

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

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1. NEWS: US Unlikely to Contribute is Full Global Fund Pledge; UK Also Disappoints the Fund
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The US is likely not to hand over a small portion of its 2004 pledge to the Global Fund. In January, the US Congress appropriated \$547 million to be given to the Global Fund during 2004, on condition that the amount given by the US does not exceed 33% of all donations made this year. It now seems unlikely that contributions from non-US donors will be enough to permit the US to hand over its full \$547 m. pledge.

The 33% rule happens to match both the proportion of past Global Fund contributions made by the US, and the US proportion of world GNP

The US legislation that controls this year's contribution suggests that the US contribution be computed based on how much has been given by non-US donors for 2004 during the period through July 31—less than a full year. On this basis, the US contribution for 2004 would be about \$426 million. It is then left to Randall Tobias, head of PEPFAR (the US President's Emergency Plan for AIDS Relief) to

decide what to do with the amount (\$120 million) by which this falls short of the total potential contribution of \$547 m.

Mr. Tobias has the option to give all of the \$120 million in leftover money to PEPFAR, the program he manages. Instead, he has extended to September 30 the deadline by which non-US contributions must be received in order to be taken into consideration. This means the Fund has two months in which to persuade non-US donors to contribute an additional \$240 m.

2004 pledges by non-US donors that had not been paid as of July 31 total \$190 m., \$120 m. of which is from Italy and \$51 m. from the EC. Thus, if the Fund is to receive the full potential contribution from the US, it has to persuade donors to hand over these 2004 pledges before the end of September; and it has to find an additional \$50 m. in new donations during the same time period. The money from the EC has already been paid and the money from Italy is expected to be paid in time. The remaining money is much less certain.

Two factors have contributed to this problem. First, the US Congress did not decide on its 33% rule until the start of this year, long after most donors had decided how much to give this year. Second, the US operates on a fiscal year of October 1 through September 30. But many other donors, and the Fund itself, use a fiscal year of January through December. Mr. Tobias's resolution is to consider money received *for* Calendar Year 2004 *during* US Fiscal Year 2004.

Reducing the severity of the problem, however, is the fact that Mr. Tobias has made it clear that in future years, the US will continue to use the same calculation methods, but on a cumulative basis. Thus, in 2005 the US will say that the total US contribution during 2004 plus January through July 2005 will not be allowed to exceed 33% of all contributions during the same time period; and so on, in subsequent years. Thus, if (for instance) Italy decides it can't hand over its \$120 m. for 2004 until after September 30, at least that contribution will have an impact on the calculations that are carried out by the US regarding its 2005 maximum. (Readers who by now are totally confused are invited to jump to the next paragraph.)

In a separate development, the UK has provided details regarding its Global Fund pledges for 2005-7.

During the Bangkok International AIDS Conference in mid-July, the UK announced that it will increase its total expenditure on all forms of HIV/AIDS-related work to £1.5 billion (\$2.7 b.) over the three years 2005-7. (In the previous issue of GFO, this was incorrectly reported as \$750 m.)

On 20 July, the UK specified that as part of this increase, it will double its previously-made Global Fund total pledge for the three years 2005-7 from £77 million (\$140 m.) to £154 million (\$280 m.), presumably at the rate of one third of that per annum. The pledge for 2005-7 is now 60% greater than the \$173 m. contribution for the three previous years (2002-4).

The increase in the UK pledge to the Fund was welcomed by Executive Director Richard Feachem. But he had cause to feel disappointed. The UK has chosen to spend only ten percent of its international AIDS expenditure on the Fund. And the UK's new pledge for 2005 would need to be more than doubled again (from \$93 m. to \$207 m.) if the UK were to pledge according to the Equitable Contributions Framework. (In this approach, the Fund's 2005 needs of \$3.5 billion would be covered one third by Europe, one third by the USA, and one third by others, with each country contributing in proportion to GNP.) Although the UK proudly announced that within the G8 it is now "by far the largest donor" on HIV/AIDS programs "in terms of spending as a proportion of national income," it did not mention that this is certainly not the case with regard to its contributions to the Global Fund.

These developments do nothing to reduce the severity of the challenge the Fund will face in meetings its needs for 2005. In 2004, the Fund needs \$1.25 billion, which it has already received. But the Fund says that next year it will need \$3.5 billion if it is to maintain its schedule of one new Round of grants every eight months. \$1.5 billion of this is for renewals of some Round 1 and 2 grants; \$1 billion is for Round 5; and \$1 billion is for Round 6. Even if Round 6 is deferred to 2006, the 2005 need will be \$2.5 billion—considerably more money than the Fund has received in any earlier year. The increased need results from the fact that 2005 will be the first year in which grant renewals will take place. This factor has long been known, but has remained essentially un-discussed by the Board or its Resource Mobilization Committee.

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2. NEWS: Global Fund Launches Web-Based Price Reporting Mechanism

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The Global Fund has launched a web-based Price Reporting Mechanism. This enables recipients of Global Fund grants to provide data on the prices they have paid and the product quality and supplier performance they have received when using their grants for procurement purposes. The data on produce prices is then made publicly available so that anyone interested can compare who has paid how much for which products.

The Price Reporting Mechanism is available at www.theglobalfund.org/en/funds_raised/price_reporting/default.asp.

The existence of the Mechanism produces several benefits. First, it means that countries that are preparing Global Fund proposals can develop a better sense of how much to budget for product procurement. Second, it means that grant-recipients who are negotiating procurement contracts with vendors can do so from a strengthened position as a result of knowing what others have paid. Third, it means that grant recipients will be less tempted to enter into contracts on poor terms that have secret kick-back provisions (so long as they are required to report full details of their purchases). Finally, it means that all stakeholders can be better informed on how Global Fund money is being used.

At present, visitors to the web site can see prices paid by 17 countries in 128 purchases of anti-retroviral drugs costing a total of \$4.8 million. Examples of prices paid found include:

- Five countries purchasing 400mg doses of Indinavir (IDV) between August 2003 and July 2004 paid between \$0.25 and \$0.30 per dose when purchasing from two different manufacturers in India, and paid \$0.28 per dose when purchasing from one manufacturer in the United States.
- Eight countries purchasing 200mg doses of Nevirapine (NVP) between August 2003 and July 2004 paid between \$0.11 and \$0.36 per dose when purchasing from four different manufacturers in India and Cuba, and paid \$3.43 per dose when purchasing from one manufacturer in the United States.

The site warns that care must be taken to consider all factors before drawing conclusions from the price comparisons. Factors to consider include:

- Whether the country making the purchase is a least developed country. (Some such countries are able to access lower prices.)
- Whether the purchase is part of a multi-country agreement established by third parties such as the Clinton Foundation.
- Whether the purchase is from the manufacturer or from a procurement agent.
- Whether the purchase is large enough to benefit from a volume discount.
- Whether the purchase benefits from a price reduction because payment is made in advance of delivery, or suffers from a price increase because payment is made after 30 to 60 days or using a letter of credit.
- Whether the price is increased because immediate delivery is required.

The default report provided at the web site is the Purchase Price Report. This can be sorted by the various columns and can also be downloaded into a spreadsheet for further analysis. Other reports available provide Quality Related Information, Procurement Agent Information, Supplier and Delivery Information, and Financial Information. A detailed manual explains all the options.

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3. NEWS: Draft of Partnership Forum Official Report Available for Comment

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A draft of the official report from July's Global Fund Partnership Forum is now available at the Fund's web site (www.theglobalfund.org/en/about/forum/default.asp). The Partnership Forum is mandated by the Global Fund's bylaws, but it has no legal decision-making role. As the report explains, the Forum's power instead lies in "the moral authority associated with strong recommendations that emerge from a large, diverse and representative cross-section of stakeholders."

People who have comments or suggestions on the draft recommendations should submit them to partnership.forum@theglobalfund.org by August 31. These suggestions will be synthesized for review by the Partnership Forum Steering Committee of the Global Fund Board. As the Forum's recommendations are considered by various Board committees, progress will be reported at the above web address.

The Forum's purpose was to discuss the effectiveness of Global Fund policies and practices and to consider how they can improve. The Forum was attended by more than 400 people from 95 countries. A majority represented entities directly involved in the Global Fund process—Principal Recipients (PRs), Sub-Recipients, project implementers, CCM members, Board delegations, and donor agencies.

The report was prepared by consultant Jeffrey O'Malley, who also served as the Forum's lead facilitator. The report identified a number of key recommendations, which often included action steps. GFO's summary of these is as follows:

1. Round 5: Delegates called for the Global Fund to launch Round 5 at its next board meeting in November 2004 or in early 2005. A majority endorsed the notion that financing the second stage of successful existing projects should take priority over new initiatives; many called for review of the Fund's 'Comprehensive Funding Policy' in order to allow new commitments beyond the level of current cash-in-hand.

ACTIONS: Board committee make a recommendation regarding Round 5 before November board meeting. Board to reconsider Comprehensive Funding Policy.

2. Resource Mobilization: The vast majority of delegates expressed concern that the Global Fund was not raising enough money.

ACTIONS: Board committee to initiate short-term fundraising to allow the imminent launch of Round 5. Board to develop and make public a long-term resource strategy. Board to establish a standing agenda item to consider resource mobilization. Secretariat to ensure identification of country resource gaps. Donors to provide additional funding for Round 5, plus long-term replenishment pledges.

3. CCMs: Reflecting dynamics at the last Board meeting, civil society participants on the whole argued for converting many of the new CCM recommendations into requirements, while representatives of South governments mostly argued for preserving them as recommendations. In particular, there was broad support for setting the following as requirements: meaningful inclusion of people living with HIV, TB, and malaria; inclusion of the NGO sector; CCM chair and vice-chair from different sectors; CCM chair and vice-chair from a different entity than the PR; strong conflict of interest standards; transparent mechanisms to facilitate input of all stakeholders into proposal development and review; more availability of technical assistance for CCMs; and clearer operational guidelines from the Fund.

ACTIONS: Secretariat to develop more rigorous, auditable standards for CCMs. Board's Governance and Partnership Committee to meet before the November board meeting to prepare a new resolution on these matters.

4. Round System: Many participants recommended a rethinking of the Global Fund's current 'round' system for proposals, its role in donor harmonization efforts, and whether its funding commitments should be more long-term.

ACTIONS: Board and Technical Review Panel (TRP) to review strengths and weaknesses of the current proposal and round system, and the length of funding commitments. Roll Back Malaria, Stop TB, and other relevant partners to consider adapting UNAIDS “three ones” to initiatives in their fields.

5. Performance: Delegates recognized the importance of strengthening monitoring and evaluation (M&E) systems, and expanding those measures to include not only disease impact, but impact on strengthening the broader health system and fulfilling Millenium Development Goals (MDGs).

ACTIONS: Board to ensure that grant recipients are required to gather additional data that measures “additionality,” contribution to the health system, and contribution to MDGs.

6. Technical Support: There was broad consensus that technical support and capacity building—both for front-line implementers and for PRs and Sub-Recipients—had not received enough attention in proposal design and approval to date, and that the Secretariat should more actively promote attention to these issues in proposal design.

ACTION: Global Fund committee examining technical assistance to consider opening a special funding window for technical support costs, to be sourced from a wide variety of sources, not just UN agencies.

7. Flow of Funds: A clear majority expressed concern about the performance of Local Fund Agents (LFAs), including a lack of in-country presence, delays, and poor communication with CCMs and PRs. The value of a multi-PR model, including an NGO PR, was embraced by many participants.

ACTION: The Board and Secretariat to issue clarifying guidance to LFAs and to consider significant changes to the LFA system.

8. Communications: There was broad agreement that the Fund should make all guidelines and official documents available in all six official UN languages, and should work to improve communication channels among the secretariat, CCMs, PRs, sub-PRs, and LFAs to overcome existing bottlenecks.

ACTION: Secretariat to amend its communication plans and its guidance to CCMs, LFAs, and PRs.

A separate report from the HDN Team that moderated the PartnersGF eForum identified common themes that emerged from the Partnership Forum, the earlier regional consultations, and the eForum itself. Many of its conclusions echo those in O'Malley's report, as outlined above, but the summary contained several additional points. Some highlights:

- (a) Success: Efficiency and cost-effectiveness should be included in the rationale for allocating Global Fund monies. Global Fund country experiences should be promptly publicized. And the Global Fund should develop a procurement strategy that takes advantage of bulk purchasing discounts.
- (b) Resources: In addition to mobilizing donations to the Global Fund, additional local resources for combating the three diseases should be identified. Resources are currently concentrated on AIDS, and should be allocated more equitably to TB and malaria efforts.
- (c) CCMs: The Global Fund should provide support for CCM secretariats. The Fund should issue explicit guidelines on the selection of constituency representatives on CCMs.
- (d) Capacity-Building: The Global Fund should support the establishment of Regional Capacity Institutes to provide technical support.

(e) Impact: Global Fund impact should be measured not only according to funds disbursed, strengthening of national health systems, and progress toward MDGs, but also according to actual reduction of disease and deaths, reduction in disease-related discrimination, and increase in community involvement.

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4. NEWS: Fund Introduces "Early Warning System" for Problem Grants

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The Global Fund Secretariat is developing an "early warning system" to identify grant recipients that are at risk of being placed in category "C" in the Phase 2 decision process (which would mean that their grants would not be renewed at the end of Year 2). The system will trigger the Secretariat to alert partners and work with them to ensure that PRs and CCMs receive the additional support that they need to move from category "C" to category "B", and thereby be eligible to continue to receive Global Fund financing.

GFO will report further on this process as it evolves.

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5. COMMENTARY: Full Support for Global Fund Is Critical in AIDS Fight by Joanne Carter

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At the 15th International AIDS Conference in Bangkok, Thailand, the influence of President Bush was felt in powerful ways, but not in a manner that would give hope and comfort to the 6 million people with AIDS throughout the world who are expected to die in the next two years without treatment.

Prior to the opening of the conference, the Bush administration dramatically scaled back the U.S. delegation scheduled to attend. Cancelled were presentations from some of the world's most knowledgeable experts in the field who work for the Centers for Disease Control and the National Institutes of Health.

While critics cite this snub to the AIDS conference as yet another example of the president's go-it-alone handling of the AIDS epidemic, it certainly isn't the most damaging of the administration's actions. That is reserved for its treatment of the Global Fund to Fight AIDS, Tuberculosis and Malaria, the funding mechanism perhaps most essential in the struggle to rein in these killer diseases, which together claim more than 6 million lives a year.

The Global Fund was launched in 2002 as a public-private partnership to marshal and distribute resources to health projects that show great potential in the fight against AIDS, TB and malaria. In its first two years, the fund has awarded 310 grants and a total of \$3 billion to projects in 128 countries. As a result of projects approved in the first four rounds of grant-making, 1.6 million people will receive antiretroviral treatment for AIDS and 52 million people will receive voluntary testing and counseling for HIV-AIDS. In addition, in just the first two rounds, 2 million additional TB patients will be treated.

The president's bilateral AIDS initiative targets 14 countries in Africa and the Caribbean, with Vietnam as the lone country in Asia. This recent AIDS conference in Bangkok highlighted the dangerous growth of the AIDS epidemic across Asia—and demonstrated the importance of the Global Fund's work in these "next wave" countries.

The Global Fund's work with tuberculosis is also critically important in efforts to keep people with AIDS from dying. Up to half of those with AIDS in developing countries will die of TB, and a person with AIDS who develops active TB has a life expectancy of just a few weeks or months. Using drugs costing as little as \$10 a person, however, the TB can be successfully treated and life-expectancy extended by several years. For those on the lengthy waiting list to receive antiretroviral treatment for AIDS, having access to TB treatment is a matter of life and death.

In order to renew previous grants and approve two new rounds of grants next year, the Global Fund would need \$3.6 billion in 2005. The United States' share would be \$1.2 billion. Shockingly, the administration recommended only a \$200 million contribution, the same as it suggested the year

before. Congress, much to its credit, is expected to ignore White House wishes and approve funding a little above the half-billion-dollar level. But even that won't be enough to sustain the tremendous progress of the Global Fund.

At the end of June, the Global Fund board, citing insufficient pledges from donors to accommodate new proposals, would not set a date for a fifth round of grants, essentially bringing the momentum of efforts to reverse these killer diseases to a grinding halt.

For the donor representatives of the board, this was a somewhat cowardly act. Instead of urging their respective governments to increase their contributions to the Global Fund, they elected to slam the door on millions of the world's most desperate people. Rather than letting the real need determine the level of funding they would seek to raise, the Global Fund board is providing cover for donors who have failed to respond in an appropriate way.

In the latest round of grant approval by the Global Fund, several countries—Cote D'Ivoire, Ghana, Kenya, Burkina Faso, Vietnam and others—submitted large proposals to scale up antiretroviral treatment. Those applicants were rejected for the fourth round, but encouraged to resubmit for the fifth. The postponement of Round Five, however, means that these proposals may not be considered until 2007. The 6 million people who need AIDS treatment now and the children who stand to be orphaned by this plague, can't afford to wait that long.

With White House attempts to undercut the Global Fund, the best hope for millions struggling to survive now lies in the hands of the U.S. Congress. We must provide full funding for the Global Fund. When a disaster strikes and an emergency exists, we find the money to respond. More than 6 million deaths a year from these diseases is off the charts, as far as disasters go. What are we waiting for?

[Joanne Carter (carter@results.org) is legislative director for RESULTS, a US-based citizens lobby working to end hunger and poverty. This article first appeared in early August in The Times of Trenton, The Daily Oklahoman, and other US publications.]

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6. ANALYSIS: Sources of Fund-Related Technical Assistance
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A common refrain at the Global Fund Partnership Forum in Bangkok in July was the need for technical assistance—especially in writing Global Fund applications, developing effective government-civil society relationships within CCMs, improving communication among stakeholders, and developing monitoring and evaluation capacity at the CCM, PR, and LFA levels.

Even before such concerns were articulated at the Partnership Forum, the Global Fund board decided to set up a new committee, chaired by the Board Vice Chair, to make policy recommendations regarding the provision of technical assistance for CCMs, Principal Recipients, and Sub-Recipients.

There are three main ways in which technical assistance can now be accessed.

First, the Global Fund encourages CCMs to include a technical assistance plan and monitoring and evaluation activities in their Global Fund proposals—and to allocate up to 10 percent of the proposal budget for these activities. (Of course, such funds will not be available until many months after proposal approval, and thus will only be useful for project implementation rather than proposal development.)

Second, the Global Fund Secretariat is working to make it easier for grant applicants and recipients to receive technical assistance from the Roll Back Malaria Partnership, the Stop TB Partnership, UNAIDS, the World Bank, and the World Health Organization on such challenges as responding to clarifications requested by the TRP on Round 4 applications, developing more sound TB proposals, shifting malaria project implementation from old treatments to new artemisinin-based combination therapy, and practical application of the “three ones.” For instance, Stop TB has committed to support the re-submission in Round 5 of all Round 4 TB proposals placed in Category Three by the TRP.

Third, the GTZ BACKUP Initiative, designed specifically to provide this sort of technical assistance, is continuing to accept applications for technical assistance funding.

The GTZ BACKUP Initiative is a semi-autonomous project of the German governmental development agency GTZ. So far, the BACKUP Initiative has worked to:

- strengthen CCMs by supporting civil society involvement, supporting networks of people living with HIV/AIDS, developing management capacity, supporting regional CCM meetings, and offering tailored technical assistance
- assist with applications to the Global Fund and the World Bank's MAP
- support local coordination through stakeholder meetings and other means
- support the development of monitoring and evaluation systems
- offer capacity building and training for various Global Fund stakeholders

In the past, GTZ accepted three kinds of applications:

- Fast Access Mode, which provides rapid cash for specified activities such as reimbursement for CCM planning exercises or participation in relevant conferences or exchange visits.
- Consultancy Mode, which provides funding to hire consultants to support CCMs and member organizations during the Global Fund proposal or implementation stage.
- Project Mode, which funded larger strategy or policy development projects, such as upgrading of M&E systems or establishing interactive networks.

Because the Global Fund is now encouraging CCMs to include a technical assistance component in their Global Fund proposals, GTZ has recently eliminated its "Project Mode" applications. But technical assistance funds are still available through Fast Access and Consultancy modes, and the application is fairly simple. Governments, NGOs, civil society and private sector institutions are all invited to apply for these GTZ funds. Applications are available on-line at: www.gtz.de/backup-initiative/english/application.htm

Finally, "*The Aidspan Guide to Obtaining Global Fund-Related Technical Assistance*," released in January by Aidspan, publisher of GFO, provides extensive details regarding 170 organizations and individuals based in 40 different countries that can provide Global Fund-related assistance, sometimes at no charge. It is available for download from www.aidspan.org/guides.

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END OF NEWSLETTER
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This is an issue of the GLOBAL FUND OBSERVER (GFO) NEWSLETTER.

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). The GFO Newsletter is emailed to some 6,000 subscribers about twice a month.

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