



CENTER FOR GLOBAL DEVELOPMENT

Presents

Future Directions for the Global Fund

Thursday, December 14, 2006

4:00 p.m.

C. Fred Bergsten Conference Center
Peterson Institute for International Economics
1750 Massachusetts Avenue, NW
Washington, D.C.

[TRANSCRIPT PREPARED FROM AUDIO RECORDING]

Steve Radelet: Good afternoon. My name is Steve Radelet. I'm a senior fellow here at the Center for Global Development. I want to welcome everyone, uh, here this afternoon. Uh, it's a busy day, particularly for those of you that have been involved in the terrific malaria summit that, uh, occurred this morning. Uh, so we very much appreciate all of you taking the time to be with us, uh, this afternoon. We're delighted to have with us Richard Feachem, the executive director of The Global Fund to Fight AIDS, TB and Malaria along with Mark Dybul, Ambassador Mark Dybul, who's the head of PEPFAR, the global, uh, he's the U.S. global AIDS coordinator.

We're going to talk, we're going to give each of those folks an opportunity to speak for about ten minutes or so on the future of the Global Fund. Then we're gonna break to a little bit of a roundtable discussion moderated by Sebastian Mallaby from the Washington Post, including the two speakers plus me, and then we'll open it up to Q and A. Given the White House malaria summit today, uh, Richard Feachem has a TV appointment at, at 6:00 where he's got to go get his makeup on and look very pretty, uh, for the national news media, so he's actually gonna step out at about 5:15. We should have time for some questions for, for him. The rest of us will continue on for another 15 minutes or so. I think we'll probably end up at around 5:30, but we got squeezed a little bit because of the malaria summit earlier in the day and because of the, uh, the news, uh, later today, which are great things to be, to be squeezed by.

It's, it's a terrific day to get this kind of attention to malaria. Five years ago The Global Fund did not exist. It was an idea. It was an aspiration. It was a group of people and a group of governments and a group of activist organizations that had come together with this idea of having a new, uh, instrument, a new organization that would be focused on providing financing for the three diseases. It's come a long way in those five years. It's quickly established itself as one of the major forces in the world fighting against the three diseases. It's amazing that it's already providing 20 percent of the international funding against HIV/AIDS, 45 percent of the international funding in the fight against TB and 66 percent, two-thirds of international financing, uh, for, uh, malaria programs.

They've already approved 448 programs now, uh, worth 6.9 billion dollars after, uh, round 6 in 136 countries. Uh, and just within the last few days as far as I can tell they've surpassed the 3 billion mark in terms of actual disbursements. I looked a couple of weeks ago and it was 2.9 billion. I looked about ten minutes ago and it was 3.1 billion. So sometime in the last two weeks they passed the 3 billion dollar mark in terms of actual, uh, actual disbursements. Uh, but it's not just about money.

It's about affecting people's lives, uh, on the ground and, and through June of this year, uh, The Global Fund programs are, are supporting along with others, uh, intra retro viral treatment for, for over half a million people, 544,000 people, uh, around the world. They provided testing and counseling for 5.7 million people. Uh, they're supporting programs for, for DOTS treatment for TB for 1.4 million people, and they've, uh, provided support for 11, over 11 million, uh, insecticide-treated bed nets in the fight against malaria. Uh, they're doing this with less than 300 people in Geneva. Uh, this is, this is the anti-large bureaucracy in terms of the numbers of, of, of, of people which in itself creates some strains. In addition to its fight against the three diseases, The Global Fund has been pioneering new approaches in foreign assistance. It's a whole different model of how to provide funding, uh, in a performance-based, uh, decision-making system. It's a very unique model.

The Global Fund does not design programs. They do not implement programs. They do not provide technical assistance. They provide financing to country-led programs with the idea that other organizations would provide other, uh, aspects of support in a network approach in terms of supporting programs, and there's been, uh, some good parts to that design and there's been some growing pains to parts of that design that I think we'll want to talk to today. Richard likes to say that they're radically passive, uh, in their approach to providing financing to developing countries. So it's both their impact on the, the diseases and their impact on how we think about providing foreign aid effectively, uh, that has really made The Global Fund important.

We're at a critical time for The Global Fund. Richard's ten years is coming, uh, to a close. He's been there now for just about 4½ years and will be stepping down, uh, at the early part of next year. He's done a tremendous job in difficult circumstances in bringing this idea and aspiration to an institution that, that's having an impact, uh, around the world. He's, uh, he's really left a legacy which I think, uh, for, throughout The Global Fund people will look back and give thanks for Richard and his efforts, uh, and others that he has brought on, uh, on the staff. So with his departure, The Global Fund is at a critical time but it's also as The Global Fund matures from a startup to a more mature organization and at a time when the board of The Global Fund is considering a new strategy document.

So this is really an important time, uh, and as part of that, most of you know, we convened a working group here at the, at The Center for Global Development which has issued a report which, uh, copies are available out there, where we convened 22 people from around the world, members of the board, people implementing programs on the ground, independent researchers and analysts, uh, people from different agencies, uh, to comment on what the new, the challenges and opportunities would be for the new executive director of The Global Fund. And we put seven recommendations in there. You can read them for yourself—everything from strengthening in-country operations to thinking about financing to board relations and several other things. But a common theme throughout this is the importance of The Global Fund and its model working with other agencies and other organizations.

This is not something of a Global Fund can do it alone or other agencies can do it alone. It works as part of the network where countries contribute their staff and expertise. NGOs contribute; other aid agencies contribute—bilateral and multilateral. And it's in that spirit that we're delighted to have Ambassador Dybul with us, because the United States plays such an important role in The Global Fund. It is the largest funder, provides about 30 percent of the funding so far, uh, to The Global Fund. It's the largest shareholder in that sense but, uh, but not in the, in the World Bank voting sense because everyone on The Global Fund board has an equal vote, but it is the largest contributor, but the U.S. has played an important role in the board because, uh, Secretary Tommy Thompson was the chair of the board and the U.S. now chairs the policy and strategy committee.

So the U.S. plays a very, very strong role, uh, in The Global Fund and that comes under, uh, the rubric of the office of the global AIDS coordinator, Mark's office, so we're delighted to have him to comment, uh, on this. But it's also not just the relations on the board—it's the relationships in the country because the Global, the programs that The Global Fund supports work hand-in-hand in many countries with the programs supported by PEPFAR. Sometimes our relationship works well, sometimes not so well, and I think those are some of the challenges that we want to talk about, uh, today. So that's kind of the overall, uh, landscape, at least as I see it. I think there are a lot of challenges out there. There's been a lot of things

that have gone well, other things where there are some, some learning going on and some bumps in the road and I hope we can bring these out today. So without further adieu what I'm gonna do is turn it over, uh, to Richard Feachem, to give his talks followed by, uh, followed by Mark Dybul. We're delighted to have Richard Feachem with us today.

Richard Feachem: Well, good afternoon, ladies and gentlemen, and thank you very much, Steve. Maybe I could start by paying a tribute to the CGD and to Steve and his colleagues because since the earliest days of the Global Fund, indeed before the earliest days of the Global Fund, we've had constant intellectual support from the Center for Global Development, commenting, analyzing, and stimulating our work, our design, our ways of doing business by being an independent and critical friend of the Global Fund, and that's the kind of friend we need – an independent and critical friend. So thanks, Steve. Thanks also for your latest product which I call seven things to do in Geneva before you die which is the, which is the guidance for my successor whoever she may be.

Let me give a snapshot of the Global Fund adding a little bit to what Steve has just told you. On the income side we now have assets of \$9.8 billion of which \$6.6 billion is paid in cash and the remainder is legally binding promises and recalling that five years ago those numbers were all zero. On the expenditure side, the portfolio is now 450 grants in 136 countries and the total five-year value of those grants is around \$12 billion. The 136 countries which Steve mentioned is an interesting figure because it is almost saturation of eligible countries – not quite. There are six countries which are eligible in which we are not currently maintaining a financial relationship. They are the Marshall Islands, Turkmenistan, Burma where we withdrew, North Korea where we withdrew, Cape Verde, and West Bank Gaza.

With the exception of those six, we are actually now in and have a financial relationship with all eligible countries and think everybody here knows that the definition of eligibility is to be a low income country – World Bank definitions – or a lower middle income country – World Bank definitions. And of course to fight HTB and malaria worldwide you have to be everywhere that the pandemics are and particularly you have to be in the places where the pandemics are growing rapidly. As Steve said, sometime last week we crossed the \$3 billion mark in actual disbursements, money now in the hands of recipients and being spent on the fight on the frontline.

If we look at the shape of the portfolio that's been built up through six funding rounds, 54 percent to HIV/AIDS, the rest to TB and malaria; 67 percent to low income countries, the rest to lower middle income countries; 60 percent to Africa, the rest to other parts of the world; and 50 percent to NGO or non-governmental, NGO and other non-governmental recipients, faith-based, private recipients of the money. Now, I think very importantly in terms of the innovation of the model none of those matters are steered from Geneva. We are policy free on all those matters. There is no earmarking for Africa. There is no earmarking for AIDS.

So that spectrum of investments that have been built up over six rounds of funding are entirely demand-driven and that's an interesting fact because one of the criticisms of the Global Fund when it was getting underway in early 2002 was that this entirely demand-driven model would not work in practice and would not lead to a roughly optimal global spread of investments by country, by disease, by kind of intervention, etc. and I think the opposite has turned out to be the case and I said at a meeting last week that Adam Smith is

smiling broadly in his grave and wishing that he had written a chapter on development finance in his other learned treatises on trusting the demand side.

We did trust the demand side and it's worked and that is a huge innovation in the business of development finance and no one else with the possible exception of GAVI does it remotely like that. In terms of results, if I can update some of the numbers that Steve mentioned, today 1.2 million people on anti-retroviral therapy jointly achieved by Global Fund and PEPFAR and I like to give the joint numbers because this is a joint enterprise and Mark Dybul and Randy Tobias and I and others who've worked hard in this town to prevent the Global Fund versus PEPFAR dynamic and I think we've taken that quite a long way.

Two million people treated with dots and we'll also major funders of NDR TB treatment and in the future obviously XDR TB treatment as well. Nearly 10 million people tested and counseled in terms of this HIV status. Twenty-three million people reached around the world with various prevention activities and more than 1 million orphans provided care, support, food, scholarships and support to attend school, etc. In TB I think I mentioned 2 million people treated with dots. In malaria we announced yesterday the latest malaria figures – 18 million bed nets distributed which interestingly according to the mathematical models turns into about 370,000 lives saved over 3 years and about 20 million treatments with effective drugs of which about 6 million were with ACT ***** in combination therapy.

What has turned out in the first 5 years of the Global Fund – our fifth anniversary will occur the last week of January so it's coming up, and the question I pose now is what has proved to be special, different, interesting, productive about the Global Fund's design and as Steve said, it is an innovative design, a different design. What has proved to be of particular interest in the first five years of the experience of working with this model? Let me mention six things of which the first three are I think the most important. Firstly, the country drivenness – I've already referred to it. I can't imagine a development finance model which could be more country driven than the Global Fund except one that said we'll spend money on anything. I mean, the non-country drivenness of the Global Fund is the fact that we're for AIDS, TB, and malaria only and associated things, associated healthcare strengthening, orphans, etc.

We would be more country driven if we said it's the Global Fund for everything you can think of. That would be more country driven because people could apply for roads or schools or whatever. Well, they can't do that. It's AIDS, TB and malaria, but within that focus I can't imagine a way to be more country driven. I think we've pushed the envelope of country driven and I think that's directly connected with ownership and I think ownership is at the heart of the good results performance that we've seen.

Secondly, performance based – in the development finance industry people have talked about performance-based funding for a decade or more. People have tried to put it into practice. Typically the rhetoric is way beyond the reality and performance-based funding hasn't gone very far I think before GAVI came along, very performance based. Global Fund, very performance based, and I think we may see the Millennium Challenge Corporation following a similar pathway. We've taken performance based very seriously. We've moved money from well-performing programs to, um, I'm sorry. The other way around. We've moved money from under-performing programs to well-performing programs. In fact, we've shifted \$300 million in that way and we've also terminated programs whose performance fell below an acceptable standard, and we've done that interestingly so far in four countries, Nigeria, South Africa, Senegal and Pakistan, and those are interesting countries to name because I

think the expectation was that the termination on performance grounds would adversely affect the very poorest countries, the most fragile countries, the most vulnerable countries, and that has not been the case. The four examples of termination, which are termination of a grant, not of the relationship with the country, are to Nigeria, South Africa, Senegal and Pakistan which cannot be described as among the most fragile and are certainly not the poorest.

Thirdly, transparency – I keep waiting at a meeting like this for someone to say “Our web site is better than your web site.” No one’s said that yet. I hope someone here today will say that, but right now I challenge you. Does anyone have a web site better than the Global Fund web site? Can anyone in the development finance business – yes? We have some, we have some contenders. Okay. Good. Good. Is there anyone in the development finance who makes available to the world and anyone who can get on the Internet such detailed information, grant by grant, disbursement by disbursement, performance by performance? I’m not aware of that. I wish that it was so. I think it’s absolutely critical to the future of the development finance business.

Fourthly, I mentioned the low overhead rate. If you factor in the fact that the interest on our liquid assets pays for almost the entire cost of the secretariat. Then almost all of every incremental dollar given to the Global Fund goes to recipients. It doesn’t pay for the secretariat. It doesn’t pay for consultants hired in **** or anywhere else. It actually goes to the country and is spent on the frontline for the purposes that they determine.

Fifthly, corruption – much spoken about, very difficult. If you’re in the business of fighting AIDS, TB and malaria, you’re in a high risk business because you are financing work in some of the most systemically corrupt countries in the world. I think the Global Fund has set up systems to detect misuse of funds which are good and which are working and I think the Global Fund also is fortunate to have a very, a very strong ability to act quickly and strongly on any evidence of corruption and this comes from our legal status. We are not part of the United Nations therefore we’re not owned by member states. We are not a bilateral organization subject to the political relationships between Country A and Country B which can sometimes override tough decisions about corruption. We are a Swiss foundation.

I like to tell the story when we terminated to – we suspended to Ukraine just before the Ukrainian elections a few years ago on corruption grounds and the then-president of Ukraine called Kofi Annan and said “You’ve got to stop **** from doing this. He’s embarrassing me terribly. You’ve got to talk to him,” and Kofi Annan said, “You talk to him. He doesn’t work for me.” I think this is one of the powers of the Global Fund – to be an independent foundation and to have essentially no political override. If there is evidence of corruption we suspend. We suspend next Monday morning and there are no telephone calls of a political nature that can interfere in that discussion.

Lastly, I think the commitment to funding non-government recipients, a commitment that is fully shared by PEPFAR, funding the work that the faith-based organizations can do, that non-government recipients in general can do, is obviously critical to the fight against HIV/AIDS and more and more documented but it’s also I think important in TB and malaria. Rick Warren and other faith-based leaders were at the malaria summit with President and Mrs. Bush this morning and they made the obvious point which others including I echoed, which is that the faith-based organizations have presence in every village in every country. Nobody else does, and so if you’re talking about distributing bed nets for example, why not

distribute them through the churches and why not use the church organizations of all denominations and of all faiths to help educate people about protecting themselves from malaria.

Finally, a few words about the future and I'm sure there'll be a lot more in the Q and A about the future. Let me mention a small number of major challenges that strike me as I think about handing over to my successor. The first one is focus. Focus, focus, focus. I think one of the reasons for the relative success of the Global Fund has been a relentless focus on its core mission and a refusal to get dragged into business that other people would do better than we would do it, and when you become a large financing mechanism quickly everybody wants you to solve every problem.

So the pressure on us to get into this area, to get into that area, to solve this problem, to solve that problem is inexorable and my successor will have to become very good at the art of saying no and I think keeping to our business, keeping to our focus, has been absolutely critical and will continue to be so and one of my messages to my successor is maintain the focus and maintain it relentlessly and ruthlessly and you will be much pressured to do something different from that and don't succumb.

Secondly, procurement – We haven't got procurement rights. GAVI does it right I think and we do it wrong and we're about to make a transition. We're about to make a transition away from sending the money down 450 pipelines to 450 recipients and allowing them to procure by their own methods so that aggregate demand, which is very large, is broken into 450 tiny demands which are re-expressed on the global market in a very ineffective way. We will move towards **** procurement and in that respect become more like GAVI. I anticipate that that will happen over the next 12 months.

Next, income, both in terms of size and sustainability. Every year we have succeeded in getting from our many donors and supporters and the United States is the largest of those – we've succeeded every year in getting the money that we needed. So every TRP, every technical review panel proposal recommended to our board has been fully funded. No one has not been funded because of lack of finance. That is a remarkable achievement. We've kept that up through and including Round 6. I'm very confident about Round 7, but every year it gets more difficult and the other element of that, not just the amount of money but the sustainability and predictability of the money, is now center stage. PEPFAR vanishes in 2008 unless Congress does something purposeful to stop it vanishing in 2008.

The PEPFAR and the Global Fund together will have probably 2.4 million people on anti-retroviral therapy by the end of 2007. That is anti-retroviral therapy until death. That is the kind of promise between the wealthy nations and the poorer nations that we've never entered into before. If the money stops the drugs stop and people are dead within weeks. If the money fluctuates the drugs fluctuate and resistance is greatly fueled by the virus to the drugs, in the virus to the drugs. And so this sustainability and predictability of finance is absolutely critical to this enterprise and we haven't yet found an effective way to crack that. The U.S. made a five-year commitment in 2003 in President Bush's State of the Union. Most donors to the Global Fund make only one- or two-year commitments. We need to begin to think in terms of ten-year income commitments to the Global Fund and to PEPFAR in order that we can give the commitment to the recipients and there can be more security of funding long term.

And finally, I would mention the ongoing challenge of health system strengthening. Remember – any many of you in the room were involved in these debates – when Global Fund was created and when the scale of the Global Fund was talked about, some of the skeptics said you’re creating a pot of money which you won’t be able to spend. You’re creating a war chest which you won’t be able to effectively use because the capacity to absorb the money in the poorest countries is not there. The absorption capacity problem will thwart you and it will thwart you quickly. Well, the evidence has been quite to the contrary.

The capacity is there. The capacity exceeds the amount of money that we and PEPFAR have available but notwithstanding that very good news there still is a long-term, major task ahead of us which is strengthening, building the in many cases derelict health systems that we find today in the low income world. That is a huge long-term task. It’s one that the Global Fund has contributed to because 50 percent of all our investments do go to generic health systems investments such as human resources, supply chain, laboratories which don’t only do CD4 counts, etc., etc.

So we do invest substantially in things that strengthen the health system, but that is a long way short of the long-term major investments that are needed to turn what we find in a typical low income country in Africa today into a viable fabric for the delivery of health services, that overall task of health system strengthening which is very large. There was a report on this topic now almost a year ago by Alex Shakow of the World Bank. Many of you are aware of this report. It recommended in a nutshell that the Global Fund should do what the Global Fund is doing and the World Bank should take on the long-term, intellectually challenging and financially challenging task of health system strengthening. I believe that is the ideal outcome and I very much hope that the World Bank will indeed take on that task in a very serious and focused way. Thank you very much, indeed. I look forward to the discussion.

Steve Radelet: Thank you, Richard, for those words. We want to turn now to Mark Dybul, who is the U.S. Global AIDS coordinator. He was sworn in in that position just in August, so he’s just getting his feet wet, although before that, he served as acting coordinator since earlier this year when Ambassador Tobias moved on to head USAID and be at the State Department as well. Before that, he was deputy director and assistant coordinator at OGAC and before that, he was with Health and Human Services Department. So Mark has a rich history of many other piece of work that add to his insights on this. So Ambassador Mark Dybul.

Mark Dybul: Thanks, Steven and thanks to CGD for hosting this event. I think it’s important that we talk about the future of the Global Fund and the future of the fight against AIDS, tuberculosis and malaria. I would also like to thank Richard. Less people think we don’t to each other. I think this is the fourth things we’ve been at together in the last two days, so it’s wonderful to share the podium with you again, and I’d like to thank Richard for his leadership through these last 2 ½ years. We have some sense of what it’s like to begin something new. It’s not an easy task. It’s a very difficult task.

Richard has done an outstanding job under very difficult circumstances, bringing the Global Fund to the extraordinarily solid position it’s on, and as we look to the future, we hope to build on that foundation. I think there will be many opportunities to thank Richard for what he’s done, but now is a good time to begin. I want to save most of the time for us to talk because the best thing is, I’ve always found in these things, is to share ideas with each other,

you all here and us, and also for us, Richard, myself, Steve, everyone else, to hear from you, what you think is going on.

But a couple of things I wanted to highlight relative to the future of the fund, future directions for the Fund, were some of which Richard touched on, so I'm going to move fairly quickly. One is establish as a financing mechanism and at least we would like to see it remain as a financing mechanism, and I'll speak a little bit later about what we need to do better to ensure that that can remain as such.

The second is something else Richard mentioned, which is remaining focused. I think we are seeing from the Global Fund, from PEPFAR, from the President's Malaria Initiative, you can achieve a great deal if you remain focused, and that that focus is an essential component of success. That doesn't mean you're not cognizant of, engaged with and connected to many other activities, and we need to be, and I think that's one of the things we all need to do better, to connect better, but focus is an essential component of successful development programs and we would agree with Richard on the need to remain focused.

The third, Richard also mentioned, multi-sectoral. One of the greatest innovations of the Global Fund was to begin with the premise that, out of the Monterey Consensus, that every sector needs to be involved in effective development. And that really did emanate out of the Monterey Consensus, and I hope everyone in this room has read it. There seems to be a lot of collective amnesia about what we as a global community committed to in the Monterey Consensus. It was one of the most historic documents in development, and the more we stick to it, the more likely we are to be successful. And multi-sectoralism came through clearly there.

And so the innovation of the CCM was very important, and it's something that needs to be strengthened as we move forward, maintained and strengthened to ensure that governments, civil society, persons living with HIV/AIDS, faith, community-based organizations, the private sector, everyone is engaged in the Global Fund, everyone is engaged in PEPFAR, everyone is engaged in development. We will not succeed anywhere and in any program if we do not have a multi-sectoral approach, and this is something I think we need to maintain and strengthen.

The fourth area is performance based. It's something that was at the heart of PEPFAR. We began with goals, very specific goals, in prevention, care and treatment, and we believe that performance base is the only effective way to do development. We are, to some degree, all of us reliant, however, on surveillance and monitoring evaluation systems that are not up to the task, and one of the things we must all be doing is to ensure that the surveillance and monitoring and evaluation systems upon which we all rely are adequate and sufficient to evaluate what we're doing.

In the end, AIDS, tuberculosis, malaria outcomes are not numbers of people on treatment, are not numbers of people under care. Their lives saved impact on morbidity and mortality, and these are things that must be collected in very difficult and complicated ways and so the performance base we must constantly improve our ability to report, constantly improve our ability to monitor and evaluate and to be accountable and to be transparent. And we must all understand that that's an ongoing process and one that we have not succeeded in yet, that will take an ongoing effort, but one in which we're all doing very well, and we must hold partners to accountability as we move forward with grants, regardless of where they are.

Now those are some things that the Global Fund started out at, that have worked well, that we can all build on and need to build on and Richard mentioned most of them too. I think there's one thing that I've thought a lot about since the last attempt to elect an executive director that I think will need a little fixing, and that is the nature of the Global Fund that almost separates in probably a dangerous way, donors and recipients. And we need to first of all toss out the terms donor and recipient in our view because it does not reflect the relationship well.

It's partnership between different countries with different inherent qualities and everyone brings something to the table, and so the terms donor and recipient, we believe, need to be expunged as quickly as possible and replaced with something else. The notion of blocks is something we probably all want to think about. We definitely need a process by which everyone has a voice. The question is, what is the best process that doesn't lead to divisiveness. I don't know the answer to that. It would be wonderful to hear some ideas here, but I think this is one thing we all need to work on. No structures – ours, Global Funds or anyone else, is set in stone and if we ever set things in stone, we're going to be in trouble, so this is one area we might be able to work on to ensure that this is a partnership among many co-equals, not a donor/recipient relationship.

One of the topics perhaps I can talk a little bit about is not just the future directions of the Global Fund, but the future directions of the American people and the U.S. government and its relationship to the Global Fund. As has been mentioned several times, the United States is by far the largest contributor to the Global Fund, but it's not just in dollars. The Global Fund is not an ancillary part of PEPFAR. We've actually tried to stop saying PEPFAR and Global Fund because the Global Fund is a part of PEPFAR. Every dollar that goes to the Global Fund from the American people is a part of PEPFAR. It is a multilateral part of PEPFAR.

It was clear when President Bush announced the initiative and has remained our position since then. We have a bilateral program, we have a bilateral program in focus countries and in many other countries, and we have contributions to the Global Fund. But it is not only a part of our program financially. As has been pointed out, we are very involved in the Global Fund, whether it was with Secretary Thompson as chair, with our ongoing relationship on the board and currently chairing PSC, but most importantly, in the constant involvement with the Secretary. I would say that we provide more support as a government to the Global Fund than any other government in the country.

We are heavily involved in every committee, subcommittee and everything else we can be involved on. We are highly supportive and participate at very high levels, at board meetings and every other venue where the Global Fund is involved, and the reason for that is because the Global Fund is an essential part of PEPFAR. It is part of what we do. It is an essential part of the U.S. government's strategy and response to global AIDS, TB and malaria. In fact, we believe that the Global Fund does not just need to survive, it needs to thrive, and if one looks to the future, beyond the first five years of PEPFAR, and it's not vanishing – I can assure you, it's not vanishing at all, it will continue on in some form or another, and there'll be a lot of discussions about that, but as we move to the future, we believe right now our most effective approach for the highest percent of our dollars is bilaterally because we have an advantage.

We are much different than every other government in the world in terms of our on-the-ground strengths and capacity and ability to move bilaterally now. But for the future, those

proportions, the proportion to the Global Fund versus the bilateral program – versus is the wrong word – the bilateral and multilateral components could shift over time as things change, and that’s what we constantly want to look at. What is the right mix in this fiscal year in terms of contribution? How can we achieve the greatest result in this fiscal year? And that proportion is likely to change over time as we evolve both in our bilateral programs and in the multilateral program, and it’s something we want to work very much on.

One of the ways we work towards that is something Richard mentioned, how deeply coordinated we are in the countries. And this has been a tremendous success over the last couple of years and I would like to thank Richard for his personal leadership here, but also the secretariat and everyone in the country who has worked so hard to bring the Global Fund and the bilateral programs in one, to support the national strategies, which is what we should be doing. So as Richard mentioned, globally, the bilateral part of PEPFAR and also the Global Fund, are supporting treatment for 1.2 million people. That’s not us and that’s not the Global Fund.

Those are the groups in country, the governments, non-government and other sectors doing the work. We are supporting their work. As the president made very clear today, that is our view. That is how we look at this program. And what we’ve been doing over the last couple of years, if you just look in the 15 focus countries, we as of the end of September through bilateral programs, supported 822,000 people on treatment. The Global Fund and we together, of those 822, supported 400,000. And 100 percent of the Global Fund activity in those programs were accounted for in that 400,000. We sit down and go through, site by site, before we report and look at where we’re co-supporting, and what that effectively amounts to is in Ethiopia, the national plan is a jointly supported program as we’re expanding sites. And that’s true in care and treatment and prevention as well. And we leverage off of each other and it’s been an extraordinary success on the ground.

We now have a memorandum of understanding between the governments and the Global Fund and our bilateral program and how we will work together. That’s how we begin to look at proportionally over time what the correct distribution is, and I believe it’s been one of our greatest successes and something we continue to need to want to work on. Finally, as I mentioned, we believe the Global Fund should remain a financing mechanism. That means that the rest of us, through our bilateral programs, through other United Nations agencies, although multilaterals, other bilaterals, are responsible to ensure the technical capability is there for those financing mechanisms to succeed.

And as I said yesterday when Richard and I were doing a joint briefing on the Hill, this is something we did not do well at. We fell down. In the early years, I think we all did well at that task. We all worked together on CCMs to develop the first grants, but after that, many of us went away. We remained on the CCMs, but we did not remain as active as we should. We did not provide the technical support that was necessary for the grants to move forward. We are trying to correct some of that. We have designated resources for that. It was very good today to hear Admiral Zeimer and the PMIs going to do what we’ve done in PEPFAR, which is to provide resources to provide technical support directly to Global Fund grants so that they can succeed.

We’ve developed a part of our office that actually deals just with this, working with the countries and with the Secretariat to see where technical assistance can help some grants move forward. Sometimes you do need consultants. Sometimes you need to support a

Secretariat getting out of the Ministry of Health. Sometimes you need to support some strength when you're monitoring an evaluation. Sometimes you need to support the green light committee at the TB program so that a Global Fund grant can move through. So these are things we're trying to develop more and more of, and what we want to do more and more of, and the United States takes very seriously its responsibility to meet that challenge, to provide the technical support that's necessary for the Global Fund to succeed.

And so that's pretty much what I wanted to say, except to say in the end, that Richard has done a remarkable job, but mostly the people in the countries have done a remarkable job and we're all extraordinarily privileged to be a part of what they are doing and we together, the Global Fund, the bilateral program of PEPFAR, the President's Malaria Initiative, fundamentally need to do that, work together to support the people in the countries to fight their epidemics, to strengthen their systems and to care for their people. Thank you.

Sebastian Mallaby: Okay, well I'm Sebastian Mallaby from the *Washington Post*. I'm here to moderate. That means I'm going to try and persuade them all not to be moderate. Um, and I think I start with a, uh, suggestion which I think Mark made. Um, that the government's structure of the fund may need to be rethought. In other words, this separation between the donor category and the recipient category, uh, was perhaps a mistake and maybe that's why we didn't get a decision in November as to the next executive director. I will ask Steve, first of all, whether he sees a counter argument.

Steve Radelet: A counter argument to that?

Sebastian Mallaby: Yeah, I mean, should we stick with the existing structure of dividing the donors and the, uh, recipients or?

Steve Radelet: I think, uh, I think we're, we'll have to see how this decision plays out for the new executive director. I think we're still in the midst of working that out. The challenge is to ensure representation, equal representation of the various groups, and the Global Fund has, has really gone, pushed the envelope I think very far in a very radical way; that it's not just the donor countries. I know Mark wants us to get away from that and it's correct, but in so many other international organizations, it's those with the money that have all the power, and to put, and the Global Fund has pushed very hard the opposite way to say we need to ensure that the voice of the recipient countries is there as well. So, that's the objective that I think everyone shares. The first cut at that was to divide these two blocks. It may be that we need to go to -

Next Speaker: Just to be clear here, an effect of dividing the two blocks is that each block has a veto on the new executive director. You have to get a 2000 majority in each block, right?

Next Speaker: Correct.

Next Speaker: Is there any other effect which you think is important or is it just about selecting the executive director?

Next Speaker: That's for every board decision.

Next Speaker: Right.

Next Speaker: This is, I believe, only the second time that it's come into effect. There was one earlier issue where, where this came up, but that's the rule for every single board decision.

Sebastian Mallaby: Richard, what's your feeling on this governance reform question?

Richard Feachem: Uh, I think, um, I, I think it's very interesting that, that it's being only around the appointment of my successor; that the board has divided on a north/south basis or on a donor/recipient basis; and what has been typically, particularly recently, in difficult and complicated board debates and discussions is that the splits are being very different from that. So it is not the norm. In fact, it's the rare exception for our board to split along its north/south cleavage or its donor/recipient cleavage. That did occur around the appointment of my successor in Guatemala City. I think everybody regretted the fact that that did occur. Um, I hope it won't occur in February when the board meets again on that subject. Um, if, if I had a vote on this, I would leave the voting structure as it is. I think it served us very well.

Sebastian Mallaby: So, Mark, the idea is that hard cases make bad law, that you can be overreacting to one big –

Next Speaker: Oh, I want to be clear here. I'm not saying we definitely need to change it. I think the one thing we do need to change is the use of the term donors and recipients.

Next Speaker: I agree.

Next Speaker: That is, that is an inappropriate – that, that's Cold War development speak as far as I'm concerned. That doesn't reflect where we should be going. However, you need to maintain representation and a voice for everyone, and this may well be a good structure, uh, but we need to have a, we need to have term – language can often mean more than words, and, uh, if your language doesn't change, your mentality's not gonna change. It has to be more than a language change, it has to be a mentality change, but the language is a piece of that; and so it's, it's more around that issue than the, than how we should have a board structured. I am not certain we should change the board structure as it is. I think we need to change the terminology and maybe some of the, uh, voting mechanisms and a variety of other things and have some latitude perhaps so that this doesn't happen. So that if this type of a donor/recipient divide is occurring that there be an out. I don't, I don't know for sure. I think that's worth discussing, but I do think the notion of donor and recipients needs to go away, not only in the Global Fund but in everything else in development and this would be a good place to start.

Next Speaker: I was just gonna follow up on that, that just very briefly. It's been a real strength of the Global Fund that in dozens, hundreds of board decisions so far, they have been able to achieve this double two-thirds majority and meet what is a very high bar. Um, and this is the one place where it's really become a contentious issue. If the board is able to find true consensus around a strong candidate in the next meeting, then you'll have a very strong executive director that clearly has the support of, of, of, of a wide variety of stakeholders in the organization. So that's the aspiration, it's a high bar, if they can achieve it, then we'll have a very strong ****.

Sebastian Mallaby: And we'll find this out in February or April? February, the February meeting, okay. Um, now, your report, Steve, um, the Working Group report makes a big deal

of this issue of technical assistance which has come up already, the need for more technical assistance to support, um, these, these, these program designs and also the implementation. Is there a case for saying that some of this technical assistance would be more elegantly supplied if it was brought in-house; that contrary to the talk about only being a financing mechanism, contrary to the talk about focus, focus, focus; in fact, if an organization is constantly having to draft in technical assistance from partner organizations where the people working for those organizations may be imperfectly incentivized to provide that assistance, that sort of top quality, might it not be better to have your own people to do the technical assistance?

Steve Radelet: They are good, strong organizations out there that supply technical assistance, whether it's, whether it's **** the U. S. government, whether it's the World Bank, whether it's WHO. Of course, we know the quality of technical assistance varies, but I don't see any particular reason why we think from a global perspective it would help to have one more institution that focuses on that as well. Uh, the, the, it's not so much the Global Fund drafting other people into this. I think you have to see it as the country looking for various ways to support its programs and very much like a contractor building a house, you go to your bank for money.

You don't go to your bank for someone to build your roof. You go to someone who specializes in building the roof, not to the bank, and there's a variety of organizations out there that have these specialized resources and skills. The Global Fund is designed to provide the money. There are other agencies out there that can provide the technical assistance. Now, making that work is not easy. There's been a lot of misunderstanding, there's been some distrust and some miscommunication, and I think that needs to be, to be worked out. There were a lot of people before any of us were involved that just the advent of a new fund was taken as an offense against some of the existing organizations which set up some hostilities which has taken some time to get over. That needs to be worked out further so that there's a better understanding of how the countries can take advantage of these various resources and make it work better, but I think it would be a mistake for the Global Fund to take on those various roles just as it would be a mistake if my banker decided to learn how to put on a roof.

Sebastian Mallaby: But let me just press on this a bit. Um, I mean, if you imagine the director of a bilateral aid program, not the U.S. one, we'll leave that aside, we'll take a Scandinavian or maybe British or whatever, and this person is directing a financial aid program in, take Uganda, and has to allocate some people to implement his own programs, and then somebody else to help with technical assistance for the CCM, for the Global Fund, Richard, is it is not your experience sometimes that you don't get the best person, that you don't get the attention that, I mean, it is the records, that's why we're discussing this. So why should one expect that these incentives would allow it to get better in the future?

Next Speaker: Well, I think, I mean, I think Steve, um, answered sort of a lot of this question. It, it, we are a financing organization alone and I think we have benefited and the mission has benefited a lot by keeping to that focus, and it's got a lot to do with ownership. These are not Global Fund programs. These are the programs owned by the Ministry of Health in Uganda or the Churches Health Association in Zambia or World Vision in Guatemala. These programs are owned by the principal recipient and overseen by the CCM. If they have a need for technical assistance, they should identify it, they should use Global Fund money to purchase it, or they should obtain it in whatever way they choose, and there are many

organizations out there willing and able to provide that technical assistance. I think what's being, and they're not only the U.S. agencies, they not only the government agencies, agencies like Medicine **** Frontier are in a very good position in a number of countries and other major, non-governmental organizations to provide effective technical assistance. I think the piece that's been missing and that we're working on but it's not yet fixed is the kind of early alert and information sharing piece.

A better way for us to share what we know, for recipients to share what they know, in order that flags can go up early in the course of a grant to say, this may be going off track, there may be a management problem, there may be this problem, there may be that problem, and that provides an environment where technical assistance can be drawn in. Um, but I, I would, if we, if we took the step for the Global Fund to be a provider of technical assistance, we would change the model radically. We'd become a –

Next Speaker: The problem is already that, that ownership is great in theory but very tough to rely on in practice. If poor countries were in a position to exercise effective ownership all the time, we wouldn't have a development program obviously, and so we are constantly up against the –

Next Speaker: I mean, let me turn that around for you precisely. I mean, if, if you look, I mean, there's a very interesting study by Chris Murray, Multi**** Analysis Publishing **** and there's another one coming out soon from CGD, looking at the predictors of the success of Global Fund grantees, and one of the predictors, the predictors of the success of Global Fund grantees do not include being wealthy. So very poor countries have done very well at implementing Global Fund grants, and they've either not needed technical assistance or if they've needed it, they've found it or they've found ways to get it, and across the whole portfolio, a very high proportion of Global Fund grantees are either exceeding their performance targets or are at or close to their performance targets.

So I would turn it right around. I would say, is it the case that some of the poor track record of development finance over the last 50 years that we've, or 60 years that we've run the industry called development finance, is part of the relatively poor track record, and there would be different views in this room about how poor that track record is, to do with the lack of ownership? To do with the fact that a typical World Bank health sector loan – the project was designed by World Bank staff and consultants reporting to World Bank staff, and there's just a very heavy layer of external control and driving of content. And, and is it perhaps true that the, the, that ownership is at the heart of better success in the future in the business of development finance. I believe that it is, yes.

Next Speaker: Not, I mean, in your remarks, you were supportive of the idea of focus of the idea of keeping it as a financing mechanism, but PEPFAR's own structure, your, the natural part of PEPFAR is obviously much more intensive in terms of the number of personnel you have in U.S. **** mission on the ground. You're using that network. Arguably it's the very fact that you used that network of U.S. personnel which explains why PEPFAR's done pretty well, especially compared to the MCC in getting going quickly. Um, so can you sort of resolve for us this thing that you're saying on the one hand your bilateral programs are quite personnel intensive on the ground; on the other hand you think that your partner and the Global Fund should have this very lean financing-only mechanism. How can both be right?

Next Speaker: Because we exist. Uh, because we exist, because **** exists, because the World Health Organization exists and U.N. aids exist and all these other organizations exist. We don't need to keep replicating the same structures over and over again. We made a commitment as a global community through our bilateral programs and through multilaterals to support the success of a financing mechanism to ensure it worked, and that's precisely what we're doing. That's the exact point. These other things exist. We don't need to keep doing the same thing over and over again. Look to where the gap is, fill the gap, and move forward, but don't just keep replicating the same thing over and over again, and it's precisely because we exist that the Global Fund can be a financing mechanism, and because others exist that they can be a financing mechanism.

Next Speaker: If I can just add to that. I think, at least I would argue, that although the basis structure I think is right, it needs a lot of work to make it work even better. I'm, I'm not at all arguing. I don't think these guys are either, that it's fine and we can just be passive. There needs to be a lot of work in getting the agencies to work together at the macro level so the heads of agencies understand responsibilities, and at the ground level so that there's more communication. So, as Mark pointed out, groups don't just walk away after the CCM comes up with a proposal. That might mean some innovative solutions of, of better markets for, for technical assistance that recipients can tap into or other way of communication. There's a lot that can be done within the basic structure. We shouldn't be passive because there needs to be a lot of work to make this better, but I don't think that means that the Global Fund should just slip into providing technical assistance.

Sebastian Mallaby: Right. I want to come back to Mark a little bit. Um, you know, I think it's fair to say that not because of the administration at all, but because of Congress, U.S. bilateral aid has got to be one of the most earmarked, talked-down, non-country ownership aid programs out there. Now, are you, therefore, saying that this is a disaster? I mean, there's, you've got, if you believe in ownership, you believe in the financing mechanism, the implication is presumably that the traditional part of the U.S. financial program needs to be radically reformed.

Mark Dybul: Well, I mean, you'll have to talk to Ambassador Tobias for the larger picture because he's responsible for all of that now, but I actually think that's one of the things about PEPFAR and one of the things we are trying to do in a radically different approach to development. It's one of, and I hate to be pedantic but it does go back to the Monterey consensus. We all committed to four major principles that led PEPFAR, that led to things like the Global Fund and it basically had four major principles: country ownership, results-based orientation, results-based programs every sector being engaged, and good governance and accountability, and that's what we are putting, supporting through PEPFAR, that's what the Millennium Challenge Corporation – if you look at what this administration is trying to do relative to development. It's radically different.

We have the Millennium Challenge Corporation, we have PEPFAR which is fundamentally trying to support local institutions, the President's Malaria Initiative is trying to do the same thing, debt relief and enhance trade because that's how you enhance the governments and the programs. That's what we're trying to get to. There have been a lot of directives in the past and to be honest, had I been doing this 15 years ago, I may have supported them. The reason we had a lot of directives is because if you asked what are you doing in your programs and what are you gaining from them, it's very difficult to answer that. In that circumstance, if

I'm a congressional staff, I'll say, well, I can do what – this is what you want to do, this is what I want to do. I actually control the purse strings, this is what I'm gonna do.

So you have to, that's why this performance base and this accountability is so important because if you have that, you can have a different approach to development, and that's what we're all trying to get to. So rather than looking back at the way things have been, let's look forward to the best way to do them and if you have an account – what we have seen in Pep Fire is that if you have – we don't have a single directive for an organization. We do have directives overall for where percent of dollars should go, but that's not, that's radically different than saying this partner should get this amount of money to do this. These are broad scale directives, not, not individual directives. So it's a radically different thing.

I also want to say something too. Directives do not mean there's no country ownership, and this is something that really bugs me a little bit. If you're in a donor/recipient relationship, if you're in a donor/recipient relationship, your approach is, here's some money, go do something. You don't care. I mean, you don't care what happens to them, you don't care what goes on with the money. I'm in a sense making myself feel better because I'm giving you some money, and the Cold War was very much based on this type of approach. A partnership is when you say, here are my values, this is what I'm bringing. What are your values and what are you bringing and where can we work together. The notion that we're going to agree all the time and that our values are gonna – that's, that doesn't exist in any partnership whether it's a business or individual relationship or anything else.

So, yes, we have values and yes we have approaches. It just is a matter of how you share and partner on those. So the notion that you should just do whatever other people want to do, that's donor/recipient, that's not partnership. So I actually don't see the, I think we need to look to the future, not to the past.

Sebastian Mallaby: I want to, um, ask a bit more about the performance question, maybe ask Steve. Um, agreeing that you should measure performance is easy. Actually designing the matrix to do that performance is very difficult. Do you think the Global Fund has worked too on that score?

Steve Radelet: Oh, it's got a lot of work to do but it's, it's way ahead of most organizations in doing it. Uh, a lot of organizations talk about measuring results and being performance-based, but we're really only at the beginning of doing it in, in, in serious ways that are at least transparent to outsiders. A lot of agencies do some of it or claim to do it inside, but from outsiders, it's hard to see. It's very hard to get baseline data in, in, in most of these countries. Uh, there are big issues about, you know, just from a practical point of view, what you can measure and measure consistently over time.

You want to get a small number of measure so you don't overwhelm the recipients, so it's hard to find the exact things that you want to measure that capture the broader kinds of things that, that you really want to achieve. There's a problem with measuring too few things that they can focus in on as one or two things, and we can kid ourselves that, that it's, that it's full impact, but you don't want to measure 40 things either because countries will constantly, uh, be reporting. Then there's just checking the accuracy of what countries report. Obviously if recipients report their own progress, you have to have some independent way of monitoring those effectively.

The Global Fund works with partners, the local fund agents in each country. In some cases, those have worked well and other cases they haven't worked well. They tend, in my view, to have worked better on financial oversight and less well perhaps on the substance of the health outcomes because many of them are financial-based organizations. So I think we need to beef that up. So there's inherent difficulties in measuring performance. Then, when you, even when you get to the board, there's inherent difficulties because they talk about being tough on performance, but when push comes to shove, it's very difficult for an organization to cut off funding for antiretroviral treatment frankly, and that's a, a, a particular difficulty that both the Global Fund and PEPFAR share that other aid agencies don't when you've got lifesaving drugs.

Now, what you can do and what they've done in some countries is switch the recipient so that you don't drop a country, you drop a particular recipient, and there are ways to do that. Uh, so, this performance-based measuring, it's very hard, they're far from perfect, there's, there's a lot of room for improvement, but I do think they've broken new ground and pushed it both in terms of what they measure, but also the transparency. You know, I mentioned that I looked up, a few minutes before, how much they had disbursed. I can't think of any other aid agency in the world that I could have looked it up a few minutes before coming here and told you how much they disbursed. I could've also looked up, for any individual country, what their two-year track record had been in terms of achieving actual substantive performance, and other organizations aren't that far along. So both in terms of what they measure and the transparency, lot of good progress, but there's a lot further to go.

Sebastian Mallaby: Richard, one of the ways that one can express this dilemma on, on performance measurement is to say, you know, you can choose to measure, for example, how many malaria bed nets you provide, but then that could be criticized because the objective is not actually bed nets, it's reduced, the numbers of people with malaria.

Next Speaker: Hm.

Sebastian Mallaby: On the other hand, if you measure the malaria death rate, you wouldn't know if it was your bed nets or whether it was something entirely different having to do with a change in the climate or something else. So, can you talk a bit about how you've resolved that?

Richard Feachem: Well, I don't – resolved it would be a very –

Sebastian Mallaby: How you wrestled with it.

Richard Feachem: Wrestle is closer. Um, I think by being, by being pragmatic and working with the kind of data that can be collected and that we can use. Um, the emphasis up to now in Global Fund performance measurement has been in coverage indicators. So the focus has been on bed nets distributed, people placed on antiretroviral therapy, etc. What we might call coverage indicators. Now, they are significant, they are what the money is for, they are what the program is actually doing, so they are the kind of action points in the program, and for many program implementers, they're end point. They're – the delivery of the bed net, the putting of the person on antiretroviral therapy, it's what the teams are actually doing.

It's also important to say that there is a lot of epidemiological evidence that tells us that if, um, this proportion of the population in a set of villages have impregnated bed nets in their houses, malaria will decline, it will respond. That's not a guess. We know that to be the case. But nonetheless, there's a great desire to move to impact indicators. Uh, eye infections prevented, deaths averted, the key epidemiological measures, and I think with PEPFAR and others we are moving towards the impact indicators. We are beginning to get those measurements. It's a longer, harder road, and in very practical terms, it raises partly the simple measurement difficulty. These are not easy things to measure and they have quite a lag time. The epidemiological dynamic does not respond tomorrow, although it does to antiretroviral therapy. It doesn't to most things.

Um, and secondly, attribution, and we debate attribution all the time. I mean, I think the Global Fund has no wish for attribution, and I think our philosophy is let us do as little in the attribution business as we can possibly do and still make our model work. For example, if a recipient came back to us and said, using PEPFAR money and Global Fund money, these are our impact results, and 60 percent of the money was from PEPFAR and 40 percent of the money is from the Global Fund, and so we're going to invent the reality that 40 percent of the impact was the Global Funds and 60 percent of the impact was PEPFAR's, just pro rata on the input of money, we'd say fine; common sense. Let's not take it any further than that.

We certainly don't want expensive inquiries in order to attribute impact to Global Fund finance rather than to anyone else's finance. Um, but these are, you know, these are judgment calls and juggling acts all the time and, and we have just now launched, as some people know, a major five-year evaluation. That's an evaluation at five years for the Global Fund. Um, the board has put quite a bit of money behind that evaluation, \$17,000,000.00. Um, that's gonna buy a lot of data and a lot of analysis, and within that, I think we're gonna learn more about impact, more about how to handle attribution issues, and more about how we can get out of the business completely if requiring attribution and look at overall national results and feel confident that if things are driving downwards and our money is part of what's financed that, then that's, that's all we need to know.

Sebastian Mallaby: Mark, a quick question on corruption.

Next Speaker: Mm hm.

Sebastian Mallaby: Um, the World Bank recently put out its annual review of development effectiveness which noted that if you look at countries which have got institution building or anti-corruption programs financed by the World Bank, the perception of corruption has actually gotten worse in more of these countries than it's actually improved. I mean, corruption is a very hard, very widespread program. Um, and the notion that one is really sort of responding to it fully by terminating, I think you said full grants, perhaps they're in more countries than you – I mean, should the Fund be tougher on corruption?

Mark Dybul: I think we all have to be tougher, tougher on corruption. It's not unique to the Global Fund. It's the environment in which we work. Um, and there are different levels of corruption. Um, most people think about the government level of corruption. If you talk to people in countries, the level that matters is when a doctor won't see a patient without a little money on the side, even though they're supposed to be giving the drugs for free; or when you get to the end user corruption and breaking down those levels of corruption from drugs sitting in port for months at a time to that very difficult one of a doctor

or a nurse or someone insisting on a little bit of money or food if they're going to provide what they're supposed to be providing anyway, that's an incredibly difficult slog, but it's one we have to keep fighting. But we do have to stay focused.

I mean, the Global Fund is not equipped and PEPFAR is not equipped to fight corruption. That's what we have other parts of the world, of the development infrastructure to do and what we can do is report it. We've taken some pretty Draconian steps on this front. Anyone who charges a tariff for incoming products for anything related to the emergency plan has a 200 percent tax back. So we'll deduct 200 percent of every dollar, \$200.00 for every dollar that they tax us away from what we're going to give them; and that has worked extremely effectively. We haven't had a single example of a tariff; and we took some talk negotiations up front but there are now no tariffs. These are the types of things we can do within our programs to, to impact on all of this. Um, so it's a very difficult issue. Uh, but in the end, and this is something that I find most exciting.

We were just, and it's very related although it may not sound like it up front, we were just talking about reporting, and reporting is not for attribution. I hope everyone just gets that out, it is not for attribution, it's to improve your programs and it's to be accountable to the people who gave you the money. That's why you report. It's not so you can jump up and down and say I did this. The countries are doing it. The government's are not – they're the ones doing it. We're supporting their work. But you have to be accountable for the money, and you use the data to make your program better, and I see this over and over and over again; and that's why large-scale reporting isn't enough to us. We have to get down to that source document to say, when we say this person's on treatment, can we actually trace they're on treatment? And we can do it now on treatment.

I'm a little more worried about care. Care is very difficult. What we found was people were counting orphans and it's good numbers if they got one thing a year. That's not care for an orphan, that's a number, and so we're changing the way we're counting that so that we're count – so that you're using your reporting structure so you improve your program. What's developing is a culture of accountability from all of this, and that culture of accountability is our best weapon against corruption in the end, and you can see it happening at the community level. It's a remarkable thing. It is a remark – the untold story about all this stuff that's being done, in my view, is this culture of accountability that is developing and that is what will fight corruption in the end. We have to do all those other things but, and it's working, it's working, it's, it's remarkably incredible how it's working, and we need to keep watching that.

I always say a 20 year old in rural Namibia told me that what we are doing is fundamental building democracy and the reason was because this culture accountability was revolutionizing how communities felt about themselves and what they government should do for them, and we have broad scale examples of this including changes in governments' position on antiretroviral therapy and other things, but you can see it at the community level, and in the end that's what's gonna keep that doctor from asking for that little bit of food and little bit of money when they're supposed to be giving free therapy.

Sebastian Mallaby: I want to go to the floor in a second but I've got one last question which is, um, I've seen different estimates about what the optimal level of disbursement would be, you know, in three or four years from now. Um, so I want to go to all of you and say, you know, give me a number. I've read eight billion, it's a high-end number in your

report, 8 to 11 was the high end. Um, Steve, if you could choose, what would be the right number?

Steve Radelet: Well, 8 to 11 is what many people estimate to be something consistent with the total global need, uh, or at least a large portion of that. I'm not sure that the Global Fund itself –

Next Speaker: I see.

Steve Radelet: – would need to, to ramp up to that level in the next few years, over a four- or five-year time horizon, and I'm not sure that it's realistic to get that kind of funding. We're, we're way behind global needs. Uh, there's plenty of room to ramp up. There's the demand side in terms of, of, of what those needs are relative to the reality of the supply side. Then there's another dimension which is just institutions, and the, the issues around an institution ramping up to different kinds of sizes, and I don't think we can, we can expect the Global Fund to ramp up, uh, uh, more quickly than it already has. Um, it could, I think, easily come close to doubling its size again in the next five years if the supply side financing was there to make that, to make that work. Um, for it, as an organization, to do more than that I think would be, would be very difficult. So something on the order of annual disbursements of around \$4,000,000,000.00 a year I think is, is feasible in the median term, uh, but I'm not sure ****.

Next Speaker: Four, four billion, Steve.

Next Speaker: Annual.

Next Speaker: Well, I think the, I mean, the key thing is to be frank amongst ourselves in the international debate and the national debate about what we're really committing to and what we're only pretending to commit to, and I think that frankness is not there. I mean, we met England Eagles and we committed to universal access. There's a lot of backtracking around that, a lot of backtracking. Universal access will cost a ton of money. It will cost much, much more than we're currently investing. Did we mean it and did we not mean it; and I'm not impressed with the sort of weasel getting us close to universal access as we can kind of language. I mean, what does that mean.

Of course we want to do as best as we can, but do we have a target or do we not have a target? Um, I think we need a frank discourse. I think we need to set targets of universal access or some approximation to universal access that are precise, and that when we set them, we actually believe in them and that they are a matter of trust in the international community; and when I say "we", I don't just mean the donors, I mean the countries with the highest burdens who need to invest considerably more of their domestic budgets in these tasks. India is a good example.

While Russia and China have ramped up their domestic investment, India has not and there's a very strong argument that India should spend a lot more of its own money on fighting HIV-AIDS, not only attracting foreign money to fight HIV-AIDS. So I think we need international agreements about what our targets and expectations really are and then we need to find the finance, which is far larger than we're currently finding, to meet those targets. Then we get to the third question which is what part of all that should the Global Fund fulfill; and if it is only this much, then who is going to do the rest. I mean, let it be not about the

Global Fund, let it be about the total and having agreed and got serious about the total, let's say, well, which part is PEPFAR, which part if European Bilateral Combined, which part is Increased Domestic Resource Allocations, and which part is the Global Fund? That's the discussion we need to have, and I'm amazed in the five years of the Global Fund how we've avoided and avoided and avoided that discussion. That is the key discussion.

Sebastian Mallaby: Okay, I know you need to go to a TV studio. I want to ask Mark, though, I've got 11 billion total need of which four billion from the fund; I've got a conceptual framework. So you have some numbers?

Mark Dybul: No, I don't, and the reason I don't is because I partially agree with Richard. Getting back to your earlier question about congressional directives, I believe deeply that the greatest harm to development for the last 50 years has been setting targets that are unachievable and then not achieve – and then not achieving them, because when you do that, people just look the other way. There's lots of other things you can do. If you set a target that you cannot meet and you do it over and over and over again, you can't blame someone who's trying to find money for a thousand different things with high priorities, including their own domestic systems, to turn the other way.

So I actually support very much this as close as possible to, and we are very nervous about setting any targets that we cannot achieve because these things cost a lot of money. We have put the money on the table. When we set a goal, a two, seven, and ten goal, we said this is the money it's going to take and this is how we're gonna achieve it. I don't believe we should ever set such targets without saying this is where the money's gonna be, and that's what this administration has always said. Don't set a target unless you've got the money, and I agree with Richard. It's a big problem. We now have these targets out there that are not achievable under the current environment. I agree with Richard, India needs to spend more; so does Russia and China. They're nowhere in the ballpark to where they ought to be.

Many countries in Africa committed to the Abuja Declaration to get to 15 percent of their GDP on health. They're nowhere near it. If they don't get to their 15 percent on health, how are we gonna have the infrastructure to do any of these programs? I mean, the notions that the, uh, partners that have significant resources should be the ones looking for everything is another problem. The notion that money's gonna do it is, is also bothersome.

Unless countries have policies where you can do task shifting of health workers. Unless countries have policies that deal with gender issues and orphan rights' issues and a lot of other issues which they don't have right now, you can do all you want and for all the money you want and set all the targets you want and you're not gonna get there. So I don't know what the dollar amount is, but I think if we're ever gonna set a target that we ought to have a dollar amount for it and say where the money's gonna come from when we put that target out there and if we're not, don't put the target out there.

Sebastian Mallaby: Numerical targets, counterproductive. Okay, so Richard Feachem has not got glasses or a beard anymore. He's gotten a bit younger. He's now changed his name to Oliver Sabot who is going to answer questions on his behalf about the Global Fund. Let's go to the floor and anyone got a question?

Speaker: Okay. The question is for Michael or –

Next Speaker: Mark and Paul.

Next Speaker: Everybody.

Next Speaker: Right.

Next Speaker: Do you want to take it first of all?

Next Speaker: First of all, I think the health is pretty good. Um, there are – there are the three ones and I think the first two are actually in pretty good shape in many places and getting better in others. The third one you are referring to is one monitoring evaluation system. I think it gets back to inherent problems with the systems in countries right now, particularly when you are getting impact evaluations. I mean, we can go in and count and get, uh, documents to show that this person is on treatment. You can document that you gave someone a bed net. Um, one of our mission directors told me that they just went into a home where they gave them, um, the bed net and asked to see it and it was tucked under the bed so you have got to get to the actual impact but we don't – those are national systems. You will never be able to say this program did this or that in terms of impact. Those are national systems and you have to build those systems.

Uh, in terms of the actual reporting requirements, I think this is an area we all need to work on a lot. We have gone from 72 to 61 basic indicators. We are all trying to get more impact indicators. But we are now meeting on a very regular basis to set indicators we all believe are the right indicators, not just individual programs but the international community with the country representative so we are all operating off the same indicators and then limiting the indicators around that that people need for different reporting structures. But in the end, it is going to build – to be building the national systems so that we are all basically drawing our information out of those national systems, not in an independent way because we should be just supporting their programs to expand.

So I think it is in better shape than it was three years ago. We have a long ways to go and the main reason we have a long way to go is because of the system. I would add something to that; I think there is something deeply flawed in our development programs in another way. We are currently asking for the same reporting from countries and organizations that are doing extraordinarily well and from organizations and countries that aren't doing so well. That doesn't make a whole lot of sense to me. Um, it seems to me you can almost use reporting and, uh, surveillance systems as an incentive to, uh, perform better, uh, to say as you perform, as you are doing better, we are going to back off more and more. And I am going to give you an example of this.

In the Indian Health Service 50 years ago, the Indian Health Service ran the Alaska Tribal Health System completely. It was all a bunch of uniform public health officers like myself. Now we do an audit once a year on their program and they run the program entirely themselves. That is the type of thing we ought to be looking at, changing our reporting and using it as an incentive for performance so we have a long way to go. I think a lot of progress has been made, uh, but we have a long way to go.

Next Speaker: Yeah. And I think Mark put it exactly right. On the monitoring evaluation piece, perhaps even underestimated the amount of progress that we have made over the last five years. I mean there now is a joint monitoring and evaluation tool kit that the Global

Fund, WHO, World Bank, everyone has signed on to and it's a matter of translating that into reality on the ground, but it is a big step forward to even have that on paper. On the other two aspects of the – of the three ones, and one national plan in particular, progress is being made but it – it varies a lot between countries and it really depends on national leadership. I mean, I think in terms of the – the big international alignment and harmonization debate and coordination between the various resources as well as coming into a country, it works the best when the country stands up and takes – and takes control.

Use Rwanda for example, it is working extremely well on Rwanda because the Rwandan government stands up and says **** you are going to do this, Global Fund you are going to do this, and World Bank you are going to do this and it – it works as a result. Um, it is in the countries where the government doesn't say that and there is a lot of confusion and – and as a result, the money isn't used as effectively. And then just lastly to completely second what Mark said about, uh, uh, using different systems based on risk, um, and – and based on performance. Right now, the Global Fund treats a \$5 million grant to Zanzibar the same way that it treats a \$200 million to Nigeria. That doesn't make any sense. I mean anyone who is in business, uh, you know, there is a huge risk spectrum which the Global Fund is not, uh, managing well at this point and I think that is a discussion that needs to be had a lot more and it needs to be had a lot more by our board.

Next Speaker: Question in the front?

Next Speaker: I'm Ed Scott. I work with CGD.

Next Speaker: Ed Scott is our founder at CGD.

Next Speaker: I have two questions. Now I get two questions.

Next Speaker: Ed, you get as many questions as you want.

Ed Scott: The first one is, Botswana and I guess one other country whose name escapes me.

Next Speaker: Swaziland.

Next Speaker: Who?

Ed Scott: Swaziland – have decided to go in the direction of more universal testing and my question is has VCT – and another country called the United States of America, has also decided to go in a different direction, um, has VCT strung this thing out and costing us a lot more money than – than it should.

That is my first question and the second question is, if you can put safeguards in like you described where you are going to fine the people in effect for putting tariff's on your drugs or whatever, why can't we put similar things in when the company – the countries don't stand up and do what they are supposed to do – if the country doesn't do it's 15 percent health care, India doesn't put up its fair share of its GEP to match this. I mean, why should I be having U.S. jobs going to call centers in India and then I am shipping money over there, for them to treat their AIDS patients when they don't treat them. I don't mind helping them if they are going to do it. Why wouldn't we fine them for not meeting certain standards?

Next Speaker: If – if I could take the second one, um, because I think that is a very relevant question for the Global Fund. Richard said earlier, we are in 136 countries; about 25 of those countries are upper middle income countries by World Bank definition and that includes Russia and China and India and South Africa and – and others, um, and it is an excellent question. I mean, why – these are relatively wealthy countries, why should Global Fund money be going there and it is one that is discussed often on our board. But I think now with five years of experience, we have seen the – that Global Fund money in particular can have a – a very important catalytic effect and I think Russia is a great example. In 2000, 2002 even, nothing was being done on AIDS in Russia. The problem was getting worse. Uh, there were already estimates of – of 1 million people infected. We are getting near that threshold of moving to a generalized epidemic from what was, uh, an epidemic clearly driven by intravenous drug use, um, and there was denial by the government, denial throughout the country, uh, and very little money was being spent on it.

In 2004, the Global Fund made a very large grant to Russia to, uh – an off shoot of the Open Society Institute, George Soros' Institution, and that caused a number of processes within the country that eventually led to the national government stepping up and submitting its own application the year after. Uh, it was successful and another national application came the year after that and then we have the situation at the G8 Summit this summer in which Russia said not only is the Russian government going to step up and put \$150 million or \$120 million of our own money to start taking over these national programs but we are going to repay every dollar that the Global Fund disburses to us. So if we make a \$20 million disbursement to Russia, Russia makes a \$20 million disbursement back into the Global Fund's bank account. It's – I mean we can't go so far as to say that it was solely because of the Global Fund grant that, you know, Russia stepped up and started to take, you know, national leadership –

Next Speaker: Richard, we are talking ****. That's a big one.

Next Speaker: Yes. But I – very fair. Um, but I – but I do think that was a – it played a role, maybe a small role but it played an important role, uh, in – in helping those national conversations and the same thing happened in China. An example of the Chinese government stepping up and admitting to the problem of transmission through, uh, blood donors, uh, in – in its first application to the Global Fund and so on and so forth. So, yeah, I think it's still a difficult question but that catalytic effect isn't one.

Next Speaker: Do you want to comment on VCT or both or –

Next Speaker: Yeah. Actually I think the second one is critical and I – I actually agree with you completely and we are looking at mechanisms to do that. I think we have to be careful to say we are penalizing or conditionalizing, but more – this is a partnership and that is why we really need – if you are a recipient, you can do that, right? And you are supposed to give me the money, uh, and you are the donor so you just give it to me, but if you are in a partnership, it's a much different thing and then you come to the table and say this is what I can bring, this is what you can bring and I think that is one of the great innovations of the Millennium Challenge Corporation, uh, and it is one that we want to look more to in the second phase of the emergency plan.

I think there was an emergency response that was needed and to some degree you have to overlook some of those things but once you started getting there, then you can begin to look at new opportunities and we very much want to look at those as we would move into the second phase and I think you are absolutely right. Um, in terms of the VCT question, um, first of all, the word volunteer doesn't drop out when you do diagnostic counseling and testing. It is still a voluntary system but it's not just Botswana and ****. It's Tanzania and Kenya and Rwanda – all over the place now we are seeing people move to rational testing systems and it's medically based. Um, you still need volunteer counseling and testing. Anyone who wants to go into testing ought to get tested.

But, for example, if you are focusing your testing on people who are TB positive and then going to antenatal clinics and who are in a medical ward, you have gone from needing the test one, uh, 20 people identify one positive to identify 5 people identified with one positive and you have just – it's not a matter of, um, just saving money, it's maximizing the ability to reach people and it's just a rational approach. You still give people the option, always, and we know this because 10 percent of people still say no in general. Uh, it's just how you do the systems so we need to do more of a diagnostic counseling and testing approach targeting populations where we know the infection rests. You still need voluntary counseling and testing and the diagnostic counseling and testing still needs to be voluntary.

We just need to do a better job of targeting it so that we can reach those goals. If we don't do that, we are not going to reach – there is no way to reach anywhere near the universal access in the next 20 years if we don't identify the people who are positive. Uh, and it's good for prevention too. Ms. Bush proposed an international testing day when she was at the New York General Assembly, uh, in June it was adopted by the U.N. General Assembly, uh, about two weeks ago. And that is part of the puzzle, but it is still – you don't remove voluntary and you don't remove – **** stigma but you can do a much better diagnostic medically based approach and it's not just a couple of countries, it is being widely adopted now.

Sebastian Mallaby: Steve, I just want to bring you in on this because it seems to me that Ed's question, uh, elicited an answer from the Global Fund which sounds a bit like the Fund trying to have it both ways. Uh, what I mean by that is you can't, uh, if the World Bank is asked why are you lending to Russia, uh, or a middle income country, the answer is well we know they have got lots of money, capital flow is going to Russia, uh, they have all these oil exports right now, they don't need the money, yeah we admit that, but we have knowledge, technical assistance. Now, the Fund has been telling us hey, we are a financing mechanism. We don't do technical assistance. We don't have knowledge. We do financing. Focus. Focus. How can they have it both ways? Is there a bit of a contradiction?

Steve Radelet: Well, I think that the focus of the Global Fund should be predominantly on the lowest, uh, income countries, the poorest income countries. Uh, I get nervous when aid agencies go into the middle income countries. However, on HIV/AIDS in particular, malaria, TB, the resource needs are so great that I think even most of the lower middle income countries can use some resources at least for the time being from the Global Fund. So, uh, but I think Ed's point is exactly right but particularly as you go to the lower middle income countries, you would expect a greater, uh, contribution domestically from that.

I would think a couple – I would be quite wary about 15 percent that is what you contribute and if you don't we are going to penalize you because I think circumstances vary. Uh, you

know, my background comes from finance ministries when – when the budget, the whole purpose is to allocate scarce resources against lots of needs and when the ministry of health says, you know, our share is 15 percent and the ministry of education folks say they are 15 percent and everybody has their turn, pretty soon you have 150 percent if you don't have some mechanism to allocate so I am a little bit reluctant about firm rules.

But, some – some idea of some guidelines that may change as you go to middle income countries where their share is even larger and a firm expectation that in a Global Fund proposal, the country should say very clearly what their contribution is and if they are far from that guideline, not a strict rule, they had better defend it and if they can defend it then that would be seen as a negative. But – so I think it is consistent with your aspiration that we would want the middle income countries to contribute a lot more and they should explain it and that is not always part of the Global Fund proposal and I think we could add that quite easily.

Next Speaker: Okay. Floor – um, the one right here.

Next Speaker: I am Alan Moore, a fellow at Global Health Council and CSIS. Uh, a comment and then a question, uh, the observation is that I think maybe you guys are involved in some wishful thinking about the structure of voting at the Global Fund. I think that now that – that in the selection things, like director, a small group of people have realized they can stop action; 4 people out of 20 can stop action. It doesn't take too much observation in – and look at the U.S. Senate, for a small group of people to realize they can affect outcome and so I think you might want to start doing some contingency planning on how you might have to change the structure; just an observation.

The question – Global Fund and **** for the last years in the congress and the appropriations process at the end of the day get pitted against each other. There is a bit of a zero sum game. We figure out what the pot of money is, sometimes the pot gets expanded a bit, but at the end of the day, there is a division that goes on. Advocates for the fund tend to bad mouth **** a little bit and say you got to blast the fund, not the people at the fund but some of the advocates on its behalf. **** is forced to say there are consequences if you take money from us. You need to understand what those consequences are. Now, you guys want to work together. Is there a way to – to work together better in the appropriations process? I don't know that there is but I just wanted you to talk about.

Next Speaker: Coming from the senate, why don't you tell us?

Next Speaker: He forgot to say he used to be on Senator Frist's staff. He left out that little tiny piece of – of background information.

Next Speaker: Well, I – I think –

Next Speaker: We are all looking at Mark.

Next Speaker: I mean, in the end it's the – what we do is – because there is no way we are going to grant everything. We put our positions forward. I mean, I think it's up to the, uh, congress to decide where they want to go.

Next Speaker: Actually, let me – at **** you made the point that you have bilateral/multilateral.

Next Speaker: Uh hum.

Next Speaker: You make a request to congress. You have to think on the margin how do I think about my next dollar in terms of your request.

Next Speaker: That is exactly –

Next Speaker: And – and –

Next Speaker: Right.

Next Speaker: – maybe that might be a way to go.

Mark Dybul: Which is where we get the request from and it really gets to the difference between the United States government and most governments in the world and how we have done development and what we have available. The fact of the matter is that in country we have sometimes 20, 30, 40 experts working with the U.S. government which is why we are able to support technical programs and why we expand – and why we have procurement offers. We can move very rapidly. The U.S. government is in a unique position and what we have always said, and we are big supporters of the Global Fund. President Bush gave a first grant to the Global Fund. He was the first president or leader to give a second gift to the Global Fund. We are still by far the largest contributor of funds.

I said administratively, we support the fund heavily, heavily and the success of the Global Fund is an integral part of our strategy. What we look at is in each appropriations year, what is the best way for the American people to commit in that year? And we have to look globally too. Most of the rest of the world can't do what we do in bilateral programs. The reason we have focus countries was to go in and do a rapid scale up in a bilateral way, supporting those covered governments because we learn something different from – from, uh, a national expansion from pilot sites hoping the rest of the world would come in and do their jobs which is why we are worried about these commitments with universal access because no one else is coming in with the money to do it.

We are at – half of the – we are providing as much as everyone else in the world and we are not going to get any more universal access that way. So we look at this year, for the United States government, what is the optimal use of resources in the constrained setting and that is how we come up with the request for the Global Fund and that is how we come up with the request for the bilateral program to get to 710. There is room for disagreement there. I mean, everyone has a position and has disagreement and in the end people who are signing the checks need to make that decision – that judgment position. But, I hope we have moved away from anyone, uh, bad mouthing anyone else. This is a – in some ways a philosophical – and in some ways **** a zero sum game budgetary circumstance, uh, but I – you know, we will defend our request because we think it is the right request for that year.

At the same time, we will defend the need for the Global Fund to exist and for the rest of the world to be contributing to the Global Fund. If the rest of the world doesn't have these strong bilateral programs or doing their part, we wouldn't have to have these discussions, uh, but

they are not. And even in countries that don't have – one of the most amazing figures I have seen in the last three years is the one that Kaiser Family Foundation put out that shows percent of HIV/AIDS funding that goes to bilateral programs versus the Global Fund. And outside of France and Italy, the rest of Europe looks just like us. The UK actually has a lower percentage of their resources on an annual basis going to the Global Fund versus their bilateral programs. EEC isn't far from where we are. The Germans aren't very far from where we are.

So this notion that we are the only ones out there with this approach is nonsense but what is nonsense is that everyone else has the bilateral programs with the same approach that we do. So it's a very difficult thing. It's in a global environment of resources, uh, but, you know, as far as we are concerned, if the rest of the world were doing what they ought to be doing, uh, that we wouldn't have to have this discussion because the Global Fund would be getting the resources from the places they ought to be getting them from, the places that don't have the strong bilateral programs. But, you know, this is why we have all come to things like this and talk to people on the hill. This is what we have a democracy for to talk about ideas and philosophies and for people in the end to make a decision.

Next Speaker: Maybe we should take one more question –

Next Speaker: Yeah.

Next Speaker: – because I promised Mark – he has got someplace to be by 6:00.

Next Speaker: Okay. I see a gentleman in the back – all the way in the back. Yeah.

Next Speaker: Yeah. Yeah. Right here. Okay. Good.

Next Speaker: Um, **** with Management Sciences for Health, uh, Richard talked about, uh, the important issue of health systems strengthening and, uh, he suggested that we should dedicate this to the World Bank. I am just wondering what, uh, form **** takes. Is it in the form of grants or loans to these poor countries?

Next Speaker: Well, uh, most of these – the World Bank has its own different allocation systems, uh, and most of these countries that are IDA eligible, uh, they would come in either a grant or a loan. The World Bank until a few years ago had very few grant facilities available. Now they have more, that is a movement in the right direction. My own view is that for HIV/AIDS funding, the predominant share of it should be – should be for grants, um, but at the moment, it's – it's a mixture, um, of loans and grants. Some of it is pure grant for the poorest countries in the most highly indebted others, uh, it's on IDA loans. But I think what is behind your question is that you believe that most of it would be for grants and I think for HIV/AIDS programs, in particular, uh, grants is the way – is the way to go, at least for the low income countries and middle income countries perhaps a different story.

Next Speaker: Okay. Thank you very much.

Next Speaker: Thank you.

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