

GLOBAL FUND OBSERVER (GFO) NEWSLETTER, a service of Aidspace.

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#### HIGHLIGHTS

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This issue of GFO is devoted entirely to decisions made at the Global Fund board meeting that took place in Geneva on June 28-30. The Fund holds three board meetings per year. This was the eighth such meeting.

The highlights of the meeting, discussed further below, are as follows:

#### Board Decisions Regarding CCMs

1. [CCM recommendations](#). The board discussed a series of proposed "requirements" and "recommendations" regarding CCM composition and working methods. However, in the course of an animated debate, the board decided to change all of the "requirements" to "recommendations".

#### Board Decisions Regarding Proposals and Grants

2. [Round 4 approved](#). The board approved all Round 4 grants that the TRP recommended.
3. [Round 5](#). The board asked the Secretariat to begin preparations for Round 5. (However, there was no discussion about when Round 5 will be launched; nor was there any discussion of the fact that it could be some years before there will be enough money for Round 5.)
4. [Eligibility](#). The board agreed that in future rounds, applications from Lower Middle Income and Upper Middle Income countries must show that specified percentages of the cost of the projects for which Global Fund support is being requested will be covered by the country out of domestic resources.
5. [Grant renewals](#). The board agreed on procedures that will be followed in the event that there is not enough money to pay for grant renewals.
6. [Un-signed grant agreements](#). The board agreed that for Round 3 and later, if a proposal is agreed by the board but a grant agreement is not signed within a specified period of time, the approval of the proposal will be revoked.
7. [Malaria grants](#). The board assigned up to \$90 million to allow recipients of malaria grants to change to new, more expensive artemisinin-based combination therapy.

#### Board Decisions Regarding Governance

8. ["Communities" vote](#). The "Communities" board delegation, which represents people living with the three diseases, was granted the vote. (Previously, that delegation participated in all board discussions but did not have a vote.)

#### Board Decisions Regarding Resource Mobilization

9. [In-kind donations](#). After lengthy discussion, the board failed to agree on any procedures whereby the Fund will accept in-kind donations.

10. [Future financial needs](#). The board did not discuss, except through the occasional passing comment, the Fund's future financial needs.

**Other Matters**

11. [Technical assistance](#). The board agreed to set up a new committee to review issues related to technical assistance.
12. [Staffing levels](#). Staffing levels will be increased to 118.
13. [Euro grants](#). Future grants can be in Euros as an alternative to dollars.
14. [Board approval of grant renewals](#). The board may play a role in approving grant renewals.

The Global Fund has posted at its web site many of the papers that were used as input working documents for this board meeting, and will shortly post the precise wording of all resolutions passed. These documents can be accessed at [www.theglobalfund.org/en/about/board/eighth](http://www.theglobalfund.org/en/about/board/eighth).

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**Board Decisions Regarding CCMs**  
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**1. CCM recommendations**

The board discussed a collection of proposed "requirements" and "recommendations" regarding CCM composition and working methods. These proposals had been developed in the course of extensive discussions by the board's Governance and Partnership Committee (GPC), whose members include five developing country governments, four developed country governments, and four civil society members. The proposals had been developed largely as a result of evidence gathered in a series of studies over the past year that many CCMs are not effectively following the principles of public-private partnership that they are supposed to.

The difference between "requirements" and "recommendations" in the recommendations was significant, because if, at some point in the future, a CCM clearly chose not to respect the requirements, the Global Fund could refuse to consider a proposal submitted by such a CCM.

The proposals from the GPC led to a barrage of complaints at the board meeting, mostly from developing country governments but also from some developed country governments. The proposals were vigorously, and sometimes emotionally, defended by the civil society board members. Only one government board member spoke in support of the proposals. Ironically, some of the opposition came from governments that are members of the GPC and that had adopted the proposals by consensus in the first place.

The consistent complaint, articulated in many ways, was that the proposals were too prescriptive. Some speakers also complained that the proposals reduced the ability of governments to lead CCMs.

This is in fact the second time that the board has rejected GPC proposals that stronger guidelines be put in place regarding CCMs. The first time it happened was in January 2003.

The board finally agreed to adopt the GPC proposals, but only after changing those that were "requirements" into "recommendations."

The list of recommendations that the board adopted is as follows. (In some cases, the wording has been lightly edited by Aidsplan in order to achieve stylistic consistency.)

**CCM Composition and Representation:**

- (a) Recommendation: The membership of the CCM should comprise a minimum of 40% representation of non-government sectors such as NGOs/community based organizations,

people living with the diseases, religious/faith-based organizations, private sector, academic institutions. (This was originally proposed to be a requirement.)

- (b) Recommendation: The CCM should show evidence of membership of people living with and/or affected by the diseases. (This was originally proposed to be a requirement.)
- (c) Recommendation: The CCM should submit to the Global Fund Secretariat, for publication at its web site, an annual list showing the name, organization, sector and (when available) email details for each member of the CCM, and should make this publicly available domestically. (This was originally proposed to be a requirement.)
- (d) Recommendation: The CCM should include representation from state/provinces/districts, either through direct geographical representation in national CCMs or through mechanisms such as sub-national CCMs or state/province-level committees.

#### CCM Participation:

- (e) Recommendation: CCM members representing the non-government sectors should be selected/elected by their own sector(s) based on a documented, transparent process, developed within each sector. (This was originally proposed to be a requirement.)
- (f) Recommendation: The CCM should put in place a transparent, documented mechanism to facilitate the provision of input of all stakeholders, both members and nonmembers, in the proposal development process. (This was originally proposed to be a requirement.)
- (g) Recommendation: The CCM should put in place a fair, transparent, documented process for reviewing all qualitatively sound submissions it receives for integration into the Coordinated Country Proposal. (This was originally proposed to be a requirement.)
- (h) Recommendation: The government representatives on the CCM should be mandated by, represent the views of and report back to, the senior leadership of the government
- (i) Recommendation: The Technical Review Panel should look for proposals that strengthen and reflect high-level political involvement and commitment as demonstrated through their support for a well-working and inclusive CCM.

#### CCM Governance:

- (j) Recommendation: The CCM should elect a Chair and Vice Chair from different sectors. (This was originally proposed to be a requirement.)
- (k) Recommendation: The CCM should put in place a transparent, documented mechanism to facilitate the participation of all stakeholders, both members and non-members, in the implementation of grants. (This was originally proposed to be a requirement.)
- (l) Recommendation: The CCM Chair and Vice Chair should both come from domestic entities.

#### Conflict of Interest:

- (m) Recommendation: The PR(s) and the Chair or Vice Chair of the CCM should not be (from) the same entity.
- (n) Recommendation: When the PR(s) and the Chair or Vice Chairs of the CCM are (from) the same entity, the CCM should have a written plan in place to mitigate against this inherent conflict of interest. This plan should be made public to ensure the highest levels of transparency and integrity. This plan should include, at a minimum, that the PR, or prospective PR, shall recuse itself from participation at the CCM and shall not be present during deliberations or decisions related to the CCM's monitoring and oversight of the PR, such as decisions regarding the selection of the PR; regarding PR renewal for Phase 2;

related to a substantial reprogramming of grant funds; and that have a financial impact on the PR, such as contracts with other entities, including sub-recipients.

Technical Assistance:

- (o) Recommendation: All proposals should include a plan for obtaining technical assistance as needed to strengthen CCM functioning and for capacity building in fulfilling its responsibilities for oversight of program implementation and for Principal Recipient/Sub-Recipient capacity building in fulfilling their responsibilities for proposal implementation and in Monitoring and Evaluation.
- (p) Recommendation: The CCM should seek to facilitate the development of a single national technical assistance framework for Global Fund-related processes and activities.

Implementation of Recommendations:

The Board directed the Secretariat to "develop a pilot set of auditable standards for benchmarking the performance of CCMs." This will be discussed at the board's November board meeting.

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**Board Decisions Regarding Proposals and Grants**  
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**2. Round 4 approved**

The board approved all Round 4 grants that the TRP recommended. Full details on these are provided in GFO Issue 27, available at [www.aidspace.org/gfo/archives/newsletter](http://www.aidspace.org/gfo/archives/newsletter).

**3. Round 5**

The board asked the Secretariat to begin preparations for Round 5, in order to make it possible for a decision to be made at the November board meeting regarding when Round 5 might take place.

An analysis by GFO of data that was provided at the board meeting shows that as things currently stand, the Fund is unlikely to be able to afford a Round 5 before 2007. The table below assumes (a) that the amount of money raised by the Fund in each of 2005 and 2006 is the same as is expected to be raised in 2004; (b) that the Fund does not modify its Comprehensive Funding Policy; and (c) that there is no Round 5 during 2005 or 2006.

The Comprehensive Funding Policy requires that the Fund only signs grant agreements for Phase 1 (Years 1-2) or Phase 2 (Years 3-5) of grants if it has in the bank (or in promissory notes) the entire cost that the grant agreement will involve.

As shown in the table, these assumptions lead to the result that the Fund will have minus \$768 million available for new grants at the end of 2006. (It will have plenty of money in the bank, but all of that money will be required to cover grant agreements already signed.)

	US \$ million				
	2002	2003	2004	2005	2006
<b>Cost of Phase 1 ( Years 1-2) of Rounds 1-4, incl. appeals</b>	\$613	\$1,262	\$1,035	\$0	\$0
<b>Cost of Phase 2 ( Years 3-5) of Rounds 1-4</b>	\$0	\$0	\$240	\$1,353	\$2,572
<b>Operating expenses, less interest</b>	\$3	\$4	\$33	\$29	\$39
<b>Total cost of Rounds 1-4</b>	<b>\$616</b>	<b>\$1,266</b>	<b>\$1,308</b>	<b>\$1,382</b>	<b>\$2,611</b>
<b>Funds raised, assuming 2005 and 2006 are same as is anticipated for 2004</b>	<b>\$946</b>	<b>\$927</b>	<b>\$1,513</b>	<b>\$1,513</b>	<b>\$1,513</b>
<b>Thus, spare funds at end of year</b>	<b>\$333</b>	<b>-\$6</b>	<b>\$199</b>	<b>\$330</b>	<b>-\$768</b>

#### **4. Eligibility**

The board agreed that in future rounds, applications from Lower Middle Income and Upper Middle Income countries must show that specified percentages of the cost of the projects for which Global Fund support is being requested will be covered by the country out of domestic resources.

The board used the term "counterpart financing" to encompass all domestic resources (including contributions from governments, loans from external sources or private creditors, debt relief proceeds, and private contributions such as from nongovernmental organizations, faith-based organizations, other domestic partners, and user fees). The term does not include contributions of aid from bilateral and multilateral donors.

The board resolved that in future rounds, proposals from Lower Middle Income countries will only be considered if they demonstrate 10% counterpart financing in the first year of the project, rising to 20% by the fifth year. Proposals from Upper Middle Income countries will only be considered if they demonstrate 20% counterpart financing in the first year of the project, rising to 40% by the fifth year.

Most proposals received by the Fund come from Lower Income countries. These countries continue to have no counterpart financing requirements, as do Non-CCM proposals.

#### **5. Grant renewals**

The board agreed on procedures that will be followed in the event that there is not enough money to pay for grant renewals.

The board agreed that the first priority will be to pay for unfunded portions of grants that were renewed in prior years; the second priority will be to pay for renewals due to take effect in the current year; and (as previously agreed) the third priority will be to pay for new proposal rounds.

#### **6. Un-signed grant agreements**

The board agreed that for Round 3 and later, if a proposal is approved by the board but a grant agreement is not signed within a specified period of time, the approval of the proposal will be revoked.

The normal time from Board approval of a proposal to grant agreement signing is about 6 months. The board agreed that if a grant agreement for a Round 3 or later grant has not been signed by twelve months after Board approval, the proposal "should no longer be considered approved" unless the

Board decides to allow a further exceptional time extension based on information received from the Secretariat and CCMs. This time extension will be limited to a maximum of 3 months, but that maximum may be reduced after more experience is gained.

Round 3 grants were approved by the board on 15 October 2003. At present, 21 Round 3 grant agreements have been signed, with 51 to go. Thus, the 51 latter grant agreements must be signed by 15 October 2004, 3.5 months from now, if the risk of the grant being cancelled is to be avoided.

**7. Increased cost of malaria grants**

The Board recognized the urgent need to allow grant recipients to change to new, more expensive artemisinin-based combination therapy, following recommendations from the malaria experts on the TRP.

As an interim measure for 2004, the Board authorized the Secretariat to commit up to \$90 million for the projected costs of reprogramming 28 programs. This will be financed by utilizing resources from the Phase 2 renewal funding of these programs.

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**Board Decisions Regarding Governance**  
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**8. "Communities" vote**

The "Communities" board delegation, which represents people living with the three diseases, was granted the vote. Previously, that delegation participated in all board discussions but did not have a vote. The Communities delegation joins eighteen other voting board delegations, consisting of seven developing country governments, seven developed country governments, and four civil society delegations (representing developing country NGOs, developed country NGOs, private sector, and private foundations). Delegations that continue not to have a vote are UNAIDS, WHO, the World Bank, and a representative of Switzerland.

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**Board Decisions Regarding Resource Mobilization**  
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**9. In-kind donations**

After lengthy discussion, the board failed to agree on any procedures whereby the Fund will accept in-kind donations.

This is a matter that the board has considered for over a year, with the issue regularly being sent back to committee without a board decision being made. Two board committees working together came to this board meeting with a recommendation that the board accept the principle of in-kind donations to the Fund of non-pharmaceutical products and services, but continue to study certain aspects of in-kind donations of pharmaceutical products.

Those who supported in-kind donations (some donor countries, plus private sector and private foundations) recognized that there are many in-kind donation that should not be accepted, and agreed that even if the Fund accepted in-kind donations, it would still be up to grant-recipients whether to accept these donations in lieu of cash components of Global Fund grants. But there was still sufficient opposition from most developing countries, some developed countries, and the NGO delegations to defeat any proposal to accept some forms of in-kind donation.

It appears unlikely that this idea will be raised again for some time. However, as in the past, there is nothing to prevent grant recipients from negotiating in-kind donations on a bilateral basis with specific corporate donors, so long as the products received comply with the Fund's procurement guidelines. (This is different from what the Fund rejected, which was in-kind donations to the Fund itself – donations that would then be passed on to interested grant recipients.)

If a grant recipient negotiates an in-kind donation from a corporate donor that will be used in connection with a Global Fund-financed project, this will of course reduce the cost of implementing the project. In that situation, the grant recipient can either receive correspondingly less money from the Fund, or can seek to agree with the Fund a "reprogramming" of the project. If the latter happens, the freed-up money can be applied to some other part of the project that is costing more than had been expected, or it can be used to expand the number of activities or the magnitude of some activity.

**10. Future financial needs**

The board did not discuss, except through the occasional passing comment, the considerable magnitude of the Fund's future financial needs.

However, the board did agree on some practical details for the previously-approved "replenishment mechanism." This will be a pair of meetings for donors in the first half of 2005. These meetings will discuss potential donations to be made to the Fund in 2006 and 2007. Thereafter, the meetings will be repeated every two or three years.

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**Other Matters**  
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**11. Technical assistance**

The board agreed to set up a new committee, chaired by the Board Vice Chair, to make policy recommendations regarding the provision of technical assistance and capacity development for and through Country Coordinating Mechanisms, Principal Recipients, and Sub-Recipients.

**12. Staffing levels**

The board permitted the Secretariat to hire up to 29 additional staff, taking the maximum staffing level to 118. The new staff will primarily be portfolio managers, who will deal with the ever-increasing number of grants that have to be administered.

**13. Euro grants**

The board agreed that from 2005, proposals and grants may be denominated in Euros as an alternative to dollars, if desired.

**14. Board approval of grant renewals**

Some board members objected to a decision at an earlier board meeting that the decision as to whether to renew a grant (from Year 1-2 to Year 3-5) should be made by the Secretariat. They wanted the board to be able to play a role in this. Options will be studied by a board committee and the matter will be revisited at the November board meeting. The few grants that come up for renewal prior to then will, at the discretion of the Secretariat, be renewed just for a six-month period until possible new procedures are agreed.

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The GFO NEWSLETTER is an independent source of news, analysis and commentary about the Global Fund to Fight AIDS, TB and Malaria ([www.theglobalfund.org](http://www.theglobalfund.org)). The GFO Newsletter is emailed to some 5,500 subscribers about twice a month.

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