fund Board approved a continuity of services (COS) application from the Russian Federation for a Round 4 HIV grant, in the amount of $16,623,895, for the period from 1 September 2010 to 31 August 2011.

The Board said that although the Russian Federation does not meet all of the eligibility criteria for Global Fund support for upper-middle-income countries, "there is a need for continuing ARV treatment for 12,258 patients currently on treatment" for the three month period (September – November 2010) who are being transitioned into the national treatment programme. The Board added that the Russian Federation requires additional time to finalise the transition of ARV treatment of 4,669 migrants and prisoners into the national programme.

The Board approved the funding "with the understanding" that by not later than 31 March 2011, the CCM will submit to the Global Fund a transition plan for migrants and prisoners describing how the patients on treatment will be funded from government and other sources after the period covered by the COS.

Since Round 6, the Russian Federation has been classified by the World Bank as an upper-middle-income country and has been eligible to apply to the Global Fund only for TB (in light of the high burden of TB in the country). It has not been eligible to apply for HIV or malaria. Prior to Round 6, the Russian Federation was classified as a lower-middle-income country.

In November 2009, the Global Fund Board approved "on an extraordinary basis" an extension of a Round 3 HIV grant to Russia, which was due to expire on 31 August 2009. The extension is until 31 December 2011. The cost of the extension is $24 million. The grant includes the provision of ARVs as well as prevention services to vulnerable populations. In its decision, the Board noted that the Fund's income eligibility policies are under review, and that this review should be completed by late 2010. The Board also urged Russia to expand its investments in services to vulnerable populations.

Meanwhile, according to postings on the International Treatment Preparedness Coalition (ITPC) listserv, demonstrations were held in Moscow in mid-September 2010 to protest interruptions of treatment for people living with HIV. Activists said that the interruptions started in April 2010 and have affected at least a quarter of Russia's regions. Several activists were arrested and later released.

The website www.pereboi.ru, which was launched in 2010 specifically to record the absence of medicines, reports stockouts of ARVs in Ulyanovsk, Samara, Arkhangelsk, the Moscow Oblast, Vladimir, Kaliningrad, Saratov and other regions. Treatment interruptions in prisons are recorded in almost all regions of Russia. Stockouts have been a documented problem for four consecutive years. Legal proceedings against the government with regard to stockouts have already been initiated in three Russian cities. According to the Russian Health Care Foundation, less than 62,000 patients out of the 120,000 who need them will receive ARVs in 2010.

Activists are concerned that the situation will only get worse after money from international sources, such as the Global Fund, runs out because, in their view, the government of the Russian Federation is not taking adequate steps to replace the funding that will be lost and to improve treatment delivery.

Some of the information for this article was taken from Board Decision Point GF/B21/EDP/19, not yet posted on the Global Fund website; and Board Decision Point GF/B20/DP29, at www.theglobalfund.org/en/board/decisions.

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END OF NEWSLETTER
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This is an issue of the *GLOBAL FUND OBSERVER (GFO)* Newsletter.

Author: All articles for this issue were written by David Garmaise (david.garmaise@aidspan.org), Aidspan's Senior Analyst, except for Article 1, which was written by Bernard Rivers.

GFO is an independent source of news, analysis and commentary about the Global Fund to Fight AIDS, TB and Malaria (www.theglobalfund.org). GFO is emailed to over 8,000 subscribers in 170 countries at least twelve times per year.

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