

GLOBAL FUND OBSERVER (GFO), an independent newsletter about the Global Fund provided by Aidspan to over 8,000 subscribers in 170 countries.

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## CONTENTS

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### [1. NEWS: OIG Identifies Shortcomings in Rounds-Based Grant Application Process](#)

The Office of the Inspector General has commented on the high rejection rate of proposals; the lack of Global Fund presence in-country; the limitations of the screening process; the timing of principal recipient assessments; and the lack of investment in forging and maintaining more effective relations with partners. The OIG also touched on the roles of Country Programs staff and the Technical Review Panel.

### [2. NEWS: OIG Report Critical of Rounds-Based Proposal Form](#)

"While it is self-evident that a good proposal may be fitted into the Global Fund's proposal form, it is by no means clear that a proposal would be significantly shaped and improved by following the form."

### [3. NEWS: Reminder Concerning Some of the New Features of Round 10](#)

A country that has a high poverty level and a high disease burden is no more likely to have its Round 10 proposal approved than in previous rounds. (Some countries have misunderstood this point.)

### [4. COMMENTARY: Is the Global Fund Living Up to Its Principles?](#)

"The Global Fund's handling of the Zambia case provides further confirmation of a suspicion that has long been forming in my mind, which is that the Fund is very reluctant to report any news that might worry a donor or that might embarrass the government of a country that receives Global Fund grants. But the issue is bigger than that. The Fund is not only reluctant to report on its few 'tough actions'; it has been reluctant, particularly during the past three years, to take those tough actions in the first place."

### [5. NEWS: OIG Says Current Application Process Impairs Board Decision-Making](#)

According to the OIG, the current grant applications process constrains the Board's ability to set policy and strategy, and to make funding decisions that meet Global Fund objectives.

### [6. NEWS: Aidspan Round 10 Applying Guide Available in Several Languages](#)

"*The Aidspan Guide to Round 10 Applications to the Global Fund – Volume 2: The Applications Process and the Proposal Form*" is now available in English, French, Spanish and Russian.

### [7. NEWS: Technical Assistance for Round 10 Proposals Available from Friends Africa](#)

Through its Technical Assistance Hub, Friends Africa also provided assistance in proposal development in Rounds 8 and 9.

### [8. NEWS: E.D. Report Provides Updates on CCMs, Round 8 Grants, Other Topics](#)

Among the information contained in the "*Report of the Executive Director*" to the recent Board meeting in Geneva is the fact that the Global Fund is developing a comprehensive performance assessment framework designed to enhance its ability to identify CCMs that need assistance.

[9. NEWS: Replenishment Meeting Discusses Challenges of Meeting Global Fund Resource Needs](#)

Participants at the Global Fund's Third Replenishment meeting in March 2010 weighed the need to scale up Global Fund programmes to meet the health-related Millennium Development Goals by 2015 against the fact that even the lowest resource needs scenario advanced by the Fund involves a significant increase in contributions at a time when national budgets are under pressure.

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**1. NEWS: OIG Identifies Shortcomings in Rounds-Based Grant Application Process**

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According to the Global Fund's Office of the Inspector General (OIG):

- The way that calls for proposals in the rounds-based channel are structured is inconsistent with the Global Fund principle of supporting country-driven programmes.
- While a good proposal may be fitted into the Global Fund's proposal form, it is by no means clear that a proposal would be significantly shaped and improved by following the form.
- There is little scope for the Board to provide assurance on the financial soundness of proposals.
- After seven years of activity, the Global Fund's relationship with its partners remains poorly defined and even, in some ways, uncomfortable.
- The present obscurity of the TRP's deliberations represents something of a contrast to the rest of the Global Fund's business model.
- The current grant application process impairs the ability of the Global Fund Board to set policy and strategy.

These are among the observations in a wide-ranging, 107-page audit report released in April 2010, *"The OIG Review of the Global Fund Grant Application Process."* In this article, we summarise some of what the OIG said on the following topics: the high rejection rate of proposals; the lack of Global Fund presence in-country; the limitations of the screening process; the timing of principal recipient assessments; and the lack of investment in forging and maintaining more effective relations with partners. We also report on what the OIG said concerning the roles of the Fund's Country Programs staff and the Technical Review Panel (TRP). In two other articles in this issue, we summarise the OIG's observations related to, respectively, the rounds-based proposal form, and how the applications process affects the Global Fund Board's policy and governance process.

**High rejection rate**

The OIG said that after eight years of operation, the Global Fund's proposal rejection rate remains relatively high. The OIG said that "although an argument is sometimes made that a rejection rate in the region of 50% demonstrates the technical rigour of the TRP review process consistent with the Global Fund's high standards, this may not stand up to scrutiny when the Global Fund's wider objectives are taken into account."

According to the OIG, as a key player in the fight against the three diseases, the Global Fund has an interest in identifying and funding as many good programmes as possible. "Although the Global Fund continues to hold back from intervention in proposal development," the OIG said, "it has a strong interest (not least for its own reputation) in working to ensure that a greater share of the proposals submitted are of higher quality. This is especially true now that the Global Fund has eight years of experience in reviewing proposals and assessing programmes, and thus a good basis for demonstrating to potential recipients the type of proposal that is likely to succeed."

The OIG said that while a simple numerical or percentage target for approvals may not fit the Global Fund's approach to the application process, it might be possible to work with an objective for a percentage increase in successful proposals over an agreed time frame.

## **Global Fund presence in-country**

In a section of its report on national strategy applications (NSAs), the OIG said that among views put forward by those canvassed for its audit was the suggestion that, contrary to current Global Fund practice, the implementation of programmes funded in response to NSAs would ideally require some permanent Global Fund presence in country. The OIG added that "more traditionally organised development organisations consider presence on the ground, or alternatively a strongly identified representation via another organisation, essential to support national strategies."

## **Screening process**

In its report, the OIG said that there may be benefit to the Global Fund in clarifying and strengthening the screening process, perhaps making it possible for poor proposals to be rejected at this stage, rather than going forward to the TRP. The OIG said that "setting out the results of screening in a way which goes beyond simple confirmation of eligibility, and offers informed judgements on the status, function and performance of a CCM, would be helpful to the TRP."

The OIG added that there are important areas where all proposals could be examined more thoroughly before TRP review, including the soundness and reliability of budgets; the adequacy of proposed procurement arrangements; provisions for monitoring and evaluation; and consistency within the proposal of programme objectives, service delivery areas, activities in the workplan and budget lines. The OIG noted that under current arrangements, these issues are not subject to full scrutiny until grants are negotiated, which happens after the Board has approved proposals. It said that "work on these issues should become an essential part of the planning and development of proposals, rather than arising as matters for retroactive review."

## **PR assessments**

Local fund agents (LFAs) evaluate nominated PRs once the Board has approved the proposals. The OIG believes that, in terms of the effectiveness of the evaluation as a control, this is too late. The OIG said that because the PR is the Global Fund's contractual partner in country, usually over the lifetime of a grant, the soundness of the PR should be determined before proposals are presented to the Board for approval.

## **Role of partners**

The OIG said that when it reviewed proposals for this audit, confusion about technical assistance – its availability, how and when to apply – was a common theme.

The OIG said that a 2006 external assessment of the Global Fund's proposal development process concluded that if the Fund is to rely on partners to support the development and subsequent implementation of high quality programmes, there is a need for a significant investment in forging and maintaining more effective relations with these partners. The OIG said that today this investment is still lacking, and that the Global Fund's relationship with its partners remains poorly defined and even, in some ways, uncomfortable.

The OIG noted that the value of partnerships has been demonstrated at the level of individual proposals. It said that three proposals it reviewed were "very convincing documents in terms of their presentation of material and the relevance of replies to questions in the proposal form." All three had been developed with assistance from one or more of the multilateral partners.

## **Role of Country Programs staff**

In early rounds-based TRP review sessions, the Global Fund's Country Programs staff were available to answer questions. The OIG said that this is no longer the case, and that the staff see an advantage in the practice being revived. The OIG added that "it seems unnecessarily rigid to exclude country programs staff from the review process."

The OIG noted that while Country Programs staff play no direct part in the process of grant application or approval, they assume a critical role after the Board has approved a proposal. "One

way or another," the OIG said, "after eight years of Global Fund operations, the case for greater involvement on the part of country programs staff, with the knowledge and experience that they possess, is increasingly compelling," particularly as the Global Fund moves to a single stream of funding as the norm.

### **Role of the TRP**

The OIG noted that despite the Global Fund's status as a financing instrument, intended to leverage financing for interventions designed by recipients themselves, many of the grants now provide support for disease programmes that is similar to traditional development programmes. The OIG said,

"Now that the Global Fund has matured and built an active portfolio of grants over eight years, in the process forging close relationships with most of its recipients, it may be timely to review whether the TRP arrangements remain entirely appropriate in all their present aspects."

The OIG pointed out that the Global Fund's requirements are different from those of traditional development programmes, in respect to the way applications are solicited and assessed. The emphasis for both applicants and reviewers is on the wider country context and on previous and existing Global Fund-supported activity. According to the OIG, the Global Fund's new NSA approach comes closest to a broad review of country context and health sector policy. The OIG said that the TRP review process for the rolling continuation channel (now discontinued) came closest to including an obligatory assessment of past performance, but that "the rounds-based review – which provided an effective model for the start of the Global Fund's activities – may be less well adapted to current circumstances, with so many countries already in receipt of Global Fund financing."

The OIG said that "as the Global Fund develops a history with each of its recipients, it is difficult to limit the review of proposals to so-called 'technical' issues only" and that "there is an increasing expectation that the TRP will look also at performance issues in detail. Performance could become an important criterion when allocating resources among competing proposals."

See also articles 2 and 5 in this issue. "The OIG Review of the Global Fund Grant Application Process," April 2010, is available at [www.theglobalfund.org/en/oig/reports](http://www.theglobalfund.org/en/oig/reports).

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### **2. NEWS: OIG Report Critical of Rounds-Based Proposal Form**

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The call to submit proposals, as currently formulated – with very specific guidance on how proposals should be presented and the issues they should focus on – is complex; and is also inconsistent with the Global Fund principle of supporting recipient-driven programmes. This indicates a need for a simpler application process, with the emphasis on country-driven proposals.

This is one of the observations in an audit report issued by the Office of the Inspector General, "The OIG Review of the Global Fund Grant Application Process." The audit examined twenty-five proposals from rounds-based applications in order to assess the effectiveness of the proposal form in eliciting proposals; and to identify strengths and weaknesses in the responses to questions in the form (as distinct from strengths and weaknesses in the technical detail of the proposals themselves).

### **The proposal form**

The OIG said that "while it is self-evident that a good proposal may be fitted into the Global Fund's proposal form, it is by no means clear that a proposal would be significantly shaped and improved by following the form."

According to the OIG, the introduction of evolving policy requirements into the proposal form and guidelines in a somewhat patchwork fashion, particularly in the early rounds of funding, has complicated the grant application process. The OIG added that the Global Fund has not evaluated the results adequately to be able to conclude whether evolution in the proposal form has actually led to better proposals.

The OIG said that

"emphasis on specific areas in the proposal form – for example, on community systems strengthening, or dual track implementation by public and private sector entities – has the objective of eliciting better-performing programmes. Yet there is little evidence so far that there has been any impact on either proposal quality or subsequent programme performance. It may be that greater emphasis in proposals on these issues – and on others such as transparency, social equity and the private sector – will indeed produce better results. As evidence for this is gathered, there will be stronger justification for requiring that such issues be addressed in proposals."

The OIG said that although the Global Fund's guidelines inform applicants that technical assistance is available to help develop and write proposals, no systematic guidance has been published by the Global Fund itself on how to access this help.

### **Responses in proposal forms**

The OIG said that in the proposals it reviewed, responses from applicants to the questions on the proposal form tended to be weak – i.e., there was either a lack of detail or a lack of relevance – in the following areas: (a) the competence of CCM members in health systems strengthening ("where usually no more than a list of members' job titles was provided"); (b) the financial and planning cycle; (c) gender and social equity; (d) the potential for co-operation with the private sector; (e) equitable and efficient distribution of national budget resources in-country; (f) explanations of large items in the budget; (g) procurement arrangements; and (h) arrangements for mitigating unintended consequences.

According to the OIG, in most cases the responses "appeared so limited as to call into question the extent of preliminary scrutiny applied to them." In addition, the OIG said, this indicates the need for improved guidance on the level of detail expected in the responses.

The OIG said that on the important aspect of co-operation with the private sector, which has a strong link to the Global Fund's corporate objectives, "applicants' responses were thin and almost none had been costed with any apparent accuracy or conviction."

Concerning procurement, the OIG noted that the application process does not require much in the way of detail; and that "the response in almost every proposal reviewed was very weak, with answers normally relying on references to unspecified 'existing national systems' for procurement, storage and distribution, and relatively little additional detail to support reliable evaluation of the proposal."

### **Other comments**

The OIG said that it found little evidence to indicate any extensive information exchange among potential recipients, despite the availability of all proposals – whether recommended or rejected – on the Global Fund website. To address this, the OIG said, existing Global Fund road-shows might consider working with real examples; and new Global Fund-led workshops to help with the writing of live proposals should be considered, particularly in countries that have difficulty producing acceptable proposals.

The OIG said that some of the proposals it examined emerged from a process that had started only a month or so before the deadline date for submissions. This suggests that the applicants place emphasis on completing the necessary documentation on time, rather than putting together a programme systematically over a reasonable period of time. The OIG said that "after eight years' experience, with annual funding rounds being the norm, most applicants could confidently start the process of planning an application well in advance of the formal call for proposals."

See also the previous article, and article 5, in this issue. "*The OIG Review of the Global Fund Grant Application Process*," April 2010, is available at [www.theglobalfund.org/en/oig/reports](http://www.theglobalfund.org/en/oig/reports).

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### **3. NEWS: Reminder Concerning Some of the New Features of Round 10**

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This article summarises some of what's new for Round 10, as an aide to people preparing proposals.

#### **New prioritisation criteria**

The Global Fund's new prioritisation criteria will be invoked only if there are insufficient funds to pay for all proposals recommended for funding by the TRP and approved by the Board. The new prioritisation criteria give less weight to technical merit and, therefore, more weight to poverty level and disease burden.

In Round 10, as in past rounds, the recommendations of the Technical Review Panel (TRP) will be based solely on technical merit. The TRP will not take into account poverty level and disease burden in deciding whether to recommend a proposal for funding. Thus, a country that has a high poverty level and a high disease burden is no more likely to have its Round 10 proposal recommended for approval by the TRP than in previous rounds. (Some countries have misunderstood this point.)

If there are insufficient funds to cover all approved proposals, the approved proposals will be ranked according to the new prioritisation criteria. The proposals ranked highest will be funded first; other proposals will be funded as more money comes in. When prioritisation criteria were used in past rounds, all approved proposals were eventually funded. However, there is no guarantee that this will happen in Round 10. It depends on the total cost of the approved proposals and how much money the Global Fund is able to raise.

*For more details, see "New Prioritisation Criteria," in GFO 122, at [www.aidspace.org/gfo](http://www.aidspace.org/gfo).*

#### **Consolidated disease proposals**

Applicants have the option of submitting a consolidated disease proposal in Round 10. A consolidated disease proposal is one in which applicants show the entirety of resource needs for that disease requested from the Global Fund during the (up to) five-year period covered by the proposal. While submitting a consolidated proposal is optional for Round 10, it will become mandatory in Round 11.

Consolidated proposals usually lead to the consolidation of one or more existing grants with proposed new activities (should the proposal be approved for funding). Because there is considerable work involved in the grant consolidation process – and very little guidance from the Global Fund on how to do it – Aidspace is recommending that applicants not submit a consolidated proposal in Round 10 unless they have already been doing considerable work to prepare for grant consolidation.

*For more details, see "Applicants Can Submit a Consolidated Proposal in Round 10," in GFO 121, at [www.aidspace.org/gfo](http://www.aidspace.org/gfo). See also, "The Aidspace Guide to Round 10 Applications to the Global Fund – Volume 2: The Applications Process and the Proposal Form," at [www.aidspace.org/guides](http://www.aidspace.org/guides).*

#### **MARP proposals**

In Round 10, for the first time, applicants from countries that have concentrated HIV/AIDS epidemics within "most-at-risk populations" (MARPs) have the option of applying for funding specifically for MARPs under a new funding stream. Applicants have to choose whether to submit a MARP proposal or a "regular" HIV/AIDS proposal; they cannot submit both types of proposal in Round 10.

*For more details, see "Applicants Can Submit a MARP Proposal in Round 10," in GFO 121, at [www.aidspace.org/gfo](http://www.aidspace.org/gfo).*

#### **Need to fully meet eligibility requirements**

Failure to comply with any of the eligibility requirements may lead to a Round 10 proposal being categorised as ineligible by the Global Fund Secretariat. Ineligible proposals will not be forwarded to the Technical Review Panel (TRP) for review. The Global Fund Secretariat has warned applicants

that because of the tight timelines for Round 10, if the Secretariat has to chase after applicants for documentation showing that they comply with the requirements, applicants will have to respond to these requests within very strict deadlines.

For more details, see "Applicants Reminded of the Need to Fully Document Eligibility," in GFO 125, at [www.aidspace.org/gfo](http://www.aidspace.org/gfo).

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#### **4. COMMENTARY: Is the Global Fund Living Up to Its Principles?**

by Bernard Rivers

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Ten months ago, the Global Fund put on hold about \$95 million in potential disbursements under four grants to the Zambia Ministry of Health, because of fraud within the ministry that was first reported by a whistleblower. Seven current or former ministry employees were charged by the Zambian government in relation to the fraudulent appropriation of about \$350,000 from one of the grants. The funding is still on hold except for payments for life-saving drugs, which are now bypassing the ministry and being sent direct to procurement agents or suppliers.

The Fund later decided that the role of principal recipient (PR) for these grants would be taken away from the Ministry of Health and handed over to UNDP, and the ministry was asked to return \$8 million in unspent funds. Grants with non-governmental PRs were not affected.

The Global Fund Board was informed of these developments. But the public was told nothing; no press release was issued, and no information was placed on the Zambia pages of the Fund's website.

Recently, an Aidspace colleague of mine came across a single sentence buried deep in a report by the Fund's Inspector General that revealed the freezing of disbursements to the ministry. We reported the news in GFO on June 14. (See Issue 126, at [www.aidspace.org/gfo](http://www.aidspace.org/gfo).) We didn't specify when the action took place, because we didn't then have that information (though we could see that it was some time during 2009, which we should have mentioned).

The GFO story was picked up (and some incorrect information added) by Reuters. Within three days of the GFO story, there were 14,000 news stories and related articles about this on the Internet, from New Zealand to Saudi Arabia, and the Global Fund had to issue a press release providing additional information.

Why was the Global Fund silent on this matter for nearly a year?

When I put this to the Fund, the response was, "There was no suspension of the grants to the Ministry of Health in Zambia. There was only a delay in the disbursements." Thus, according to the Fund, there was no cause for a press release. But the "delay" in disbursements has thus far lasted nearly a year, and the Ministry of Health has been removed as a PR. The world's news media seem to have found that pretty newsworthy.

I've been a close observer of the Global Fund since it started in 2002. And the Fund's handling of the Zambia case provides further confirmation of a suspicion that has long been forming in my mind, which is that the Fund is very reluctant to report, via press release or its website, any news that might worry a donor or that might embarrass the government of a country that receives Global Fund grants.

But the issue is bigger than that. The Fund is not only reluctant to report on its few "tough actions"; it has been reluctant, particularly during the past three years, to take those tough actions in the first place.

In my view, the Global Fund can only claim that it is truly transparent if it gives easy access to both the good news and the bad. And the Fund can only claim it is truly using performance-based funding if it is willing to terminate a grant or to switch to a new PR in cases where the PR persistently and significantly fails to deliver on its promises, or where the PR reveals clear corruption.

## Transparency

In many ways, the Global Fund is remarkable in its transparency. Impressive amounts of information are publicly available regarding Board decisions, grant contracts, disbursement data, etc. It would be wonderful if other funding agencies were this open. But the Fund's transparency has some lamentable and persistent gaps.

The obvious place where the Fund should reveal cases where it has suspended a grant or issued a "No Go" or some similar decision is on the Fund's web pages that deal with the grant and country in question. But this almost never happens. In Table 1 below, I list all cases where the Fund has taken such actions. Compiling this table took a substantial amount of research, and it would not have been possible without access to non-public communications from the Global Fund Secretariat to Board members and their delegations. With the exception of the three Myanmar grants, none of the information under "Action taken" in the table is revealed at the relevant grant and country web pages. A reader of those web pages would conclude that everything is fine, and always has been, with each of these grants.

When I asked the Global Fund why its web pages for individual countries and grants don't reveal these bits of bad news, a spokesman agreed that it would be a "good idea" to show suspensions. But he added that No Go grants "will be shown solely as closed grants," and that this could take some time to show up because a grant is not formally closed until all grant activities have ended. But that's missing the point. The great majority of closed grants are ones that simply came to the end of their natural lives.

## Performance-based funding

The Fund's website explains that performance-based funding lies at the heart of the Global Fund's operating model; that in order to raise additional funding from donors, the Fund must prove that the original funding led to proven results against performance targets that had originally been proposed by the country receiving the grant; and that when there are non-performing grants, the money from those grants is re-assigned to other grants where results can be achieved. (See [www.theglobalfund.org/en/performancebasedfunding](http://www.theglobalfund.org/en/performancebasedfunding)).

It's an admirable "tough love" model. But in my view, it has not been adequately implemented during the past three years.

Between mid-2004 and mid-2007, the Global Fund considered, by my calculation, 264 applications from Country Coordinating Mechanisms (CCMs) for "Phase 2 renewal" (that is, applications to have funding extended from the first two years of the grant into years 3 through 5). The Fund approved 254 of these applications. But for the other 10 (3.6%), it denied the application by issuing what it calls a "No Go" decision, which meant that the grant was being brought to an end three years earlier than originally anticipated.

I'm not sure that the Fund was being sufficiently tough by taking such action in only 3.6% of cases. But it was a good start. (The Minister of Health for one country whose grant received a "No Go" decision told me long afterwards that although he had been upset at the time, he had come to realise that it was the best thing that could have happened. The decision led to the CCM being reformed and to new PRs being chosen, and things are now going much better.)

But when we examine what has happened between mid-2007 and now, we see a very different picture. During this period, my calculations show that the Fund has received 215 Phase 2 renewal applications – and it has approved every one of them. Not a single No Go decision has been issued. (When I asked whether this reflects a change of policy, the Fund said that it does not.)

Under performance-based funding, the grants that are the most obvious candidates for a "No Go" decision are the ones that have previously received an "unacceptable" rating from the Global Fund. (The Fund issues a rating for each grant once per disbursement – which means, on average, once every six to nine months. The ratings range from A1 – "exceeded expectations" – to C – "unacceptable.")

Of the CCM applications for Phase 2 renewal that were received between mid-2004 and mid-2007, four were for grants that had at some previous point received an "unacceptable" rating. The Fund did not approve any of them.

Of the CCM applications for Phase 2 renewal that were received between mid-2007 and now, seven were for grants that had at some previous point received an "unacceptable" rating. All seven were approved.

It may well be that some of these "formerly C-rated grants" were doing better by the time they were reviewed for Phase 2, and deserved to be approved. But still, these numbers don't give the impression that performance-based funding is a concept that is being actively pursued by the Global Fund.

### **New procedures needed**

The Global Fund should establish a committee whose role is to review what action to take regarding each severely underperforming grant. If no action is taken, the committee should specify why.

Whenever a grant is issued a "C" rating, or the grant has had only "B2" or "C" ratings for twelve months, the grant should automatically be referred to the committee. (The grants that currently meet those conditions are shown in Table 2.)

The committee's decision and report on each such grant should be sent to each CCM member. A summary of the actions taken, and a link to the report, should be prominently and permanently placed on the web pages for that grant and country. And once a year, the committee should issue a report, and an accompanying press release, documenting all such actions over the past year.

The purpose of such actions would not be to be vindictive; it would be to encourage all grant implementers to do their best to ensure that their grants continue to be funded, and to show the donors that this is being done. I believe that if these actions are taken rapidly, they will increase, rather than decrease, the funding that donors commit to the Fund for the next three years at the replenishment meeting this October. Furthermore, if these actions lead to an increase in the number of grants that are closed down, money which is currently not producing results will be freed up for grants that otherwise may not be funded in Rounds 10 and 11.

When the Global Fund was established in 2002, it rapidly obtained substantial and broad-based support. This was partly because the need for its grants was obviously so great. But it was also because people looked forward to straight talk and tough logic-based decisions, in contrast – forgive me – to the UN approach of attempting not to upset anyone. Some of us are still waiting.

*Bernard Rivers ([rivers@aidspan.org](mailto:rivers@aidspan.org)) is Executive Director of Aidspan and Editor of GFO.*

**Table 1: GFO compilation of grants where the Global Fund has taken firm action (in date order)**

Month	Country	Disease	Round	Principal recipient	PR sector	Action taken	Reported in GFO #
Feb. 2005	Senegal	Malaria	1	Ministry of Health	Gov't	"No Go" – GF refused to finance years 3-5 of grant	GFO #56
Aug. 2005	Myanmar	TB	2	UNDP	UN	Grants terminated due to political problems	GFO #49
		HIV	3				
		Malaria	3				
Aug. 2005	Uganda	HIV	1	Ministry of Finance	Gov't	Grants suspended; un-suspended after 4 months	GFO #49
		Malaria	2				
		TB	2				
		HIV	3				
		Malaria	4				

Month	Country	Disease	Round	Principal recipient	PR sector	Action taken	Reported in GFO #
Dec. 2005	South Africa	HIV/TB	1	Ministry of Health	Gov't	"No Go" – GF refused to finance years 3-5 of grant	GFO #54
April 2006	Nigeria	HIV	1	National Action Committee on AIDS	Gov't	"No Go" – GF refused to finance years 3-5 of grants	GFO #57
		HIV	1				
April 2006	Pakistan	Malaria	2	NACP (MoH)	Gov't	"No Go" – GF refused to finance years 3-5 of grant	GFO #73
Nov. 2006	Chad	TB	2	FOSAP	Gov't	Grants suspended for unknown period	GFO #69
		HIV	3				
Jan. 2007	Bolivia	Malaria	3	UNDP	UN	"No Go" – GF refused to finance years 3-5 of grant	Not reported
Jan. 2007	Uganda	Malaria	2	Ministry of Finance	Gov't	"No Go" – GF refused to finance years 3-5 of grants	GFO #73
		TB	2				
March 2007	Timor Leste	TB	3	Ministry of Health	Gov't	"No Go" – GF refused to finance years 3-5 of grant	Not reported
June 2007	Sierra Leone	Malaria	4	SL Red Cross Society	NGO	"No Go" – GF refused to finance years 3-5 of grant	Not reported
Aug. 2009	Zambia	HIV	4	Ministry of Health	Gov't	Disbursements put on hold, then grants handed over to new PR	GFO #126
		Malaria	4				
		Malaria	7				
		TB	7				
Sept. 2009	Mauritania	HIV	5	SENLIS	Gov't	Grant suspended for unknown period	GFO #107
Sept. 2009	Philippines	Malaria	2	Tropical Disease Foundation	Private sector	Grants suspended, then handed over to new PR	GFO #107
		HIV	3				
		HIV	5				
		TB	5				
		Malaria	6				
May 2010	Zambia	HIV	4	Ministry of Finance	Gov't	Funding cancelled for final two years	GFO #126

**Table 2: GFO compilation of currently-active grants apparently in trouble, based on Global Fund ratings as of 17 June 2010**

Country	Disease	Round	Principal recipient	PR sector	Latest rating = C	Rating has been B2 or C since at least one year ago
Angola	HIV	4	UNDP	UN		X
Cameroon	Malaria	5	Ministry of Health	Gov't		X
Côte d'Ivoire	Malaria	6	CARE	NGO		X
Equatorial Guinea	HIV	4	UNDP	UN		X
Gabon	Malaria	5	Ministry of Health	Gov't	X	
Guinea	Malaria	6	Ministry of Health	Gov't	X	X
Haiti	HIV	7	Fondation SOGEBANK	Private sector	X	
Kenya	Malaria	4	Ministry of Finance	Gov't		X

Country	Disease	Round	Principal recipient	PR sector	Latest rating = C	Rating has been B2 or C since at least one year ago
Madagascar	Malaria	4	Population Services International	NGO	X	
Malawi	Malaria	7	Ministry of Health	Gov't	X	
Mozambique	HIV	2	Ministry of Health	Gov't		X
Mozambique	TB	2	Ministry of Health	Gov't		X
Sri Lanka	TB	6	Lanka Jatika Sarvodaya Shramadana Sangamaya	NGO		X
Sudan	Malaria	7	UNDP	UN	X	
Tanzania	Malaria	7	Ministry of Finance	Gov't	X	
Thailand	Malaria	7	Ministry of Health	Gov't		X
Uganda	Malaria	4	Ministry of Finance	Gov't	X	

Note: As of 17 June 2010, there were (according to data at [www.theglobalfund.org/en/commitmentsdisbursements](http://www.theglobalfund.org/en/commitmentsdisbursements)) 218 currently-active grants that have been rated by the Global Fund. Of these, 17 (6%) have a latest rating of "C" or have had a rating of "B2" or "C" since at least one year ago, and thus qualify to feature in the above table.

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#### 5. NEWS: OIG Says Current Application Process Impairs Board Decision-Making

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The current grant applications process constrains the Board's ability to set policy and strategy, and to make funding decisions that meet Global Fund objectives. This is one of the observations in an audit report issued by the Office of the Inspector General, *"The OIG Review of the Global Fund Grant Application Process."* (This is the third of three articles in this GFO issue on the OIG report.)

The OIG report identified four factors that constrain the Board:

1. There is no in-built review mechanism to readily allow the Board to ensure that maximum funding is directed to fight the three diseases where most needed.
2. There is no structured forum for a full, systematic dialogue between the Board and the TRP, especially on policy issues.
3. There is little scope for the Board to provide assurance on the financial soundness of the proposals it approves for funding, since budgets are fully considered only after Board approval.
4. There is no single Board forum for discussion of the results and impact of Global Fund activities, including the impact of policy recommendations made by the Board itself.

#### Funding directed where most needed

The Global Fund's framework document says that the Fund will give priority to countries with the heaviest disease burden. In its report, the OIG said that the current arrangements and the practice of approving TRP recommendations "en bloc" reduces the Board's ability to put policy into practice. A good proposal is likely to be approved, whatever its country of origin or the disease burden in that country.

## Systematic dialogue

The TRP reports to the Board through the Board's Portfolio and Implementation Committee (PIC). The OIG said that "given the importance of the TRP to the Board and to the Global Fund as a whole, there is scope for regular substantive discussion of the TRP's work by the Board in plenary, or as a 'committee of the whole,' rather than solely by delegation to the PIC, which represents little more than half the Board members."

The OIG pointed out that although the Board's own policy and strategy decisions on behalf of the Global Fund tend to be formulated first within its Policy and Strategy Committee (PSC), this committee has no formal link with the TRP, despite the impact that the PSC's work has on all areas of Global Fund activity, including proposal management and review. According to the OIG, the absence of a consultative forum involving the TRP and the PSC disadvantages both entities.

## Financial soundness

The OIG said that proposals reach the Board without having been subjected to full financial scrutiny. Proposal budgets, logistics (including procurement) and financial management arrangements are only fully considered during the grant negotiation period, after Board approval. The OIG said that these are all crucial issues, often presenting problems during Phase 1 of grant implementation.

The OIG said that it is debatable "whether this is a sound or efficient practice, on the basis of which the Board makes funding decisions on proposals, given that key elements of due diligence have yet to be carried out. This reinforces the case for budget scrutiny to be conducted before proposals reach the TRP."

*[Editor's note: In Round 9, financial analysis support was provided routinely for the TRP's review of proposals whose lifetime budgets exceeded \$100 million. The TRP has recommended that, in future, financial analysis support be provided for all proposals. See "TRP Observations Concerning Round 9," in GFO #112, at [www.aidspan.org/gfo](http://www.aidspan.org/gfo).]*

## Board forum for discussion

According to the OIG, good financial governance practices require that the success of previous activities be taken into account when considering whether to provide new money, but this does not happen in the rounds-based application process. The OIG said that TRP recommendations are approved for funding by the Board on the understanding that previous performance has been taken into account by the TRP, but, in practice, the TRP does not have time for more than the briefest assessment of previous performance when reviewing rounds-based grant applications.

Therefore, the OIG said, the Board currently lacks a sound basis on which to engage in a stock-taking exercise of its own on the relationship of funding decisions to performance. As well, the OIG noted, the Board has not had an opportunity to evaluate many of its own policies, including those that have a direct impact on the grant application process.

See also the two previous articles in this issue. "*The OIG Review of the Global Fund Grant Application Process*," April 2010, is available at [www.theglobalfund.org/en/oig/reports](http://www.theglobalfund.org/en/oig/reports).

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## 6. NEWS: Aidspan Round 10 Applying Guide Available in Several Languages

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"*The Aidspan Guide to Round 10 Applications to the Global Fund – Volume 2: The Applications Process and the Proposal Form*" is now available for single-country applicants in English, French, Spanish and Russian at [www.aidspan.org/guides](http://www.aidspan.org/guides).

A version of the same guide for multi-country applicants is available in English and Spanish at the same site; French- and Russian-language editions will be available shortly.

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## 7. NEWS: Technical Assistance for Round 10 Proposals Available from Friends Africa

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Friends Africa is offering technical assistance for the development of Round 10 proposals, through its Technical Assistance Hub. Friends Africa is a pan-African organization which mobilises support for the Global Fund.

Friends Africa's Technical Assistance Hub was created in 2008, in partnership with Population Action International, the International Planned Parenthood Federation (IPPF) and the Global AIDS Alliance, to provide assistance to CCMs and civil society organisations to improve and strengthen their capacity to submit quality proposals. The hub also provides technical assistance to implementers that are having difficulties managing large-scale grants. The hub maintains a database of over 300 consultants with significant country and regional experience throughout Africa.

In partnership with IPPF/Africa, the Technical Assistance Hub supported 10 African countries in developing proposals for the Global Fund's Rounds 8 and 9. In addition to providing assistance with proposal development, the Technical Assistance Hub has expertise in monitoring and evaluation, project management, tracking, strategic and operational planning, costing and budget – as well as in thematic areas such as reproductive health and gender.

More details are available in a flyer produced by the Technical Assistance Hub, at [www.friends-africa.org/index.php#technical](http://www.friends-africa.org/index.php#technical).

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## 8. NEWS: E.D. Report Provides Updates on CCMs, Round 8 Grants, Other Topics

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The Global Fund is developing a comprehensive performance assessment framework designed to enhance its ability to identify CCMs that need assistance. As well, fund portfolio managers (FPMs) have been instructed to actively participate in CCM meetings and to liaise more regularly with CCM members. This information was contained in the "*Report of the Executive Director*," presented to the Global Fund Board at its meeting in Geneva at the end of April 2010.

The report also revealed that the Global Fund Secretariat has been organising CCM-specific regional meetings; and that, to date, about 300 CCM members have participated in these meetings in South and West Asia, South America, and West and Central Africa. Five more regional meetings are planned for 2010.

In addition, the report said that the Global Fund's new dashboard oversight tool is being used by CCMs in 14 countries. *GFO* reported on the new tool in Issue 116, at [www.aidspace.org/gfo](http://www.aidspace.org/gfo) (see "Global Fund Provides CCMs with New Tool for Grant Oversight").

The E.D.'s report contained information on a variety of topics, including the following:

**Round 8 grants.** Of the 147 Round 8 grants, 113 (77%) were signed within the 12-month deadline; 16 were signed after being granted a three-month extension; and 18 remained to be signed. Two of these 18 grants have been given an indefinite extension because the nominated PR has been suspended (with respect to grants signed before Round 8). For Round 8, the average elapsed time between proposal approval and first disbursement was 10.7 months. Delays were due to a number of factors, including the volume and complexity of grants, lengthened negotiations due to the need to find "efficiency gains," and the growing number of proposals (as more countries adopt dual-track financing).

**Dual-track financing.** Thirty-four percent of Round 9 proposals nominated both a non-governmental PR and one from the public sector. Civil society and private sector PRs constituted 40% of the PRs nominated in Rounds 8 and 9, more than double the percentage in previous rounds.

**Phase 2 renewals and grant performance.** In 2009, 79 Phase 2 renewals were signed, with a total value of \$1 billion. Grant performance continues to be strong. Of the grants renewed in 2009, 32% were rated A at the time of renewal, 58% B1, 9% B2, and only 1% C. Sixty-one percent of the grants received a "Go" rating, while the remaining 39% received a "Conditional Go" rating.

**LFA performance evaluations.** The LFA performance evaluation system is now in use. So far, this system has led to the retendering of contracts with poor performing LFAs in five countries.

**Additional Safeguard Policy (ASP).** The countries whose grants are currently being managed under the ASP are Chad, Cuba, Haiti, Iran, North Korea, Sudan and Zimbabwe. The Global Fund invokes the ASP when it believes that accountability for the use of Global Fund resources is weak and that its assets would otherwise be exposed to an unacceptable level of risk.

**Active and inactive grants.** In March 2010, 600 grants were being implemented or were in negotiation, and 256 were inactive. Of the latter, 85 had been formally closed and 157 were in the process of being closed. Eight grants were continuing to supply lifesaving services under the Continuity of Services Policy.

**Single stream of funding.** One of the first (if not the first) single stream of funding grant agreement was signed with Fiji's Ministry of Health, Women and Social Welfare. It involved the consolidation of two TB proposals from Rounds 8 and 9. Preliminary estimates are that the number of grant consolidations will reach 35 by 1 July 2010 and more than 60 by the end of 2010. The system of funding applications will undergo a major redesign in time for Round 11, to reflect changes in the grant architecture.

**Voluntary Pooled Procurement.** PRs from 37 countries (representing 68 grants) have joined the Voluntary Pooled Procurement (VPP) system. Discussion are ongoing with PRs from another 20 countries. The VPP has now registered 130 orders, with a total value of \$335 million. Ten countries have signed up for capacity building and supply chain management assistance.

**Affordable Medicines Facility – malaria (AMFm).** The Global Fund will soon sign master supply agreements with the six artemisinin-based combination therapy (ACT) manufacturers that are currently eligible. The Fund expects that first-line buyers in the fastest moving countries will be able to order co-paid ACTs starting this month, for delivery in August 2010.

**PMTCT.** As part of its initiative to scale up PMTCT programmes, the Global Fund, working with a number of partners, has identified opportunities for reprogramming in nine countries: Burundi, Democratic Republic of Congo, Ethiopia, Ghana, India, Nigeria, South Africa, Tanzania and Zambia. The scaling up involves a switch from the use of single dose nevirapine to more effective dual or triple ARV therapy. For more information, see "Opportunity to Reprogramme Grants to Improve PMTCT Treatment," in *GFO 120*, at [www.aidspace.org/gfo](http://www.aidspace.org/gfo).

The E.D.'s report also revealed that In December 2009, the Global Fund was granted official observer status by the United Nations General Assembly.

The "Report of the Executive Director" is at [www.theglobalfund.org/en/board/meetings/twentyfirst](http://www.theglobalfund.org/en/board/meetings/twentyfirst) (see Document GF/B21/3).

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## **9. NEWS: Replenishment Meeting Discusses Challenges of Meeting Global Fund Resource Needs**

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Participants at the Global Fund's Third Replenishment meeting for the period 2011-2013, held in The Hague, on 24-25 March 2010, acknowledged that continued scale-up of Global Fund programmes would be required to meet the health-related Millennium Development Goals (MDGs) by 2015, and that even the scenarios presented by the Fund would not be sufficient to meet the needs. On the other hand, participants noted that even the lowest scenario involves a significant increase in contributions at a time when national budgets were under pressure.

This information is contained in the *Chair's Summary* of the meeting. The meeting was attended primarily by representatives of donor countries and other large contributors to the Global Fund. The Global Fund had provided donors with three possible resource needs scenarios for the period 2011-2013:

- **Resource Needs Scenario 1**, which would cost **\$13 billion**, would allow for the continuation of funding for existing programmes. New programmes could only be funded at a significantly lower level than in recent years.
- **Resource Needs Scenario 2**, which would cost **\$17 billion**, would allow for the continuation of funding for existing programmes, and funding for new programmes at a level that comes close to that of recent years.
- **Resource Needs Scenario 3**, which would cost **\$20 billion**, would allow for the continuation of funding for existing programmes, and for well-performing programmes to be scaled up significantly, allowing in turn for more rapid progress towards achieving the health-related MDGs.

(For more information on the resource needs scenarios, see "Global Fund Seeks \$17-20 Billion from Donors for 2011-2013" in *GFO #117*, at [www.aidspace.org/gfo](http://www.aidspace.org/gfo).)

The purpose of the meeting in The Hague was to review the Global Fund's progress and discuss the resource scenarios. Most donors are expected to announce their funding commitments at the next replenishment meeting, scheduled for 4-5 October 2010 in New York City.

Participants said that the March 2010 meeting highlighted the need to widen the donor base and, in particular, "to see increased contributions from emerging economies."

The Global Fund Secretariat presented its report, *"Global Fund Results Report 2010: Innovation and Impact."* Participants praised the report, noting that it demonstrated "the transformational impact of the Global Fund on the health situation in many countries." Participants said that these results help to make the case for increased funding, and they urged the Fund and its partners to disseminate them widely.

While welcoming the breadth of the information and the quality of the data in the report, participants encouraged the Global Fund to move beyond output indicators towards outcome and impact measurements. They also encouraged the Secretariat to continue its work to develop more effective means of measuring the impact of prevention programmes and of health systems strengthening initiatives.

Participants stressed the need to ensure the sustainability of the Global Fund's programmes with a view, ultimately, to enabling countries to graduate from Global Fund support. For this to happen, participants said, would require: genuine country ownership, underpinned by capacity development; alignment with country priorities; harmonisation with bi- and multi-lateral development partners; the empowerment of communities; and enhanced domestic financial contributions.

Participants said that the contribution by the Global Fund in combating AIDS, TB and malaria has been "impressive," but that the gains remain fragile. They said that effective leadership and advocacy will be essential in the lead-up to, and at, the G-8 and G-20 meetings (this month), the MDG Summit in September, and the Global Fund's replenishment meeting in October – and that "the advocacy of implementing countries would be of particular significance in this respect."

Other points made by participants at the March 2010 meeting include the following:

- The Global Fund could contribute further to maternal and child health based on its existing mandate.
- The Global Fund's work in middle-income countries has a catalytic value, particularly in galvanising domestic support and targeting vulnerable communities.
- There is need to ensure rapid and flexible implementation of programmes, including the timely re-programming of funds from non-performing grants.

- The Global Fund's strategies on gender equality, and sexual orientation and gender identities, should be implemented more rapidly, and should include greater integration of sexual and reproductive health in programmes supported by the Fund.

The "Chair's Summary" of the March 2010 replenishment meeting is available at [www.theglobalfund.org/en/replenishment/hague/documents/](http://www.theglobalfund.org/en/replenishment/hague/documents/). "Global Fund Results Report 2010: Innovation and Impact" is also available on that site (under "Global Fund 2010 Innovation and Impact").

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This is an issue of the *GLOBAL FUND OBSERVER (GFO)* Newsletter.

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