



Independent observer  
of the Global Fund

## Global Fund Encounters Criticism in Washington, DC

The US Capitol Hill briefing in late September started out as a routine event – a discussion of what to do about the portion of the United States’ 2004 allocation to the Global Fund that hadn’t been matched, two-to-one, by other donors. But the briefing of Senate staffers by US administration officials quickly turned into an indictment of the Global Fund for everything from having poor financial management to supporting rogue states. The meeting nearly sparked one Senator to introduce legislation slashing the United States’ 2005 contribution by \$150 million, and it spurred Global Fund operations chief Brad Herbert to fly to the US Capitol for three days of damage control. The flurry of criticism may still have an impact on the United States’ 2005 contribution to the Fund, likely to be finalized later this month.

The September 21 briefing for more than half a dozen Democratic and Republican Senate staffers was led by Bill Steiger (who directs the Office of Global Health Affairs in the department of Health and Human Services (HHS), is a senior advisor to HHS Secretary and GF Chair Tommy Thompson, and has long been a senior member of the US board delegation to the Fund), and Pam Pearson (of the office of the Global AIDS Coordinator, which runs the President’s Emergency Plan for AIDS Relief (PEPFAR)). Steiger, whom the journal *Science* describes as “a political appointee with close ties to the Bush family,” often comes across as skeptical of multilateral organizations; last spring, he instituted a policy that US government scientists must submit paperwork for foreign travel approval to meet with any UN organization – even if its office is just across town.

At the briefing, Steiger and the other administration officials raised significant concerns about the Global Fund’s performance, including slow disbursements, inadequate staffing at the Secretariat, insufficient strength to manage a Round 5, and irresponsible disbursements to corrupt or repressive states. (Steiger and Pearson did not respond to GFO requests for comment.) “It blindsided all of us,” said Oliver Sabot, of Friends of the Global Fight, an advocacy organization supporting the Global Fund. “What started out as an

update on the Fund turned into a laundry list of complaints.”

Within days, Republican Senator John Ensign planned to introduce an amendment shifting \$150 million of the 2005 Global Fund contribution to PEPFAR, apparently motivated by a mistaken belief that Global Fund prevention dollars could be used to pay for abortions, but he was persuaded to back down by fellow Republican Senators, such as Rick Santorum, who have long supported the Fund. A week after the briefing, the Chairs of three Senate committees sent a letter to Executive Director Richard Feachem expressing concerns about the Fund’s recently signed grant agreement with Burma (also known as Myanmar) and about the board’s approval of proposals from other “illegitimate and hard line regimes” in Cuba, Sudan, Iran, and North Korea. These communications amplified concerns and conditions set out earlier by the House Appropriations Committee in a July report accompanying its 2005 budget bill.

Facing this flurry of criticism, the Fund Secretariat responded decisively. Feachem sent a 10-page letter to Senate staffers responding to the issues raised at the September 21 briefing, and the Fund’s Herbert flew to Washington on September 29 for meetings with Senators, Senate staffers, and HHS officials.

The primary concerns raised, and the Secretariat’s response, were as follows:

Burma:

Katy French, a senior policy advisor to Sam Brownback, one of the three Republican Senators who signed the Burma letter, told GFO that a Global Fund grant to Burma might provide legitimacy to the brutal military regime there. “Senator Brownback wants US foreign aid, paid for by taxpayers, to save lives,” French said. “And propping up illegitimate regimes that are oppressing their people and exporting terrorism does not save lives. While Senator Brownback wants to be supportive of the Fund, he’d urge the Fund to avoid any activities that would fail the sniff test.”

Although the Principal Recipient in Burma is the UNDP rather than a domestic organization, the September 28 letter from Senators Brownback, Judd Gregg, and Mitch McConnell questioned why the initial disbursement of \$2.4 million was so large (34% of the grant), a decision that struck them as “reckless given the difficulties of conducting programs in a repressive environment.” They also asked why, “as the world seeks to strangle the financial strongholds of terrorists,” the Secretariat chose to support proposals from nations the United States has designated as sponsors of terrorism: Cuba, Iran, North Korea, and Sudan, all of which had proposals approved by the board. (Brownback has typically been supportive of efforts to increase the US contribution to the Fund above the amount in presidential budget requests.) Senate staffers also expressed concerns that some proposed Sub-recipients listed in the proposal are in fact NGOs linked to the military government.

GF response: In his letter, Feachem explained that the initial Burma disbursement was – as is usual – an investment in local infrastructure, in this case procurement of vehicles for use by UNDP, establishment of a UNDP project office, etc., and that the Fund has imposed additional “safeguard standards” stricter than those employed with other GF grants, or those typically imposed in international humanitarian assistance to Burma. In a press release, the Fund said that the Burma government will not have access to or benefit from any part of the grant. And in his meetings in DC, Herbert explained that with countries such as Burma and North Korea, the Fund’s safeguard standards, approved at last March’s board meeting, allow the Secretariat to choose the Principal Recipient and to insist on approving individual Sub-recipients.

In the case of Burma, Herbert emphasized that the Sub-recipients listed in the original proposal, some of whom are indeed connected to the regime, are unlikely to receive GF money. Not a single dollar will be disbursed to a Sub-recipient, he said, until the Local Fund Agent and the Secretariat carry out a full assessment of each organization. “it’s all about protecting the assets of the Global Fund,” Herbert told GFO he had said in his meetings in DC. “If this can’t be done, whether in Burma or North Korea, then

we're absolutely comfortable saying to the board that we have to pull the plug."

Feachem also noted in his letter that the Secretariat has been supplying almost weekly updates to the office of the Fund's Chair on grant negotiations with the five countries of concern.

#### Disbursements:

According to one Senate staffer present, Administration briefers raised concerns that the Global Fund had, on the one hand, made an irresponsibly large first disbursement to Ethiopia of \$45 million over three grants (44% of the total) and, on the other hand, was generally proving to be extremely slow at disbursing grants, to the point that the Fund might be ill prepared to launch a Round 5. A report from the House Appropriations Committee, in proposing a \$400 million contribution to the Fund for 2005 (double the President's request), noted that although the Fund had approved more than \$2 billion in grants, only \$400 million had been disbursed, and of this, "only a fraction has reached those in need." "It is critical," the report continued, "for the Fund to show that the billions of dollars that donors have committed are being used expeditiously and efficiently."

GF response: On the question of Ethiopia, Feachem wrote, the large initial disbursement was necessitated by the country's procurement policy, which requires the full cost of a tender to be in the bank. "We were merely putting money into an account so they'd have the legitimacy to go out for tendering" for the full procurement of Phase 1 drug requirements, Herbert told GFO he said at the meetings. "Our LFA requested it, our LFA stayed abreast of it, and it was reviewed internally by our own legal staff." Now, Herbert said, after twelve months of delay during which the Fund's portfolio manager visited the country twice to troubleshoot, the commodities are beginning to flow in. (Feachem's letter did note, however, that the delays caused by Ethiopia's "particularly detailed and time-consuming tender process" mean that the Phase 2 renewal of these grants "is in peril.")

Herbert views the broader concerns about disbursement delays as a problem that the Secretariat, having added additional positions approved by the board in June, now has the "critical mass" to resolve. "We've clearly demonstrated that the Secretariat will not be a bottleneck," he told GFO. "I committed that we'd get Round 3 fully approved by October 15, which we did – we got every grant signed, with the exception of a few cases where we have to put 'additional safeguards' in place. We've started signing Round 4 agreements, and with Phase 2, of the 31 grants due for renewal, every Grant Performance Report got out on time. it's a board decision when and how we initiate a Round 5. But the Secretariat will have no problem implementing it."

#### Transparency and Accountability:

HHS briefers and the House Appropriations Committee called for stronger evidence of grant performance on the ground; the latter even called for an independent inspector general to audit the Secretariat.

GF response: Feachem, in his letter, pointed out that the first proposals approved by the Fund in early 2002 lacked adequate and consistent performance targets for measuring progress. Since then, the Secretariat, with the help of the consulting group Accenture, developed detailed grant performance templates that will facilitate the reporting of data. While there have been some delays in posting this data to the Fund's website, he wrote, "when delays occur in the actual receipt of reports...this is the subject of immediate attention by the LFA and the Secretariat's own portfolio managers." He noted that the Global Fund is currently being audited by the United States' Government Accountability Office; to assist in that effort, Feachem has designated a GAO liaison person and provided dedicated office space in Geneva for the GAO team.

Feachem salary:

HHS briefers questioned whether the Fund's Executive Director was receiving excessive compensation.

GF response: Herbert said this wasn't a hot topic in his meetings in Washington, but Feachem did address it in his written response. His compensation package, he wrote, is pegged at the grade of an Undersecretary-General at the UN, and includes salary, allowance, pension contribution, and a housing subsidy. It was approved by the board in April 2002 and has not been increased since.

Overall:

Oliver Sabot, of Friends of the Global Fight, said that efforts by the Secretariat and by advocates like him to "smooth the feathers" ruffled by the September briefing have gone well. "People were very appreciative of Brad's whirlwind of meetings," Sabot said. "For him to say what amounts to, 'I'm in charge of this and I won't tolerate any crap' was very effective."

Looking back on the meetings, Herbert told GFO, "I was expecting the worst, that it would all be political, but it wasn't. The meetings played out as frank exchanges and I really enjoyed them. I was talking with concerned staffers who had done their homework. Every question they asked was legitimate, and they were questions we should be answering on a more regular basis." As an illustration of the cooperative attitude, he pointed to the fact that his meetings with members of Congress were facilitated by Scott Evertz and other AIDS staffers in Secretary Thompson's office. "That demonstrates the confidence they have in us," he said.

But several Washington-based advocates for the Fund feel that the climate in Washington has deteriorated. "I saw that briefing as a shift in administration tactics," said Paul Zeitz of the Global AIDS Alliance, who attributes the shift in part to the beating that PEPFAR took at the Bangkok AIDS conference, and the perception that the Fund didn't adequately defend the US program. "For the first time, the administration was aggressively trying to undermine the Fund. And that has a ripple effect, because it sends a political signal."

"The honeymoon is over," added Zeitz. "The Global Fund isn't going to get unbridled praise from anyone any more. I keep hearing complaints from the field about disbursement delays, and donors are starting to draw the line as well, saying you have to get the money to move before we can push for a big increase. And Feachem's salary may be a legitimate issue, too."

The House and Senate will reconvene on November 15 to work out discrepancies between their numbers for the US contribution to the Fund in 2005 – \$250 million on the Senate side, and \$400 million on the House side. It is difficult to predict the impact that the return to office of President Bush and the strengthened position of Republicans on Capitol Hill will have on US contributions to the Fund, given that the Fund has supporters on both side of the aisle. But even if the Congressional negotiators agree on the higher figure that has been proposed by the House, that will still represent a significant drop in the US's

contribution, which exceeded \$500 million in 2004.

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