



Independent observer  
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## A Critical Review of New Funding Mechanisms

[Excerpted and condensed, with permission of the author, from a July 12 keynote presentation at the opening plenary (on Access to Resources) at the International AIDS Conference in Bangkok.]

The fight against HIV and AIDS is one of the biggest challenges we face today. This disease, together with tuberculosis and malaria, is ravaging the lives of tens of millions across the world. It undermines hope for pulling people out from poverty, raising living standards, and even jeopardizes peace and stability.

For many years this “chronic crisis” was ignored by those with the most power to stop it. Finally, that has begun to change.

UNAIDS estimates that AIDS funding in low- and middle-income countries increased from \$300 million in the mid-1990s to \$4.7 billion in 2003. These funds mostly come from international donors, but domestic spending by governments of affected countries and out-of-pocket spending by directly affected individuals and their families is also substantial. The increase is impressive, but not sufficient.

A massive increase in funding is needed. So the question is, if you want to put serious new money into fighting AIDS, where can you get the best bang for your buck? By going bilateral? By choosing the UN route? By using new funding mechanisms? Let’s take a look.

\*Overview of funding channels and mechanisms\*

The United States has set up a new initiative, the President’s Emergency Plan For AIDS Relief (PEPFAR), which favors a bilateral approach. It allocated \$2.4 billion in 2004, its first year of operation, to 15 target countries. It aims to get five million people on anti-retroviral therapy within five years.

Europe's support for the three diseases flows through a multitude of bilateral channels, multilateral agencies and NGOs. This reduces the visibility and political leverage of Europe's contribution – even though the total of all European contributions is bigger than that of the US.

The World Bank has also become an important AIDS funder. In addition to its traditional loans, the Bank in 2000 initiated the Multi-Country AIDS Program (MAP). This new mechanism, which provides funding and technical assistance, has been praised for being demand-driven and flexible. Half of MAP support goes to small-scale, high-impact efforts by local grassroots organizations. After a slow start, MAP has approved approximately \$1 billion in grants to some 25,000 projects in 28 countries in sub-Saharan Africa and the Caribbean. It is, however, difficult to assess what has been achieved so far.

Another innovative funding mechanism is the Global Fund to Fight AIDS, TB and Malaria, which has only been operational since 2002. It has mobilized significant new resources, and is the first instrument to recognize the deadly synergy among these major diseases.

Many members of the UN family are also engaged in the fight against AIDS; some provide funding for projects, others are involved in coordination, advocacy and monitoring. Lastly, private foundations and corporations are making significant contributions. The Gates Foundation set a fine example with its major contribution to the Global Fund, while some companies have launched programs to treat their employees and families.

So what do all these global initiatives add up to? Well, not enough to keep pace with AIDS. If we want to stand a chance in the battle against AIDS and TB, donors should make more funding available, and increase effectiveness by enhancing collaboration and developing comprehensive programs.

#### \*Challenge 1 – Funding levels\*

Looking at the resource gap, UNAIDS estimates that we will need \$12 billion annually by 2005 – and \$20 billion by 2007. This means a fourfold increase of current spending.

Existing donors will need to multiply their efforts. Without a global authority to tell each donor how much they should contribute, donors must give their fair share. The amounts have been articulated by the NGO community in the so-called “equitable contributions framework,” and governments should take them seriously.

Of course, resources for the fight against AIDS cannot come at the expense of other efforts to tackle poverty and reach the Millennium Development Goals. Funding must be additional.

#### \*Challenge 2 – Donor cooperation and harmonization\*

While recipients need to use AIDS funds effectively, international donors can and must increase their cooperation in order to have the most impact.

While preparing for this speech, it was difficult – sometimes impossible – to obtain data from donor governments on their current and future AIDS spending. This lack of information impedes donor collaboration. No one is accountable for duplication of efforts, or for the fact that some countries receive disproportionately high levels of support while others receive little or nothing.

Timely information sharing is also crucial. The World Health Organization last year launched its “3x5” initiative. This is not actually a funding mechanism. The WHO is to provide much-needed technical assistance while others are to finance the actual treatment. This division of responsibility can only work if such initiatives are developed and implemented in close consultation with funders and recipient

governments.

Donors will always have different priorities and funding channels. But they need to coordinate aid flows so that they support nationally owned plans and frameworks. All stakeholders – including NGOs – should be involved in their design and implementation. We at the Open Society Institute know from our experience on the ground that in each country where the response to AIDS has shown success, civil society has helped to catalyze action at the community level, influence national plans, and hold inactive governments to account. Civil society's ability to bring AIDS to the public sphere – despite stigma and discrimination – is a vital complement to the actions of governments and donors.

Streamlining and harmonization of donor procedures – such as programming, reporting and monitoring – would enhance country capacity to use international assistance effectively. UNAIDS put it bluntly: “The lack of harmonization kills people.” Donors need to provide resources in a coordinated way to make access as easy as possible for those who need it most.

### \*Challenge 3 – Developing comprehensive programs\*

Another challenge is the policy gap. The priorities set by donors too often are driven by ideology rather than by need.

Take PEPFAR for example. It earmarks a specific proportion of spending for abstinence-only programs. At issue is not only the effectiveness of the “A” of “abstinence” versus the “B” of “being faithful” or the “C” of “using condoms.” It is also about whether in-country experts should design programs shaped by the realities on the ground. In Africa, many new infections occur in monogamous married women. They are already “being faithful,” and “abstinence” is just not an option.

Many donors are under pressure to produce quick, measurable results – “deliverables.” It is easy to link donor dollars to numbers of people on anti-retroviral treatment – and much harder to show measurable returns on investments in prevention or health care systems. Thus, it is tempting to focus on ARV treatment. Treatment is essential, but it must be part of a broader approach that gives prevention and care their proper place.

When setting priorities for an all-inclusive approach to fight AIDS, donors – and recipient governments – must have the will to address controversial aspects of the pandemic. Increased support for programs focusing on disenfranchised and marginalized people – such as injecting drug users, sex workers, prisoners, asylum seekers, and refugees – is compulsory.

For example, injecting drug use has become the driving force behind the spread of HIV in the Eurasia region – including China, Iran and Russia. To halt the spread of AIDS there, donors must provide strong support for harm reduction programs such as needle exchange and methadone substitution – which have proved the most effective means of reducing new infections.

Donors and recipients must also confront the underlying structural barriers – political and legal – to the effective deployment of funds.

And finally, we need to address the problem of human capacity and brain drain that hinders many countries from mounting an effective response.

In summary, we need a wholesale, not piecemeal, approach. AIDS must be seen within the broader context of development.

\*The Global Fund to Fight AIDS, Tuberculosis and Malaria\*

At OSI, we believe that the Global Fund has the potential to address the three challenges that I have just described.

Several features make the Global Fund unique in the way it delivers assistance. Projects are supposed to be designed and implemented by the recipients themselves, through processes that involve governmental and non-governmental actors. The Fund attracts finances and technical assistance from a wide variety of donors – including private ones. It has attempted to implement transparent and accountable procedures for its decision-making and operations. The process is designed to be participatory; and from the Country Coordinating Mechanisms (CCMs) to the board level it includes donors and recipients – governmental and non-governmental. And the Fund aims to be flexible and responsive, while maintaining only a small bureaucracy.

You might think that these aspects are common to most aid delivery mechanisms; but I am afraid they are not.

Operationally, there are points of contention and failure. Grant signing and disbursements have been slow – although they are starting to pick up. Civil society groups in many countries complain that they are excluded from the CCMs – and that these are far from transparent.

These problems need to be met head on. Not just by the Secretariat, which has shown great willingness to re-evaluate and modify its procedures; but also by the Fund's board members.

Overall, the first results are impressive. The Global Fund has currently committed \$3 billion for two years to 130 countries.

But the Fund is at a critical juncture. It will need at least \$3.5 billion in 2005 – of which only \$880 million has been pledged so far. French President Jacques Chirac and others have suggested that the Fund's needs should be provided on the following basis: one-third by the US; one-third by the European Union; and one-third by other countries and private contributions. Europe currently provides just over half of the Global Fund's needs. The US should continue to honor its commitment to give one-third of the Fund's budget; and the rest of the world should provide its share.

The donors that created, resourced and promoted the Global Fund – including the US – have to see it through financially.

**\*Conclusion\***

To win the fight against AIDS, international donor should increase their funding and spend their money more effectively – by improving cooperation and harmonisation and developing comprehensive programs. At the beginning, I also asked how donors could get the best bang for their buck?

It is too early to definitively judge the various new funding mechanisms. But based on the early evaluations and OSI's first-hand experience, I would put my money in the Global Fund.

It is more than a funding mechanism; the Fund is rewriting the rules on delivering assistance.

It tries to marry the best of all other instruments – an emergency spirit, recipient-owned programs, and participatory processes. And, just as important, it is addressing problems it encounters.

I hope that we will leave Bangkok with the commitment and political resolve to make the Global Fund work and flourish.

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