Global HIV/AIDS and Health Fund

Foundation for action or fig leaf?

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This briefing was prepared by the Policy Department of Oxfam (Great Britain) for Oxfam International as part of the 'Cut the Cost of Medicines' campaign. All campaign reports are available on the Oxfam GB website (www.oxfam.org.uk). These include more detailed analyses of the issues concerning access to medicines, particularly in relation to patent rules and corporate social responsibility, as well as Oxfam's coverage of the legal action brought by pharmaceutical companies against South Africa.

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This week, at a special UN meeting on HIV/AIDS, world leaders will announce a Global Health Fund – a "war chest" estimated by UN Secretary, Kofi Annan, to need US$7-10bn to tackle HIV/AIDS, TB and malaria in poor countries.

If properly funded and managed, the Global Fund could act as a vitally needed catalyst to spearhead renewed efforts to tackle the devastating global health crisis and to spur governments – at national and international level – to do much more to prioritise and deliver on the internationally agreed health targets. Without proper funding and international commitment, the Fund could serve merely as another exercise in window-dressing while the health crisis deepens.

The creation of the Fund is a belated, small step by the international community finally to address the scourge of HIV/AIDS that has infected over 36 million people world-wide. The woeful complacency of the international community in the face of HIV/AIDS has also highlighted inaction on other killer diseases in developing countries that with money and medicines could be prevented or treated. It has also put the spotlight on new patent rules that will lead to a hike in the price of medicines as big drug companies drive competition from the global medicines market. Combined with other problems such as the strangulating debt that leads to a net outflow of resources from poor to rich countries, the Fund will operate in an environment fraught with risks to public health. For it to achieve its aims, political will must be channelled to overcome these problems.

The Global Health Crisis – lethal, yet surmountable

The developing world faces a health crisis. Each day 40,000 people, the vast majority in poor countries, die from diseases the West has come to regard, largely, as manageable: chest infections, diarrhoea and measles – diseases which are both preventable and treatable. TB, once all but eradicated in the rich world, thrives in developing countries and, as resistance grows, is making a comeback elsewhere. 300 million people suffer the debilitating and painful effects of malaria. In addition to these infectious diseases, developing countries have to cope with rising rates of diseases more often associated with the rich world – diabetes, cardiovascular diseases and cancer. The harrowing media coverage of the impact of HIV/AIDS in sub-Saharan Africa has caused outrage at the geographical lottery that condemns the poor to die because treatment is simply too expensive.

Poverty is the crux of the matter. According to the World Bank, the annual per capita spending on health in low-income countries is US$21, compared with US$4109 in the US. Under-funded health services, lack of investment in infrastructure, overworked and underpaid staff, the introduction of fees requiring the poor to pay to see a doctor, and high priced medicines all contribute to the fact that one in five people across the globe do not have access to modern health services. Women are the worst affected both in terms of their own health – most of the 600,000 women who die annually of pregnancy related causes live in poor countries – and also because they are largely responsible for family health care, including water and sanitation, providing food, and caring for the sick.

At the current rate of progress the internationally agreed health targets for the year 2015 will not be met. Without improvements in health, other development targets will also be missed because health and poverty are inextricably linked. HIV/AIDS has had a devastating impact on families as people aged between 15 and 39 – the most economically productive years – are most affected. Women are particularly vulnerable due to inequalities in gender relations and access to services. HIV/AIDS also affects whole economies. In Malawi, 14 per cent of people in that age group live with the virus. The impact of other diseases on economic prospects is also negative: sub-Saharan Africa's annual GDP would rise by US$100bn were malaria to be eradicated.

The Global Fund – Welcome and Necessary

Kofi Annan's rallying cry for the international community to put hands in pockets and minds to solutions is welcome. It has not emerged from a vacuum. The proposal is in part an attempt to address growing unease about complacency around the global health gap. In this, it complements other recent, though belated, government moves, including a commitment to tackle HIV/AIDS and related infections at the G8 Okinawa summit in July 2000, and a European Community Programme of Action to confront HIV/AIDS, malaria and TB. It comes at a time of unprecedented criticism of the pharmaceutical industry: first, for failing to price medicines to make them affordable to the poor, and second, by colluding with governments to introduce stringent intellectual property protection that stands to increase prices further.

The creation of the Fund presents various opportunities. First, the chance to focus attention on the health crisis and to kick start a co-ordinated international response involving both developed and developed countries in increased efforts to meet the human right to health.

Second, the possibility of providing new money for health – both for infrastructure and the delivery of goods. Although US$10bn is not a large sum in global terms, it could make a real difference. Well-run, poverty-focused prevention and treatment programmes make a startling difference. A combination of mass public education, treatment and low-cost medicines has allowed Brazil to halve the number of HIV/AIDS deaths since 1997. Uganda has also made great strides in preventing the spread of the disease through bold public education.

Third, it could provide an incentive to developing-country governments, daunted by budgetary constraints, to prioritise poverty-focused health programmes. The possibility of obtaining tangible benefits in the form of commodities such as bed-nets for malaria prevention, and medicines to treat a range of diseases, may make a critical difference to the political will required to tackle health problems.

The Key Elements to Success

Though a welcome response to these challenges, the Fund will not be immune from debates about a sustainable long-term solution to the health crisis. It should not be seen as an alternative to existing HIV/AIDS and health programmes and increased aid contributions, but a means of identifying the way to achieve the best possible, co-ordinated response to the health challenge and as a means of establishing good practice. In Oxfam's view the key elements of success are the following.

A Comprehensive Fund

Even if the annual financing target of US$10bn for the Fund were to be achieved, this would be equivalent to the UN's estimate of what is needed to tackle HIV/AIDS alone. Given the devastating impact of other diseases as well, it is Oxfam's view that Fund allocations should be determined by

national health priorities. To make the most effective use of limited resources it should be used to encourage or strengthen poverty-focused health policies. Starting with HIV/AIDS, TB and malaria the Fund should be extended to other public-health priorities.

Oxfam believes that the Fund should address both prevention and treatment. Treating patients plays a crucial role in preventing infection, and hope of treatment in turn is an incentive for those infected to seek diagnosis and advice. The Fund should be designed to support a range of health needs – both preventive (education programmes, distribution of bednets or condoms, for example) and treatment (e.g. the provision of medicines, including antiretrovirals, diagnosis, monitoring drug use and resistance). It should also be available to support the development of infrastructure and service delivery systems where their absence prevents the poor from accessing health services. It is precisely because of the limits of the Fund in relation to need that it must be channelled to support, rather than undermine, these existing programmes.

The Fund must be designed to take full account of existing aid and health programmes. Many of the Fund's likely recipients are engaged in the development of poverty reduction strategies. While poverty reduction strategies for low-income countries should eventually develop into robust national plans, the reality is that this will take some time. Nevertheless, given that increased and better targeted social spending is an integral part of this process, the Fund should be mindful to ensure that it complements rather than undermines these efforts. To be fully effective the Fund should also be accompanied by enhanced debt relief for poor countries that will result in extra resources becoming available for social services.

Money should be disbursed as grants rather than as loans and allocations should be determined by well-designed health and HIV/AIDS strategies.

New Money

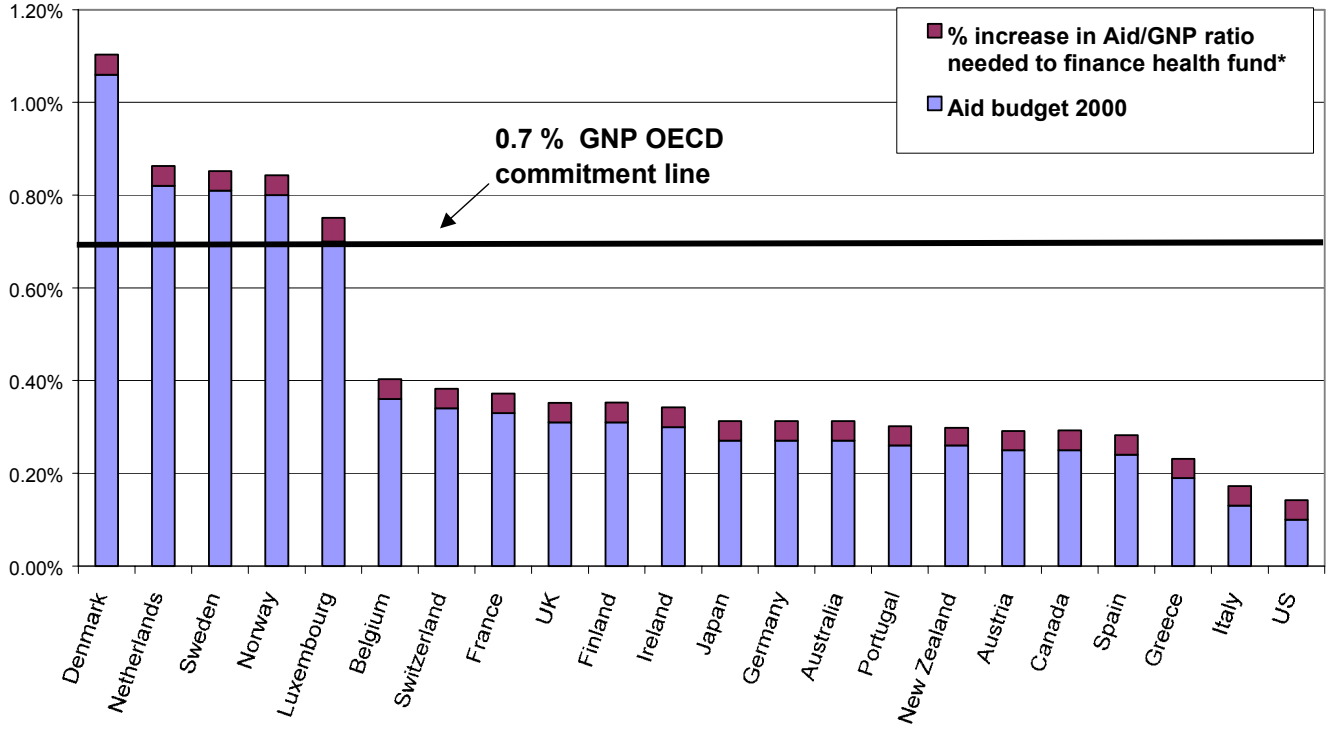
Overseas Development Assistance (ODA) is at its lowest for a decade and substantially below the target of 0.7 per cent of the GDP of OECD countries. This chronic under-funding in the face of great need means that contributions to the Fund should be in addition to existing aid programmes and funding allocations.

Dedicated new monies of at least US$7-10bn per year are needed. Governments of the South should also increase commitments to essential social services, and specifically commit to increased health expenditure targets agreed at the African Summit on HIV/AIDS and related infections, held in April 2001.

Above all, funding should be long-term and sustained, for least 20 years in Oxfam's view. For this reason responsibility for financing the Fund should fall primarily to governments. Private sector financial contributions will be a welcome addition, both in cash and kind, but should not be seen as an alternative to public contributions. It is also hoped that private sector contributions in kind will be made available, such as sharing experience of good practice in HIV/AIDS programmes.

Oxfam makes the following suggestions for assessing appropriate donor contributions.

Existing aid budget (2000 as % of GNP) and the increase required to meet the cost of the health fund



This chart shows the increase in spending required to meet the US$10 bn target expressed as a percentage increase in aid as a proportion of GNP

1. Cost-effective Use

The Fund must seek to broker the cheapest possible deals in quality products for use by beneficiaries. In the case of medicines, it should establish a transparent tender system to obtain best price offers for both patented and generic drugs. Many pharmaceutical companies have recently made substantive price reduction offers on selected medicines. The benefits of such offers are limited because they are ad hoc and reversible. The UN, whose member bodies are often intricately involved in negotiating and distributing existing cut price drugs deals (UNAIDS, WHO), should pressure companies to accept the establishment of a competitive, global tiered pricing system, along the lines of that proposed by the European Commission. This mechanism would segment the medicines market to allow poor countries to pay lower prices than rich ones. Using generic products as a benchmark for prices, the Fund would then be guaranteed the best possible prices. Bulk buying through regional procurement mechanisms could enhance the benefits to both producers and users of the tiered pricing structure.

In addition, the Fund should make use of generic medicines when available and cheaper on the open market. The Fund should encourage WTO member state countries which access its resources to make full use of the safeguards enshrined in the Agreement on Trade Related Aspects of Intellectual Property (TRIPS) in order to obtain the cheapest possible medicines with Fund monies. This particularly applies to procurement of medicines produced under compulsory licence or bought through parallel imports of brand-name drugs from the cheapest source.

2. Sound Governance

Oxfam believes that the UN should assume a central role in the oversight of the Fund because it is representative, accountable to member states, and has a mandate to set global HIV/AIDS and health policies.

The Fund's Board membership should be representative of a broad range of actors including recipient governments, donors, civil society, and health and development experts. Decision-making about the Fund's priorities should be transparent and require high levels of accountability at national and international levels. The focus on poverty reduction strategies, national HIV/AIDS and health plans should greatly reduce the need to establish separate plans and policies, leaving the Board (and its local representatives) free to exercise oversight on progress, monitoring and evaluation. To ensure that unnecessary bureaucracy does not absorb limited resources, a limit should be set on the percentage of any allocation that is issued for administration, and mechanisms should be established for local monitoring by the intended beneficiaries of expenditure against funding allocations. The Fund should encourage the full participation of civil society organisations in design, implementation, monitoring and evaluation of its work.

As industry products will be purchased by the Fund, conflict of interest should be avoided by ensuring that no pharmaceutical company – including both branded and generic producers – is involved in its governance.

The administration of the fund should be delegated to the multilateral institution or trust with the most cost-effective proposal.

Conclusion

Oxfam supports the call for the Global Health Fund as a vitally needed catalyst to spearhead efforts to tackle the devastating global HIV and health crisis and to encourage governments to increase support to public-health targets.

It would be a mistake, however, to see the Fund as capable of tackling the problem alone. The success or failure of the Fund hinges on whether a commensurate increase in international political will can be galvanised to focus on unfair international trade rules, the terrible human consequences of developing-country debt, and other problems which contribute to the bigger picture of global inequality.

Annex 1: Proposed composition of the Health fund based on approximate 2000 GNP figures

Country	***Proportion of fund based on approx. GNP 2000 (US$m)***
US	$4,039
Japan	$2,040
Germany	$784
UK	$607
France	$540
Italy	$443
Canada	$291
Spain	$232
Netherlands	$160
Australia	$156
Switzerland	$110
Belgium	$97
Sweden	$93
Austria	$76
Norway	$67
Denmark	$67
Finland	$51
Greece	$46
Portugal	$42
Ireland	$34
New Zealand	$17
Luxembourg	$8
Total	$10,000

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