

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

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173 proposals were submitted in Round 5. Preliminary estimates by the Secretariat suggest that the cost of the first two years of grants might be \$1.25 billion, more than in any previous Round.

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Reading between the lines of what donors said at the Rome Replenishment meeting, it seems likely that some donors will match or exceed France's recent decision to double the rate at which it gives to the Fund, some will make more modest increases, and a few may make almost no increase. This suggests that the Fund will have great difficulty meeting its estimated total need of \$7.1 billion for 2006-7, more than double the need for the previous two years.

[3. NEWS: Global Fund Signs its Largest Ever Grant Agreement](#)

The Fund recently signed its largest ever grant agreement, for a \$103 million HIV/AIDS grant to Tanzania that will be divided between four Principal Recipients. The main PR for this grant is also the PR for a deeply troubled Round 1 grant, but the Fund says that this is acceptable because different Sub-Recipients will be used.

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The Fund has outlined five possible "contribution scenarios" to help countries decide how much each of them might contribute towards the Fund's needs for 2006-7. One of these is very similar to the Equitable Contributions Framework "fair share" approach used by advocates over the past three years. GFO provides a country-by-country analysis.

[5. NEWS: Aidspace and ICASO Release "An Advocacy Guide on Global Fund Financing"](#)

Aidspace and ICASO have jointly released "*An Advocacy Guide on Global Fund Financing.*" The purpose of the Guide is to provide advocates and activists in both developing and developed countries with information on the current situation with respect to Global Fund funding, and to suggest advocacy strategies to counter the anticipated shortfall.

[6. MESSAGE TO READERS: Tell Us Your Experiences With the Round 5 Application Process](#)

GFO is interested in hearing from readers about their experiences with applying to the Fund in Round 5. Did you find the Fund's application form and guidelines useful? Did you use the PDF version or the Word version of the application form? Did you have any problems with either?

[7. NEWS: US Government Accountability Office \(GAO\) Releases Report on Global Fund](#)

The US Government Accountability Office has published a 60-page report based on a study of the Global Fund that lasted several months.

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1. NEWS: Data Released Regarding Round 5 Proposals
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Round 5 could be the most expensive round of Global Fund grants ever, according to data released by the Global Fund. Preliminary estimates by the Secretariat suggest that the cost of the first two years of grants under Round 5 might be \$1.25 billion, compared with the previous estimate of \$1.0 billion.

By the Round 5 deadline of 10 June, 173 proposals had been received, with a total 2-year cost of \$3.56 billion. (See table below.) This is significantly fewer proposals than the 320 received for Round 4. However, in Round 4, the Secretariat had to "screen out" nearly half the proposals before passing the proposals to the Technical Review Panel (TRP) for consideration, because many were submitted by ineligible countries or organizations, or did not relate to the three diseases. In Round 5, the Secretariat is assuming that perhaps only ten percent will have to be screened out, because the application form now makes it very clear what types of applications are ineligible.

The proposals received from Eastern Europe and from South and West Asia were significantly smaller (averaging \$6 million per proposal) than those from other regions (averaging \$27 m. per proposal).

The dollar value of proposals received from East Asia and the Pacific, Eastern Europe, and Latin America and the Caribbean totaled only 13% of the total, whereas those regions have 27% of the total value of all current grants.

Malaria proposals totaled 24% of the total dollar value, down from the 30% that malaria grants represent of the value of all current grants.

If ten percent of the Round 5 proposals are screened out by the Secretariat before submission to the TRP, and if the TRP then recommends 39% of the proposals (by dollar value) for approval (as in Round 4), and if the board approved all those that the TRP recommended (as in all previous rounds), this would lead to Round 5 approved grants having an approved two-year cost of \$1.25 billion, \$250 million more than the original forecast.

However, the percentage of proposals screened out may be more than the 10% that the Secretariat estimates, because this is the first Round in which a proposal can be screened out because it is submitted by a CCM that does not comply with new CCM requirements. On the other hand, the TRP might recommend more than 39% of the proposals that it considers, as a result of applicants now having a much better idea of what to include in a proposal, and because of the increased amounts of technical assistance to which they have access. One knowledgeable insider estimated that Round 5 might therefore cost nearer to \$1.5 billion.

The TRP will evaluate the Round 5 proposals from July 25 to August 5, and the board will make its decisions at its next meeting, September 28-30. Decisions will be announced on September 30.

**Table: Breakdown of Round 5 proposals submitted to the Global Fund,
prior to screening out ineligible proposals**

	Number of proposals	Total proposal value, Years 1-2	Average proposal value, Years 1-2
East Asia and the Pacific	14 (8%)	\$285 m. (8%)	\$20 m.
Eastern Europe	14 (8%)	\$77 m. (2%)	\$6 m.
Latin America & Caribbean	7 (4%)	\$112 m. (3%)	\$16 m.
Middle East and North Africa	12 (7%)	\$204 m. (6%)	\$17 m.
South and West Asia	38 (22%)	\$253 m. (7%)	\$7 m.
Sub-Saharan Africa	76 (44%)	\$2,428 m. (68%)	\$32 m.
Regional	12 (7%)	\$199 m. (6%)	\$17 m.
Total all regions	173 (100%)	\$3,561 m. (100%)	\$21 m.
TB	38 (22%)	\$495 m. (14%)	\$13 m.
Malaria	45 (26%)	\$871 m. (24%)	\$19 m.
HIV/AIDS	69 (40%)	\$1,640 m. (46%)	\$24 m.
Health Sector Strengthening	21 (12%)	\$555 m. (16%)	\$26 m.
Total all components	173 (100%)	\$3,561 m. (100%)	\$21 m.
From sub-CCMs	7 (4%)	Not available	Not available
From regional CCMs	5 (3%)	Not available	Not available
From regional organizations	16 (9%)	Not available	Not available
From non-CCMs	50 (29%)	Not available	Not available
From CCMs	95 (55%)	Not available	Not available
Total all applicant types	173 (100%)	\$3,561 m. (100%)	\$21 m.

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2. NEWS: Donors Hold Second Replenishment Meeting
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Global Fund donor governments meeting in Rome last week for their second replenishment meeting moved closer towards specifying their pledges to the Fund for 2006-7.

As expected at this interim meeting, which comes between the March Stockholm meeting and the September London meeting, the donors said almost nothing concrete about the sums of money they were considering giving. However, a helpful start was made two weeks ago when President Chirac announced that France's pledge for 2007 will be €300 million (US\$376 million), double the amount France gave in 2005. The pledge for 2006 will be for an amount, not yet determined, that is somewhere between the 2005 and 2007 levels.

Reading between the lines of what donors said at the Rome meeting, it seems likely that some donors will match or exceed France's percentage increase, some will make more modest increases, and a few may make almost no increase.

This suggests that the Fund will have great difficulty meeting its estimated total need of \$7.1 billion for 2006 plus 2007. Donors will collectively have to give at least twice as much in 2006-7 as they gave or have promised for 2004-5. The reason that the Fund's needs are climbing so fast is that starting this year, money is needed not just for new grants but also for renewals of grants that have reached the end of their second year.

The final decisions will be made in various capitals during the next few weeks, and then announced at the third and last meeting of this replenishment cycle, to be held in London on September 5-6 under the chairmanship of UN Secretary General Kofi Annan.

The majority of the Rome meeting was taken up with discussing the performance of Global Fund operations and grants, how this is measured, and how the Fund's activities link to activities by other agencies. The Fund's Secretariat had prepared a set of papers that provided detailed responses to queries asked by donors at the first replenishment meeting, held in Stockholm in March. Participants made almost no complaints about the work of the Secretariat. They did not formally accept the Fund's estimates of future need, but they also did not criticize them. This might in part be because during the meeting, it was announced that a new UNAIDS-sponsored study had concluded that the global need for expenditure on AIDS (not TB or malaria) in low and middle-income countries will total \$32.5 billion in 2006-7, many times the Fund's \$7.1 billion aspiration for those two years.

Although the official subject of the Rome meeting was pledges for 2006-7, there was also some discussion of the shortfall for 2005. As has been the case for some months, current pledges for 2005 are almost \$700 million less than will be needed to cover renewals plus a \$1 billion Round 5. If, as is likely, Round 5 actually costs more than \$1 billion, the shortfall will be that much greater. Again, little was said in the way of specific promises for increasing 2005 pledges, though clearly there are hopes for pleasant surprises at the final meeting in September. The main underlying problem is that budgets for 2005 were set long ago, and most governments have little flexibility in this regard.

[Bernard Rivers, Editor of Global Fund Observer, was granted observer status at the closed meeting on condition that he did not report what was said by specific participants.]

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3. NEWS: Global Fund Signs its Largest Ever Grant Agreement

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Last month the Global Fund signed its largest ever grant agreement. The grant is a Round 4 HIV/AIDS grant to Tanzania that will provide \$103 million over the first two years. The main Principal Recipient (PR) for this grants is also the PR for a deeply troubled Round 1 grant, but the Fund says that this is acceptable because different Sub-Recipients will be used.

At the request of the Tanzanian CCM, the Round 4 grant involves four PRs. The Ministry of Finance will serve as the PR for \$79 million in expenditure that will mostly be passed on to governmental Sub-Recipients. The other three PRs will all be NGOs – the African Medical and Research Foundation (AMREF), who will receive \$13 million over two years to work on HIV/AIDS care and treatment; Pact Tanzania (\$8 million, working with orphans and vulnerable children); and Population Services International (\$2 million, dealing mostly with condom procurement).

Tanzania's much smaller \$5 million Round 1 HIV grant, for which the Ministry of Finance is also the PR, is 18 months behind schedule (see www.aidspace.org/grants/tanzania.htm), having received only one disbursement, in October 2003. No signed Global Fund grant is further behind schedule.

According to the Global Fund Secretariat, the Tanzania CCM, recognizing how far behind schedule its Round 1 HIV grant is, decided that for its Round 3 HIV/TB grant it would use Sub-Recipients who could play a very active role, equivalent to the role normally played by a PR. Then for its Round 4 HIV grant the CCM decided to go one step further and have multiple PRs.

Asked for comment about why the Global Fund has given its biggest grant ever to a PR that has oversight over the Fund's most delayed grant, the Fund explained that the Ministry of Finance has always been "fast, responsive and diligent", but the troubled Round 1 grant was primarily handled by a sub-recipient (the Regional Administration and Local Government unit of the Prime Minister's Office) that will not be involved in the new grant. The key sub-recipients for the new grant will be the Ministry of Health and the Tanzania Commission for AIDS.

Last month, the Global Fund also signed a Round 4 malaria grant agreement, again with Tanzania's Ministry of Finance. This was for \$54 million, which is the fifth largest grant agreement the Fund has ever signed. There are no other PRs for this grant.

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4. ANALYSIS: Which Countries Should Give How Much to the Global Fund?

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The Global Fund has predicted for some months now that it will need to receive a total of \$7.1 billion in 2006 plus 2007. The total amount that it expects to receive in 2004 plus 2005 is \$3.0 billion. Thus, the Fund needs to start receiving money at more than double the rate of the past two years. The reason for the increase is that starting this year, the Fund not only needs to start new Rounds of grants, it needs to renew existing grants that reach the end of their second year.

Donor countries will meet in London on September 5-6 for their final Replenishment Meeting, at which they will announce their pledges for 2006 and 2007. Subsequent to the March Stockholm meeting and the June Rome meeting, each of them is now considering what would be an appropriate contribution.

Over the years, several formulae have been advanced for calculating what might constitute each country's "fair share" of the Global Fund's financial needs. The most widely-discussed such formula was the Equitable Contributions Framework, a concept first advanced in 2002 within the NGO sector and then further developed by Aidspan, publisher of GFO. The basis of this formula is that countries should contribute in proportion to the size of their respective economies.

In preparation for the June 2005 Replenishment Conference in Rome, the Global Fund prepared a discussion paper in which it outlined five possible formulae, or "contribution scenarios," for obtaining the \$7.1 billion that the Fund needs for 2006 plus 2007. (See www.theglobalfund.org/en/about/replenishment/rome.) These are:

Scenario 1 (the "Pro-Rata" scenario): Each country contributes a share of the need that is equal to its share of the contributions given to the Fund to date.

Scenarios 2, 3 and 4 are based on each country's share of contributions made to other international funds, and are not pursued further here.

Scenario 5 (the "Adjusted GNI" scenario): Each country contributes a share of the need that is equal to its share of global Gross National Income (GNI), adjusted by GNI per capita. (The adjustment is made so that if two countries have the same GNI, but one has a much larger population and hence a lower GNI per capita, the country with the smaller population contributes more, because it has a greater ability to give.) The Adjusted GNI scenario is very similar to the Equitable Contributions Framework.

To supplement these scenarios developed by the Fund, GFO has developed two "bad scenarios" to illustrate the underlying thinking of some donors:

Scenario 0 (the "No Increase" scenario): Each country contributes the same dollar amount per year that it has averaged in past years, even though the need has increased.

Scenario 6 (the "Minimum of '1' and '5' " scenario): Each country contributes the lesser of what it should contribute according to Scenarios 1 and 5. (For some countries, Scenario 1 will cost more; for others, Scenario 5 will cost more. So there is a real possibility that many will choose the less painful.)

As shown in the following table, if all countries follow Scenario 0, the Global Fund will only receive \$2.4 billion of the \$7.1 billion two-year need. This will mean that the Fund will not be able to launch any new Rounds, and will be \$1 billion short of the \$3.4 billion it will need during 2006-7 to renew existing grants.

And if all countries follow Scenario 6, in which each one chooses the less painful of Scenarios 1 and 5, the Fund will only receive \$5.5 billion, \$1.6 billion less than is necessary.

Given that Japan and the USA, the world's two largest economies, currently appear unlikely to contribute much more than their "Scenario 0" amount, the outlook is bleak for the Fund meeting its needs for 2006-7.

Table: Amounts that Might be Contributed to the Global Fund According to Four Scenarios

Donor	Average Annual Contribution to date, \$m.	Total Contribution for the two years 2006-2007, \$m.			
		Scenario 0: No Increase	Scenario 1: Pro-Rata	Scenario 5: Adjusted GNI	Scenario 6: Minimum of '1' and '5'
Australia	13.8	28	83	65	65
Austria	1.1	2	6	40	6
Belgium	9.9	20	60	47	47
Brazil	0.05	0	0	9	0
Canada	33.3	67	201	129	129
China	2.0	4	12	11	11
Denmark	14.9	30	90	41	41
European Commission	150.6	301	909	909	909
Finland	0.0	0	0	26	0
France	105.8	212	638	256	256
Germany	31.8	64	192	359	192
Greece	0.0	0	0	13	0
India	0.0	0	0	2	0
Ireland	11.1	22	67	20	20
Italy	115.0	230	694	183	183
Japan	82.2	164	496	1,015	496
Korea (Rep. of)	0.5	1	3	47	3
Kuwait	1.0	2	6	5	5
Luxembourg	1.9	4	11	6	6
Mexico	0.0	0	0	27	0
Netherlands	35.3	71	213	76	76
New Zealand	0.7	1	4	7	4
Nigeria	9.1	18	55	0	0
Norway	17.8	36	108	58	58
Portugal	0.5	1	3	10	3
Russia	3.3	7	20	7	7
Saudi Arabia	2.5	5	15	13	13
Singapore	0.2	0	1	13	1
South Africa	2.0	4	12	2	2
Spain	25.0	50	151	81	81
Sweden	27.2	54	164	51	51
Switzerland	4.1	8	25	83	25
Thailand	1.0	2	6	2	2
United Kingdom	59.5	119	359	324	324
USA	360.5	721	2,176	2,839	2,176
Other Countries	1.3	3	8	14	8
Private Sector	51.4	103	310	310	310
TOTAL	1,176.5	2,353	7,100	7,100	5,510
Total need:	n/a	7,100	7,100	7,100	7,100
Shortfall:	n/a	4,747	0	0	1,590

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5. NEWS: Aidspace and ICASO Release "An Advocacy Guide on Global Fund Financing"

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Aidspace, publisher of GFO, and ICASO (International Council of AIDS Service Organizations) have jointly released *"An Advocacy Guide on Global Fund Financing."* The purpose of the Guide is to provide advocates and activists in both developing and developed countries with information on the current situation with respect to Global Fund funding, and to suggest advocacy strategies to counter the anticipated shortfall.

The article above ("Analysis: Which Countries Should Give How Much to the Global Fund?") is an extended version of one part of the Guide.

The Advocacy Guide is available in English, French, Spanish and Russian at www.aidspace.org/guides.

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6. MESSAGE TO READERS: Tell Us Your Experiences With the Round 5 Application Process

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GFO is interested in hearing from readers about their experiences with applying to the Fund in Round 5. Did you find the Fund's application form and guidelines useful? If not, what were the problems? Did you use the PDF version or the Word version of the application form? Did you have any problems with either?

Write to David Garmaise (garmaise@aidspace.org), author of the *"Aidspace Guide to Round 5 Applications to the Global Fund"*, telling him of your experiences. All correspondence will be treated as confidential. If we receive enough replies to be statistically meaningful, we'll write an article summarizing reactions received.

While you're at it, let us know also if you used the Aidspace Guide – Was it useful? How could it be improved when we do the Round 6 version?

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7. NEWS: US Government Accountability Office (GAO) Releases Report on Global Fund

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The US Government Accountability Office (GAO) has published a 60-page report based on a study of the Global Fund that lasted several months. The views of the report are captured in its title, "The Global Fund to Fight AIDS, TB and Malaria Is Responding to Challenges but Needs Better Information and Documentation for Performance-Based Funding."

The GAO is the non-partisan audit, evaluation, and investigative arm of the US Congress. The report, available at www.gao.gov/new.items/d05639.pdf, summarises its findings as follows:

- Limited Capacity in Recipient Countries Affected Performance, but Some Governments Have Strengthened Health-Sector Capacity
- Lack of Clear Guidance Impeded Performance, but in Some Cases Guidance Helped Recipients Meet Targets
- Poor Coordination Slowed Grant Implementation, but Good Coordination Facilitated It
- Planning Difficulties Made It Hard to Meet Targets, but Adept Planning Made Them Attainable
- Delays in Contracting and Procurement Hindered Grant Performance, While Efficient Procurement Helped

- No Significant Association Found between Grant Characteristics and Percentage of Funds Disbursed
- Information Sources for Disbursement and Renewal Decisions Have Limitations
- Little Documentation Provided to Support Phase 1 Disbursement Decisions
- Some Renewal Recommendations Were Not Clearly Documented
- Stakeholders Also Raised Concerns Regarding Phase-2 Renewal Process
- Secretariat Is Reorganizing and Increasing Its Staff to Better Manage Grants
- Secretariat Is Implementing a Risk Assessment and Early Warning System to Identify Potential Nonperforming Grants
- Secretariat Is Streamlining Procedures
- Global Fund Is Working with Partners to Improve Technical Capacity at the Country Level
- Global Fund Has Clarified Guidance and Taken Steps to Strengthen CCMs, but Some Issues Remain
- Global Fund Intervened in at Least Two Countries to Address Grant Performance

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

GFO is an independent source of news, analysis and commentary about the Global Fund to Fight AIDS, TB and Malaria (www.theglobalfund.org). GFO is emailed to 7,500 subscribers in 170 countries once to twice a month.

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GFO is a free service of Aidspan (www.aidspan.org), based in New York, USA. Aidspan is a nonprofit organization that promotes increased support for, and effectiveness of, the Global Fund.

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