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**FRAUD AND ABUSE OF GLOBAL FUND  
INVESTMENTS AT RISK WITHOUT  
GREATER TRANSPARENCY**

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A MINORITY STAFF REPORT

PREPARED FOR THE USE OF THE

COMMITTEE ON FOREIGN RELATIONS  
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## LETTER OF TRANSMITTAL

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UNITED STATES SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC, April 5, 2011.*

DEAR COLLEAGUES: Through the President's Emergency Plan for AIDS Relief (PEPFAR), the United States is providing both bilateral and multilateral assistance to disadvantaged populations to prevent and treat people with HIV/AIDS, tuberculosis and malaria. As of December 2010, U.S. investment in these programs totaled more than \$32 billion. The U.S. provides its multilateral assistance through the Global Fund to Fight AIDS, Tuberculosis and Malaria, an independent entity which receives contributions from both countries and private organizations and provides medication and health services through nearly 600 grants in more than 140 countries. Although the Global Fund has demonstrated significant accomplishments and successes in saving lives through its antiretroviral drug programs and its prevention work, it has recently come under fire for mismanagement of grants in several countries. Following the release of several critical reports, some donors to the Fund have suspended their contributions until all mismanagement practices and abuses of funds can be rectified.

Many of the new Members of the Senate who have no direct experience with PEPFAR and the Global Fund have asked Committee staff for a brief primer on these programs in anticipation of having to make funding decisions relative to these global initiatives. I requested Senior Professional Staff Members Shellie Bressler and Lori Rowley to produce this primer. Their report examines the history and operation of PEPFAR and the Global Fund, the problems and initial improvements made to it, and the most recent challenges it faces. It also provides a series of recommendations for implementation by both the U.S. Government and the Global Fund for strengthening existing systems for the distribution of supplies, medication and services in order to prevent further mismanagement and to ensure that the maximum number of people may benefit from the health prevention and treatment efforts of the Global Fund.

These tough recommendations run the gamut from withholding U.S. funds to the United Nations Development Fund (whose Development Program is a large recipient of Global Fund grants) until the organization's internal procedures allow for greater access to their internal audit and investigation documents, to a recommendation for the development of an additional layer of protection and an early warning system in those nations where instability and/or government corruption are a concern.

I hope you find this report useful and that we may work together to reduce fraud, improve transparency and ensure maximum value for the U.S. investment in these global health programs.

Sincerely,

RICHARD G. LUGAR,  
*Ranking Member.*

# FRAUD AND ABUSE OF GLOBAL FUND INVESTMENTS AT RISK WITHOUT GREATER TRANSPARENCY

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## HISTORY AND BACKGROUND

### *The United States and the Creation of PEPFAR*

The United States has been at the cutting edge of research into the cause and treatment of HIV/AIDS among its citizens since the early days of the detection of the disease. Its interest in addressing the devastating consequences of HIV/AIDS internationally began in earnest in early 2001 under the leadership of President George W. Bush when he established a cabinet-level task force to address HIV/AIDS globally. Co-Chairs Secretaries Colin Powell (State) and Tommy Thompson (Health and Human Services) led a diverse team from many sectors of the executive branch to develop the initiative.

Despite the fact that the task force developed its proposal as the nation coped with the aftermath of the September 11 attacks, it received strong focus from the President, driven both by his own point of view and the encouragement of the evangelical Christian movement, some members of which believed that overcoming this devastating disease was a moral obligation. President Bush unveiled a proposal, now referred to as the President's Emergency Plan for AIDS Relief (PEPFAR), in his 2003 State of the Union address. He requested Congress to commit \$15 billion over five years for the effort, primarily for Africa and the Caribbean.

At this time, Members of the House and the Senate were also developing their own legislation, including a bill Senators Lugar and Kerry were drafting. Following the President's proposal in January of 2003, the pace of the legislative effort accelerated. Under bipartisan leadership of Chairman Henry Hyde and Ranking Democrat Tom Lantos, the House acted first, passing H.R. 1298—the United States Leadership Against HIV/AIDS, Tuberculosis and Malaria Act of 2003—by a vote of 375-41 in May of that year.

On May 7, 2003, Chairman of the Senate Foreign Relations Committee Richard Lugar, along with Ranking Member Joseph Biden, Senator John Kerry, and Democratic Leader Tom Daschle, led the Senate effort as sponsors of S. 1009, The United States Leadership Against HIV/AIDS, Tuberculosis and Malaria Act of 2003. Together with the backing of Senate Majority Leader Bill Frist, the Senate approved the legislation, authorizing the U.S. to participate in the Global Fund to fight AIDS, Tuberculosis and Malaria. Following House adoption of the Senate's amended version, President Bush signed the bill into law on May 27, 2003 as Public Law 108-25.

On July 18, 2008, the Senate approved the reauthorization of the legislation, the Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis and Malaria Reauthorization Act (P.L. 110-293), by a bi-partisan vote of 80-16. The reauthorization increased funding; set higher targets for prevention, treatment and care; and gave country teams the flexibility to tailor their programs to meet their countries' epidemics.

#### *Funding History of PEPFAR*

Since its creation in Public Law 108-25 in 2003, PEPFAR has received annual appropriations from Congress totaling \$32.367 billion through fiscal year 2010. (Final funding levels for fiscal year 2011 remain unknown pending the outcome of the continuing resolution). The largest portion of this funding flows through appropriations to the State Department's Office of the U.S. Global AIDS Coordinator, while other funds also are dispensed to PEPFAR from the Departments of Health and Human Services, Defense, Commerce, Labor, and the Peace Corps via other appropriations bills. PEPFAR represents both the United States' bilateral efforts to support the treatment of HIV/AIDS, TB and Malaria and our international financial support of the Global Fund. (See below).

#### *The Role of International and Other Organizations*

As the President and the Congress worked to set the parameters for a U.S. program and its partnership participation in a global effort against HIV/AIDS, other countries and the United Nations also engaged in the effort. In remarks at the African Leaders Summit in Abuja, Nigeria, in April of 2001, Secretary-General Kofi Annan put forth a number of specific actions for African nations themselves to stem the HIV/AIDS epidemic on the African continent. He called for "the creation of a Global fund, dedicated to the battle against HIV/AIDS and other infectious diseases."

#### ESTABLISHMENT OF THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA

The United Nations General Assembly held a Special Session on AIDS in June 2001 at which the organization agreed to establish a fund to address the global AIDS pandemic. Additionally, the G-8 endorsed the establishment of the fund at its 2001 Summit in Genoa. The Global Fund to Fight AIDS, Tuberculosis and Malaria was established in 2002, not as a United Nations organization, but rather as an independent financing entity that both receives contributions and disperses these donations to countries for the treatment, prevention and care of HIV/AIDS, tuberculosis and malaria.

#### FUNDING HISTORY

Since it began receiving contributions in 2001, the Global Fund has received nearly \$18 billion from more than 43 countries. Additionally, private donors and other contributors have provided significant funding. An early donor, the Bill and Melinda Gates Foundation, made its first contribution in 2004 and has contributed \$650 million to date. Through a recent re-focus on prevention of the disease, and noting the Global Fund's focus on treatment, the



Foundation has recently expanded its commitment to the Fund to \$500 million over a five year period, thus bringing its contributions to over \$1 billion by 2014. Private donors have contributed nearly \$950 million and together, with country donors, \$18.9 billion has been donated to the Fund since its inception through 2010. Additionally, more than \$2.5 billion has already been pledged for 2011 from both countries and foundations. Of the \$32.367 billion the U.S. has provided to date for PEPFAR, more than \$5 billion has been transferred to the Global Fund through fiscal year 2010.

#### OPERATION AND STRUCTURE OF THE GLOBAL FUND

The Fund's board is composed of 20 voting members representing nations, both donor and developing countries, non-governmental organizations and private sector representatives. An additional six non-voting members serve on the board, representing the World Health Organization, the Joint United Nations Programme on AIDS (UNAIDS), the World Bank, a health partner organization, the Executive Director of the Global Fund and one Swiss citizen.

The Fund's overall operations are led by the Secretariat, with more than 500 employees in its offices in Geneva, Switzerland.

#### PROCESS FOR PROVIDING MEDICINES AND SERVICES

The Global Fund opens grant applications for services, medications and supplies to competitive bids from entities that work together in partnerships called County Coordinating Mechanisms (CCMs). These entities are composed of representatives of organizations including governments, either multilateral or bilateral agencies, non-governmental organizations, academic institutions, private businesses, and people living with the diseases. CCMs select Principal Recipients (PRs), which are usually national organizations to carry out the work in each country or area. While the majority of the Fund's grants are approved to CCMs, others may also apply. In areas of severe internal conflict, it may be the case that no CCMs apply. In these instances, the United Nations Development Program (UNDP) may be called on to conduct the work, or the UNDP may win a competitive contract among many bidders.

Contracts are released through a series of funding rounds that include several levels of review, first from the Secretariat, which ensures the overall eligibility and completeness of the application and next from the Technical Review Panel (TRP). This panel is an independent panel of up to 40 experts in the health fields of the Fund's focus and may not include any members of the Fund's Board. Following the recommendation of the TRP, the full Board must approve each grant.

#### ACCOMPLISHMENTS OF THE GLOBAL FUND

According to statistics kept by the Global Fund, through December 2010, the Global Fund committed \$21.7 billion for 579 grants in 144 countries and had disbursed \$ 9.3 billion to grant recipients.

Global Fund-supported programs have saved an estimated 6.5 million lives through the delivery of significantly expanded key services:

- 3 million people currently on antiretroviral treatment for HIV
- 7.7 million people on effective TB treatment under the internationally approved TB control strategy (DOTS)
- 160 million insecticide-treated bed nets distributed to protect families from malaria

Additional results in treatment, prevention and care include:

- 150 million people reached with HIV counseling and testing
- 142.4 million malaria drug treatments delivered
- 2.7 billion condoms distributed
- 5 million basic care and support services provided to orphans and vulnerable children
- 160.4 million people reached with community outreach services
- 12.3 million people trained to deliver services for prevention and treatment of AIDS, TB or malaria

#### BENCHMARKS AND TRANSPARENCY

The Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis and Malaria Reauthorization Act (P.L. 110-293) included a series of transparency and administrative benchmarks for the Global Fund to Fight AIDS, Malaria and Tuberculosis. These benchmarks include the requirements to strengthen the Office of the Inspector General (OIG) and make available the OIG reports on the Global Fund's website; the online publication of all Global Fund Board reports, meeting decision points, and United States positions taken on votes; the online publication of all grant and sub-grant recipient funding and performance for grants; a requirement to take steps to prevent the imposition of tariffs and taxes by host countries on goods and services provided by the Global Fund.

#### CREATION OF THE OFFICE OF INSPECTOR GENERAL

As initially set up in 2002, the Global Fund did not include any independent, oversight mechanism to ensure transparency and accountability. As early as September 2004, about 18 months into the program, representatives from the Bush Administration publicly raised concerns about the administration of the Fund ranging from slowness in grant distribution to inadequate staffing levels to review grants as well as the distribution of grants to corrupt or repressive states. In their "Fiscal Year 2005 Report on the Global Fund to Fight AIDS, Tuberculosis and Malaria" document, the President's Emergency Plan for AIDS Relief (PEPFAR) expressed concerns about the understaffed Secretariat. Although the Secretariat successfully monitored financial programs regarding the number of grants issued and pushed to move quickly on new grant negotiations, the understaffed Secretariat could not properly analyze reports coming in from Local Fund Agents (LFAs), which monitor programs on-the-ground at the country level.

The United States representatives to the Board continued to press for greater transparency. Recognizing the need to provide better transparency, in July 2005 the Board of the Global Fund to Fight AIDS, Tuberculosis and Malaria established an independent

Office of the Inspector General that sought to ensure the integrity and effectiveness both of the programs of the Global Fund and its internal operations. The Office of the Inspector General (OIG) reports to the Board of the Global Fund, with the Finance and Audit Committee as the primary point of contact. The U.S. delegation was instrumental in developing the policies of this new position to include best practices of U.S. government inspector general offices and in consultation with the U.S. government's Inspector General legal counsel.

Consequently, in an effort to increase transparency, it was established that the Office of the Inspector General would publicize its reports, whenever possible, while reserving the right to redact portions of documents. These guidelines require reports to be posted on the Global Fund's website within three days of completion. In those instances where public disclosure would not be prudent, the information could be made available on an "as needed" basis, and recipients would be informed of the circumstances under which the issuance of the report would be harmful if publicly posted.

On February 5, 2007, the Boston Globe ran an article entitled "Disease-Fighting Fund's Expenses Hit" alleging that Global Fund Executive Director Richard Feacham used a little known, private bank account to incur excessive and lavish expenses on the Global Fund's tab. The claims were based on an unpublished report by Inspector General Ibrahim Zeekah who resigned around that time for health reasons. The Inspector General's report said that Feacham's spending habits created "potential risks," including loss of donor confidence because of "inadequate internal controls over funds," and that "senior management failed to convey and reinforce the need for careful and prudent use of donor funds."

Richard Feachem served as Executive Director until March 31, 2007. Upon Dr. Feacham's departure, Dr. Michel Kazatchkine became the Global Fund's new Executive Director. In December 2010, he was reappointed for a second term as Executive Director, a term that extends until March 2014.<sup>1</sup>

Following Zeekah's resignation, the position of Inspector General of the Global Fund remained vacant for nearly a year until, in January 2008, John Parsons, a former Inspector General at the United Nations Educational, Scientific and Cultural Organization, joined the Global Fund as its new Inspector General. At his first board meeting, John Parsons made it clear to the U.S. delegation that his highest priority would be accountability and effectiveness at the country level.

#### CURRENT RESPONSE BY THE OIG

Under the leadership of IG John Parsons, the Office of the Inspector General has aggressively performed individual country and program audits and investigated allegations of fraud, whether reported through one of the Fund's hotlines or as a result of a scheduled audit. According to the Inspector General's December 2010 report to the Board of the Global Fund, the Secretariat was following up on 12 audits that contain 432 recommendations. Through its

<sup>1</sup>"Professor Michel Kazatchkine Appointed a Second Term as Executive Director of the Global Fund" Press Release, Global Fund to Fight Aids, Malaria, and Tuberculosis, January 11, 2011.

public reports, the Global Fund has established records of finding, investigating and reporting fraud. In the past, a number of these investigations, including an extensive report on embezzlement and misappropriation of funds in Uganda, have led to the repayment of funds and the prosecutions of three individuals, including a 10-year sentence for one individual. Additionally, Ugandan officials believe that additional prosecutions are likely.

Recently, several audits and reports of the Office of the Inspector General of the Global Fund have received widespread media coverage. This media attention has revolved around alleged widespread corruption and fraud in four of the 145 countries that receive Global Fund grants: Mali, Djibouti, Mauritania and Zambia. The reports involve false and forged receipts for travel, training and general overhead expenses, and deficient record keeping. The Global Fund is demanding repayment of more than \$34 million from grants approved in these four countries and is working with host governments on full prosecution of the wrongdoers.

Specifically, in Mali, the Inspector General found that \$4 million was misappropriated through forged per diem records and falsified travel expense documents. To date, sixteen people have been arrested, and the Minister of Health resigned days before the report was released. Criminal proceedings have also been launched in Mauritania and Zambia. Additional safeguards have been implemented in these four countries regarding existing grants, and the Global Fund Secretariat is placing more attention on monitoring activities in other high risk countries in order to improve the local capacity of the implementing team and to detect potential fraudulent activities.

Donors have begun to express concerns over the reports of fraud. For example, Germany and Sweden have halted donations (an estimated \$85 million) until ongoing investigations are complete. Additionally, the United States delegation has stressed the need to enact measures and adopt procedures to ensure that all necessary steps are taken to “correct and prevent the misuse of Fund resources.”<sup>2</sup>

Nevertheless, the underlying question remains as to why fraud occurs in the first place. Over the past three years, a number of routine country and program audits have unearthed allegations of fraud and have led to full-fledged investigations. Is there something endemic with the grant issuances and partner selection? Do those entrusted with monitoring and evaluating the programs, and thus ensuring that funds are not finding their way into individual pockets, understand how to pinpoint fraud and quickly remedy the situation?

#### SECRETARIAT RESPONSE

After much delay, the Board made two decisive moves: 1) it increased the staffing and budgetary support for the Office of the Inspector General from a 2009 budget level of \$6.67 million and 19 staff to 30 staff positions and a proposed budget of \$19.79 for 2011; and 2) it acknowledged that reforms would be necessary in order

<sup>2</sup>United States Global Aids Coordinator Eric Goosby email to the Board of the Global Fund, February 6, 2011

to prevent additional donors from terminating their support or freezing and conditioning their contributions until the enactment of meaningful reforms by the Board of the Global Fund.

At the December 2010 Board meeting, the Global Fund created the Global Fund Comprehensive Reform Working Group that has been tasked to produce a report with specific reforms to address recent shortcomings in fiduciary responsibilities and transparency. The Working Group consists of the Chair and Vice Chair of the Board of the Global Fund, the Executive Director of the Secretariat, three donor representative (the United States, France, and one from the Norway/Denmark/Ireland/ Luxembourg/Netherlands/Sweden consortium), and three representatives from the recipient countries community (Latin America and Caribbean, Eastern Europe, and East Africa). On March 16, 2011, the Global Fund Announced that former U.S. Health and Human Services Secretary Michael Leavitt and former President of Botswana, Festus Mogae, will lead this panel which is expected to present its findings at the June 30, 2011 Global Fund Board meeting.<sup>3</sup>

#### *United States Recommendations on Reform*

The United States has outlined seven steps it believes important to create the confidence that the Global Fund can reduce the risk of fraud and abuse of resources. These steps include the following:

1. Identify high risk grants
2. Conduct an immediate review of grants and activities deemed as high risk
3. Develop an early warning system to identify and address risk at the earliest possible stage
4. Create a rapid response system to crack down on corruption as soon as it is realized
5. Apply lessons learned from Inspector General audits and reports
6. Better train in-country entities (local fund agents and country coordinating mechanisms) on spotting and addressing fraud
7. Strengthen ties between the Secretariat, the Inspector General and the in-country implementers.

#### BUDGET IMPLICATIONS

At last fall's replenishment conference, the Obama Administration pledged \$4 billion over three years to the Global Fund—a 38 percent increase over the previous three years. Much pressure was placed on the United States not only from the Global Fund but also from the development assistance advocates to make a multi-year pledge, with the hope that other donor nations would follow suit with their own multi-year, robust pledges. The Global Fund estimates that every dollar contributed by the U.S. is leveraged with \$2 from international donors.

The President's fiscal year 2011 budget request included \$1 billion for the Global Fund, and the Senate Appropriations Committee

<sup>3</sup>“Global Fund Names Former HHS Secretary Leavitt and Former President of Botswana Mogae to Lead Independent Review,” Global Fund to Fight Aids, Malaria, and Tuberculosis press release, March 16, 2011

approved this funding level in the 111th Congress. However, on February 11, 2011, the House Appropriations Committee released its outline of proposed reductions in government spending for the remainder of fiscal year 2011 (from March 4, 2011 through September 30, 2011). This Continuing Resolution cuts the U.S. contribution to the Global Fund by \$450 million.

#### *United Nations Development Program*

Worldwide, the United Nations Development Program (UNDP) is one of the largest administrators and overseers of Global Fund programs. In recent years, the United States has contributed \$100 million annually to the UNDP through the State Department's International Organizations Account. Additionally, the United States has allocated between \$150 million and \$250 million annually to the UNDP for specific programs.

At this time, UNDP has a presence in 27 countries where it manages nearly \$1.1 billion in Global Fund grants, both as the Principal Recipient and as a sub-grant implementer.<sup>4</sup> Oftentimes, the UNDP is called upon to take over the role as Principal Recipient—operating in a number of countries where no other organization will go, or where there are citing concerns about safety, lack of infrastructure to operate, or extreme dysfunction and/or corruption of the host government.

Over the years, the UNDP has lost credibility owing to controversies ranging from the “Oil for Food” scandal to the appointment of Iran to chair the UNDP 36-member executive board in 2009.<sup>5</sup> The UNDP is commonly referred to as the “Principal Recipient of Last Resort” when the Global Fund has no other option in a country. Often, a decision must be made either to turn the responsibility over to the UNDP or to terminate the country's program.

The UNDP internal policy does not allow outside entities, such as the Global Fund or World Bank, to examine the UNDP's books—even when the UNDP is administering and overseeing a grant. The UNDP offers summaries of audits to the Global Fund OIG, but the Inspector General has stated that these summaries are insufficient and that the UNDP auditing team has refused to partner with the Global Fund auditors on joint investigations. The UNDP claims “special immunity” that allows the UNDP to restrict access to this information.<sup>6</sup> As a United Nations Member State, the United States has access to UNDP's Office of Audits and Investigations reports, but only a limited group of people can view them. All reviews are conducted at the UNDP offices, with the reviewer only allowed to take notes, not to make copies of the reports. Although overlap of UN Member States and Global Fund Board Memberships exists, this limited access to pertinent documents is not conducive to the performance of complete investigations.

Such UN bureaucratic roadblocks came to light when the Office of the Inspector General at the Global Fund investigated reports of fraud in Mauritania, where the UNDP was Principal Recipient for

<sup>4</sup>“UNDP-Global Fund Partnership” Fact Sheet—UNDP, February 2011.

<sup>5</sup>“Iran's Mini-Empire at The U.N.,” by Claudia Rosett, *Forbes.com* July 23, 2010.

<sup>6</sup>“The Office of the Inspector General Progress Report for March–October 2010 and 2011 Audit Plan and Budget,” Office of the Inspector General, the Global Fund to Fight Aids, Malaria, and Tuberculosis, December 2010.

two malaria grants and two tuberculosis grants. The Inspector General analyzed the expenditure of some \$3.5 million of the \$9.9 million in disbursements and found that approximately \$2.7 million had been misappropriated. The Inspector General was unable to examine the rest of the funding in question (approximately 55 percent of the total grant) because the UNDP refused to grant the Global Fund OIG access to documents, staff, and witnesses.<sup>7</sup>

In the same report, the Global Fund Office of the Inspector General raised additional problems with programs associated with the United Nations Development Program. In Haiti, the Global Fund revoked Principal Recipient responsibilities from the UNDP due to lack of access to internal UNDP audits by the Global Fund Inspector General after he found a \$519,326.00 discrepancy between the records of the UNDP and records of the sub-grant recipients.<sup>8</sup> In Mali, the UNDP has instructed sub-recipients not to provide the Global Fund investigators access to any information, documents, or witnesses, even after fraud and misappropriation of funds were detected in preliminary investigations.<sup>9</sup>

On February 4, 2011, the UNDP announced plans to “submit a proposal to UNDP’s Executive Board to allow the Global Fund to access the UNDP audit reports of Global Fund projects, a privilege currently restricted to UN Member States.”<sup>10</sup> The UNDP staff has confirmed that this proposed change, which will be presented to the UNDP Executive Board at their June 2011 meeting, would grant “limited access” to the Global Fund but not full access to the audit and investigation materials.

#### DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

On March 1, 2011, the Department for International Development in Great Britain (DFID) issued a Multilateral Review. This report evaluated the 43 international funds and organizations to which the United Kingdom contributes with respect to value for the money and each fund’s and organization’s effectiveness in combating poverty, taking in account transparency and accountability. British Secretary of State for International Development Andrew Mitchell reported to the House of Commons that nine organizations provided “a very good value for the British taxpayer.”<sup>11</sup> The organizations given the highest recommendations in the findings include a number of global health multilaterals: the GAVI Alliance, UNICEF, and the Global Fund.

#### RECIPIENT COUNTRIES AS DONORS

Currently, the Global Fund Board is considering changing its prioritizing criteria for the funding of grants. One of the main issues being discussed is lowering the funding priority for grants

<sup>7</sup> “The Office of the Inspector General Progress Report for March–October 2010 and 2011 Audit Plan and Budget,” Office of the Inspector General, the Global Fund to Fight Aids, Malaria, and Tuberculosis, December 2010.

<sup>8</sup> *Ibid.*

<sup>9</sup> *Ibid.*

<sup>10</sup> UNDP-Global Fund Partnership Fact Sheet—UNDP, February 2011.

<sup>11</sup> Statement by the Secretary of State for International Development: the Bilateral and Multilateral Aid Reviews to the House of Commons, March 1, 2011.

to middle-income countries. (Income levels are determined by the World Bank Income Indicator).

According to the Global Fund, in 2010, eleven countries were considered both donors and recipients: China, India, Malaysia, Namibia, Nigeria, Romania, Rwanda, Russia, South Africa, Thailand, and Tunisia. On a whole, the contribution by such countries is a token one; for the amount each country is donating pales in comparison to the amount they are receiving in grants. However, there is one exception: at the 2006 G8 Summit in St. Petersburg, Russia, Russian President Vladimir Putin pledged to repay 80 percent of the \$320 million Global Fund grants it has previously received (approximately \$270 million).<sup>12</sup>

In terms of countries that have historically received large grants but have contributed a miniscule amount, China stands out. Since 2002, the Global Fund has approved 14 grants in China worth \$1.87 billion, of which \$832.5 million has been committed. In contrast to the vast bilateral investment in non-health related infrastructure, including soccer stadiums, performing arts centers, and road projects, China has committed very little to multilateral funds. In the latest replenishment round, China has pledged \$14 million to the Global Fund over three years. In contrast, the Russian Federation has paid back its previous grants and pledged \$60 million over three years.

According to the World Bank, China is considered a lower middle-income country with a per capita income of \$3,650. The Global Fund's policies include cost-sharing provisions, and lower middle-income countries are expected to contribute as much as 65 percent of program costs. The Chinese government, according to the Global Fund, China is contributing 80–83 percent of total costs of its in-country program. As China graduates to become an upper middle-income country (above \$3,945 per capita income), it should no longer apply for Global Fund grants and thus should pick up the entire costs of the programs.

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<sup>12</sup>“Global Fund Mulls Loans to Fight Aids” by James Kilner, Reuters News Service, May 4, 2008.



## Appendix

2004–2009 Statistical data provided by the UN, World Bank, WHO, UNAIDS

Disease Burden in China:	
<b>HIV/AIDS</b>	
People living with HIV .....	700,000
Adult HIV prevalence (percent) .....	0.1
AIDS-related deaths .....	39,000
Estimated number of people receiving ARV therapy .....	65,481
<b>Tuberculosis</b>	
TB case notifications .....	975,821
TB treatment success rate (percent) .....	94
TB incidence, smear-positive (rate per 100,000 population) .....	48
TB incidence, smear-positive (number) .....	640,000
TB prevalence, all forms (number) .....	1,200,000
TB prevalence, all forms (rate per 100,000 population) .....	88
<b>Malaria</b>	
Estimated malaria deaths .....	24
Reported malaria cases .....	16,650
Reported malaria deaths .....	23
Disease Burden in South Africa	
<b>HIV/AIDS</b>	
Estimated number of people needing ARV therapy (WHO 2006 guidelines) .....	1,700,000
Orphans due to AIDS .....	1,400,000
Estimated number of people receiving ARV therapy .....	971,556
AIDS-related deaths .....	350,000
Estimated number of people needing ARV therapy (WHO 2010 guidelines) .....	2,600,000
Adult HIV prevalence (percent) .....	18.1
People living with HIV .....	5,700,000
<b>Tuberculosis</b>	
TB prevalence, all forms (number) .....	300,000
TB treatment success rate (percent) .....	74
TB incidence, smear-positive (rate per 100,000 population) .....	410
TB case notifications .....	343,855
TB incidence, smear-positive (number) .....	200,000
TB prevalence, all forms (rate per 100,000 population) .....	610
<b>Malaria</b>	
Reported malaria deaths .....	43
Reported malaria cases .....	12,098
Estimated malaria deaths .....	146

2004–2009 Statistical data provided by the UN, World Bank, WHO, UNAIDS—Continued

Disease Burden in the Russian Federation	
HIV/AIDS	
AIDS-related deaths .....	40 000
People living with HIV .....	940,000
Estimated number of people receiving ARV therapy .....	75,900
Adult HIV prevalence (percent) .....	1.1
Tuberculosis	
TB treatment success rate (percent) .....	58
TB incidence, smear-positive (number) .....	46,000
TB prevalence, all forms (number) .....	98,000
TB incidence, smear-positive (rate per 100,000 population) .....	33
TB case notifications .....	128,263
TB prevalence, all forms (rate per 100,000 population) .....	69

## STAFF RECOMMENDATIONS

1. Future U.S. contributions to the Global Fund should be contingent upon the Global Fund Boards' adoption of reforms laid out by the United States Department of State. The Department of State would be required to certify to Congress that the reforms were in place before funds could be released.

2. Withhold ALL funding to the United Nations Development Fund until it certifies that its internal rules and procedures have been sufficiently modified to allow the Inspector General of the Global Fund, the Inspector General of the World Bank, and any investigative arm of any multilateral organization to which the United States contributes funds FULL access to their audits, investigations, records and personnel.

3. Withhold U.S. contributions from the Global Fund to the UNDP until the U.S. receives confirmation of such certification.

4. Instruct the Government Accountability Office to conduct a study regarding the coordination of the Office of Inspectors General (or equivalent offices) of all U.S. Government entities and multilateral organizations receiving U.S. taxpayer funds that oversee the integrity of global health programs.

5. The United States Representative to the Global Fund should reiterate in the strongest terms to the Board of the Global Fund that the United States has no tolerance for fraud and abuse and that the Office of the Inspector General needs to acquire adequate resources and personnel to audit and investigate programs on the ground.

6. A high number of routine audits of Global Fund grants have turned into full-fledged investigations. The Global Fund should take any steps necessary to ensure that Local Fund Agents and CCMs are capable of managing grants and are properly trained on how to spot and mitigate suspected fraudulent activities.

7. The United States Government should conduct a top to bottom analysis of U.S. investment and contributions to international organizations and funds, similar to that conducted by Britain. On March 1, 2011, the United Kingdom Department for International Development issued a Multilateral Review, which evaluated the 43 international funds and organizations that the United Kingdom contributes with respect to value for the money and each fund's and organization's effectiveness in combating poverty, taking in account transparency and accountability.

8. The U.S. government should work more closely with host governments on establishing or increasing the country's commitment to making its own investments in health programs. When possible, the countries must demonstrate some commitment in moving towards sustainability and cease complete reliance on the donor community for the indefinite future.

9. The Global Fund should more clearly define its eligibility criteria to ensure that countries which truly do not need grants, due to high income or low disease burden, do not receive grants.

10. The Global Fund should develop a more precise “early warning system” and possibly an extra layer of the protection for resources in countries with a history or threat of government instability, and in countries that exhibit high levels of government corruption.

