



Independent observer
of the Global Fund

Tanzania and Uganda - Unanticipated Headaches

The Global Fund encountered unexpected difficulties in recent dealings with Tanzania and Uganda. These may just involve bureaucratic teething problems, or they may provide early warnings of problems that will also arise with other countries.

Two days before the Fund was due to sign a grant agreement with Tanzania on 22 November for a \$12 million grant for malaria prevention, the Tanzanian Finance Ministry insisted that it, rather than the nation's malarial control program, would handle the funds. The Fund immediately canceled the signing, not so much because such an approach is unacceptable, but because it is different from what the Tanzanian CCM had proposed and agreed.

"While the Global Fund had reached an agreement with the Principle Recipient and the Chair of the Country Coordinating Mechanism (CCM), it appears that further discussion is required between Tanzania's CCM and the Tanzanian Ministry of Finance on key components of the agreement," a Fund spokesman said.

The Tanzanian Ministry of Finance responded, "We are concerned that the mechanism of aid delivery proposed by the Global Fund Against AIDS, Tuberculosis and Malaria, has the potential of undermining government accountability and [negating] all efforts made so far to improve development partnership and aid effectiveness."

The ministry quickly relented, however, and the agreement was signed on 30 November. "One of the things that distinguishes the Global Fund is that it's not business as usual," Dr. Feachem said. "We pulled back and they sorted things out. We're delighted it's now moving ahead."

No such resolution has yet been reported regarding the situation with Uganda. In Round One, a \$52

million proposal from the Ugandan CCM was provisionally approved by the Fund. Then in October, the Ugandan Ministry of Finance ruled that this grant will not be allowed to lead to an increase in Uganda's health expenditure. The Ministry said, in effect, that if the Fund provides this money, the Ugandan government will spend correspondingly less of its own money on health, leaving the health budget unchanged. The Director of Budget in the Ministry of Finance explained to The Lancet that Uganda wants to predict and regulate the amount of money in circulation, and to avoid unsustainable financial inflows. This didn't sit too well with the Permanent Secretary in the Ministry of Health, who complained to The Lancet, "We thought the Global Fund would come as additional funding to the sector, but now the Ministry of Finance is saying 'no way'."

According to The Lancet, Ugandan Finance Ministry officials have insisted that the best way to increase expenditure on health and other sectors is through sustained economic growth rather than through taking unlimited amounts of money from donors. Finance Minister Gerald Sendaula said, "We should not just be told 'funds are available, take it up'. If we handle our economy that way we will have problems."

Some observers have speculated that this approach by the Ugandan Ministry of Finance is designed to satisfy the IMF. If this is so, and if the IMF endorses the MoF position, it would mean that the Global Fund and the IMF are on a collision course, because one of the most basic tenets of the Global Fund is that its grants must lead to "additional" expenditure, and must not be used to replace pre-existing sources of funding.

The only public comment by the Global Fund was by Dr. Feachem to the San Francisco Chronicle. "We have to take a principled stand on a variety of issues," he said. "The use of our money to save somebody else's [money] — that's completely not allowed," he said.

[GFO will seek comments from the Ugandan Ministry of Finance, the IMF, and the Fund, and will report these to the GFO Discussion Forum.]

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