

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

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At yesterday's Replenishment meeting, donors agreed to state that they had pledged a total of \$3.7 billion for 2006+7. However, by the end of yesterday they had not reached final agreement on how to describe which country had pledged how much. Accordingly, GFO provides its own country-by-country compilation. This also compares each country's pledge with how much that country was called upon to provide in the recent "Urgent International Appeal for Full Funding of the Global Fund."

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1. NEWS: Replenishment Meeting Falls Short of Expectations
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Governmental donors yesterday pledged \$3.7 billion to the Global Fund. This commitment, which fell short of expectations, will be sufficient to pay for grant renewals during 2006+7, and also for the anticipated 2005 shortfall, but will not cover the cost of any new Rounds.

The Global Fund has in the past conducted its fundraising by encouraging donors to give what they can, when they can. Then, in an attempt to bring more predictability to the process, the Fund decided to hold a three-part "Replenishment" meeting every two or three years. The first Replenishment ended yesterday in London.

The Fund had called upon donors to pledge \$3.4 billion to cover grant renewals during 2006+7, \$0.4 b. to cover the anticipated 2005 shortfall, and \$3.7 b. to cover the cost of launching Rounds 6, 7 and 8 during 2006+7, for a total of \$7.5 b. Until recently, the Fund had expected to raise well over \$4 billion at this week's meeting, but at \$3.7 billion, it fell somewhat short of that. "We come out of this replenishment with a whole lot less money than we would have liked to see," said one donor.

Fund officials put a brave face on the outcome, saying that this is "a solid base on which to build," and pointing out that the donors decided to hold an additional meeting next June, by which time it is hoped that sufficient new pledges will be obtained to permit the launching of further Rounds of grants.

In the Fund's first two years, 2002-3, pledges to the Fund totaled \$1.8 b. Then in the next two years, pledges increased to \$2.9 b. So with pledges for the third two years currently standing at \$3.7 b., and certain to climb further, the Fund is still on a steady growth path. However, now that many grants are coming to the end of their first two years and need to be renewed, the Fund's growth is not proving fast enough to permit new grants to be launched at the rate they were earlier.

"Contributions to the Global Fund should not be based on voluntary pledges," said Dr Mohga Kamal Smith of Oxfam. "Funding should be predictable and based on countries' fair shares."

The largest pledge made for 2006+7 was by France, at \$658 million. Next came the US, at \$600 m., followed by Japan, at \$500 m. However, the US pledge is almost certain to be increased by Congress later this month.

The \$3,100 million in pledges for 2006+7 by non-US donors puts the US in a somewhat difficult position. The US has said for some time that it will provide "no more than a third" of the Fund's income; but many US officials, including a number of Republican lawmakers, regard the one third as a goal, not just a cap. Yet if the US is to continue to provide one third of the Fund's income, it will have to increase its total pledge for 2006+7 from \$600 m. to \$1,550 m.

During yesterday's meeting, one particular discussion item ended up taking far more time – over an hour – than any other. This was the question of whether, in the communiqué, the single sentence that mentioned the UNAIDS/WHO estimate on how much money needs to be spent globally on tackling the three diseases should appear in the main text or should be relegated to a footnote. As we go to press, the communiqué has still not been finalized; nor has the list of how much was pledged by each country. [For GFO's own provisional compilation, see the final article, below.]

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2. NEWS: Global Fund Hires Investigator
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[The following article, reproduced in its entirety, was published in the *Wall Street Journal* on 3 August 2005.]

Global Fund Hires Investigator

By Michael M. Phillips, staff reporter of the Wall Street Journal

The Global Fund to Fight AIDS, Tuberculosis and Malaria asked an outside investigator to look into allegations of mismanagement at the multibillion-dollar institution.

The allegations, brought by two Global Fund employees, include charges that officials issued contracts without following proper procedures, hired a middle manager without going through a competitive screening process and allowed the wife of the executive director, Richard Feachem, to work on its procurement system.

"We have taken these allegations very seriously," the chairman of the Global Fund board, Carol Jacobs, wrote last week to the other directors in an internal email co-signed by her vice chairman and Mr. Feachem himself. "It is our shared belief that it is in the best interest of the fund to have an independent party review the allegations and provide an assessment of the facts as well as the veracity of the assertions."

The Global Fund board asked the World Health Organization's Office of Internal Oversight Services to carry out the investigation. Jon Liden, a Global Fund spokesman, said it likely would begin in a few weeks because of vacation schedules.

Mr. Liden said Global Fund managers believe the allegations are "overblown" and said none involve charges of corruption. "I would hazard to say a lot of this is nonsense," he said. "Some of it has some substance, but none of it is sensational."

The widespread use of single-source contracts, he said, is the result of the Global Fund's desire -- under pressure from donor nations and AIDS activists -- to move money to developing-world AIDS patients quickly. Mr. Feachem's wife, Neelam Sekhri, a health specialist, helped work on a computerized procurement system, he said. "As far as I understand, she was never paid any compensation at all for this," Mr. Liden said. "It was unpaid voluntary advice." She left the position after questions were raised about the propriety of her working at the organization that her husband ran.

Bernard Rivers, a New York AIDS advocate who runs the watchdog *Global Fund Observer* newsletter, brought the allegations to the attention of senior Global Fund officials last month but didn't publish them. In an interview, Mr. Rivers confirmed his role but declined to give further details about the allegations.

The Geneva-based Global Fund, created in 2002 at the behest of the United Nations, has since committed \$3.5 billion to fight the three infectious diseases.

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3. NEWS: Global Fund Suspension of Uganda Grants Leads to Nationwide Coverage

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The dominant story in the Ugandan media during the past two weeks has been the Global Fund's decision to temporarily suspend its grants to that country. As reported in the last issue of GFO, the suspension took place after a report by a "whistleblower" caused the Fund to commission an investigation by PricewaterhouseCoopers, the Local Fund Agent (LFA). The investigation found evidence of serious mismanagement by the Project Management Unit (PMU) that had been set up within the Ministry of Health to oversee the grants.

The Fund sent a high-level team to Uganda after the suspension was announced. Within two days of the team's arrival, the Fund and the government of Uganda issued a joint statement saying that the government had ordered a full audit of the project (which would go further than the LFA's investigation), had suspended all eleven staff of the PMU, and had named a formal commission of inquiry composed of the country's chief judge, the head of the central bank, and two others.

Brad Herbert, the Fund's Chief of Operations, said, "We have confidence in the governance mechanisms to address the problem," adding, "The commission will take a month to do its work. The suspension, I believe, will be lifted at the latest in October."

The Fund has asked the Ministry of Finance to recover the "significant" amount of money that appears to have been misappropriated. The Permanent Secretary of the Ministry said that if necessary, the government will recover the money by selling the property of those found guilty of misappropriating it.

The 120-page report of the LFA's investigation, which leaked to the Ugandan media, includes a complete list of all sub-recipients of the one grant that the investigation focused on. According to the report,

- Some organizations that would not have qualified as sub-recipients based on the specified eligibility criteria were still made sub-recipients as a result of recommendations from "high-ranking government officials."
- PMU management staff sometimes requested 'kickbacks' from organizations in return for appointing them as sub-recipients.
- One sub-recipient used grant funds for staff loans instead of for the intended purpose.

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4. ANALYSIS: Pledges on a Country-by-Country Basis

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At yesterday's Replenishment meeting, donors agreed to state that they had pledged a total of \$3.7 billion for 2006+7. However, by the end of yesterday they had not reached final agreement on how to describe which country had pledged how much.

The following table is GFO's own compilation of what was pledged by each country. Absolute accuracy is not guaranteed, because GFO was not granted observer status at the meeting; the numbers in Column E below were therefore compiled by interviewing people who were present in the room. Pledges not made in dollars have been converted at exchange rates that applied yesterday.

The total pledge for 2006+7 is shown below as \$3.3 billion rather than \$3.7 billion, because the \$3.7 billion total that donors agreed to cite was based in part on estimates for some of the "missing numbers", such as the Canadian pledge that will not be announced for a few more days. The final official table is expected to be posted soon at www.theglobalfund.org.

Over the past few weeks, NGOs have circulated an "Urgent International Appeal for Full Funding of the Global Fund." By the cutoff date of 3 September, this had been signed by 507 organizations in 87 countries, and by a number of prominent persons including Desmond Tutu, Archbishop Emeritus of Cape Town, South Africa; Bono, lead singer of U2 and co-founder of DATA; Stephen Lewis, Special Envoy for HIV/AIDS in Africa of the UN Secretary-General Canada; Zachie Achmat, Chair, Treatment Action Campaign (TAC), South Africa; and Mary Robinson, former President of Ireland.

The International Appeal included a table specifying the precise amount that NGOs were asking each donor country to contribute in order to achieve the total need that the Fund has specified. This is shown in column D below. Column G below shows what percentage of this "fair share" each country ended up pledging. Those countries that came the closest to their "fair share" were France (94%) and the UK (92%).

Pledges made to the Global Fund, USD millions

A	B	C	D	E	F	G
Donor	Average annual pledge during 2002-4	2005 pledge	NGO-proposed 'fair share' pledge for 2006+7	Actual pledge made 6 Sept 05 for 2006+7	Pledge for 2006+7 as % of current total pledge	Pledge for 2006+7 as % of 'fair share'
TOTAL	1,221	1,422	7,800	3,316	100%	43%
United States	361	435	2,600	600^a	18%	23%
Europe	655	749	3,900	2,126	64%	55%
Austria	1	0	20	0	0%	0%
Belgium	10	6	65	12	0%	19%
Denmark	15	23	100	47	1%	47%
Finland	0	0	10	0	0%	0%
France	101	181	700	658	20%	94%
Germany	32	103	270	200 ^b	6%	74%
Greece	0	0.3	10	0.4	0%	4%
Ireland	11	12	75	38	1%	50%
Italy	161	121	760	326	10%	43%
Luxembourg	2	1	10	4	0%	43%
Netherlands	35	56	235	113	3%	48%

A	B	C	D	E	F	G
Donor	Average annual pledge during 2002-4	2005 pledge	NGO-proposed 'fair share' pledge for 2006+7	Actual pledge made 6 Sept 05 for 2006+7	Pledge for 2006+7 as % of current total pledge	Pledge for 2006+7 as % of 'fair share'
Norway	18	20	120	42	1%	35%
Portugal	0.5	1.5	10	5	0%	50%
Spain	25	15	165	70	2%	42%
Sweden	27	46	180	125	4%	69%
Switzerland	6	4	45	16	0%	36%
United Kingdom	59	89	390	357	11%	92%
Other Europe	0.3	0	20	0	0%	0%
European Commission	151	70	715	113 ^c	3%	16%
Other	206	241	1300	590	18%	45%
Australia	14	15	90	26	1%	29%
Brazil	0	0	0	0.1	0%	n/a
Canada	33	110	300	0 ^d	0%	0%
China	2	2	10	4	0%	40%
India	0	0	0	4	0%	n/a
Japan	87	100 ^f	725	500 ^e	15%	69%
Korea (Rep. of)	0.5	0	20	0	0%	0%
Mexico	0.1	0	10	0.2	0%	2%
Nigeria	5	10	55	10	0%	18%
Russia	3	5	20	10	0%	50%
Saudi Arabia	3	3	20	2.5	0%	13%
South Africa	2	0	0	4	0%	n/a
Thailand	1	1	0	2	0%	n/a
Other countries	2	2	25	1	0%	6%
Foundations, Private sector	53	0	25	0	0%	0%

Footnotes:

- (a) The US pledged to give a minimum of \$300 m. in 2006 and \$300 m. in 2007. However, the House has already proposed increasing the 2006 amount to \$400 m. and the Senate has proposed increasing it to \$600 m. The final 2006 number will be resolved later this month. Possible increases to the 2007 amount will not be known until well into 2006.
- (b) Elections are about to take place in Germany. This number may be increased later this year.
- (c) This number reflects 2006 only, and may be increased. The 2007 number will not be known for some time.
- (d) Canada's pledges for 2006 and 2007 will be announced within two weeks.
- (e) Japan's pledge of \$500 m. is for "the coming years." Most observers believe that the pledge will be spread over the two years 2006+7, but it is possible that it will be spread over more years than that.
- (f) This includes an additional \$18 m. pledged by Japan yesterday to help with the 2005 shortfall.

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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 8,000 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 serves as an independent watchdog of the Global Fund, promoting increased support for, and effectiveness of, the Fund.

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