

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

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The Board decided at the Board meeting that ended on Friday to formally approve all Round 5 grants that were only provisionally approved at the last Board meeting, and to prepare for a possible Round 6. The Board also made decisions regarding the Phase 2 decision-making process; regarding continuity of support for projects using life-saving drugs when grants come to an end; regarding a major grant to South Africa that had been recommended for "No Go"; and more.

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The Board has put in place a procedure that will limit any Executive Director to a total of seven years' service. The procedure will normally require that after four years, whoever is Executive Director will have to re-apply for his/her own job, competing against other applicants. This might affect the current Executive Director, who will reach four years of service in July 2006.

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The recently-completed investigation of the Global Fund was called for by the Chair of the Board after she received a confidential letter from Aidspace, publisher of GFO, five months ago.

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**1. NEWS: Investigation of the Global Fund**  
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A recently-concluded three-month official investigation of the Global Fund Secretariat found no evidence of fraud or misuse of funds. However, the investigation did conclude that the Secretariat has violated certain rules mandated by the Fund's Board regarding contracting and payments. None of the findings related to uses of Global Fund grants; the investigation was entirely into internal practices within the Geneva-based Secretariat, and uses of Secretariat money.

The investigation was jointly called for by the Global Fund Chair, Vice Chair and Executive Director in July after they received a confidential letter from Aidspace, publisher of GFO, alleging mismanagement within the Secretariat. (See "*Aidspace's Role in the Investigation of the Global Fund Secretariat*," below.)

The investigation was carried out by the WHO Office of Internal Oversight Services (IOS). IOS was used because certain aspects of Global Fund administration are carried out under the oversight of WHO.

The investigation was completed in late November. The report of the investigation was first evaluated by the Board's Ethics Committee, and then by the full Board at its meeting on December 15-16.

The Ethics Committee agreed with the investigation report that "there is no evidence of fraud and misuse of funds." However, the committee said that in the report of the investigation it found "areas of

considerable concern that require attention, including evidence of real or perceived conflict of interest." The Ethics Committee also noted that "consistent adherence to contracting and procurement procedures was not upheld. In the specific cases cited, established procedures were shortcut for the sake of speed and convenience, causing vulnerability of the Global Fund operation. Contracts may have been made in ways that do not rule out conflict of interest." Also, there were "concerns regarding fair and open recruitment of secretariat staff." In addition, the committee found that "the participation of a family member in Global Fund activities was left to diverse interpretations both internally and externally," that there have been "management weaknesses compounded over time," and that the report showed a "composite picture of longstanding issues related to sound management practices."

In the meeting of the full Board that ended on Friday, the Board essentially agreed with the Ethics Committee's findings. The Board concluded that within the Secretariat, "there were instances of violation of established Global Fund and WHO rules and procedures." However, "there was no evidence of fraud and misuse of funds." It added that "there was no evidence of violations of the Policy on Ethics and Conflict of Interest for Global Fund Institutions, though there were actions that created concerns about lack of transparency." Also, the Board noted that it had separately "received concerns about Secretariat culture and morale, which it takes seriously."

The Board set up a small Oversight Committee to monitor the actions that the Secretariat has promised to carry out to correct the problems. The Board also asked the Secretariat to determine who within the Secretariat "is responsible for any improprieties," and noted that "in this process, protection of whistleblowers is also essential."

The Board did not authorize release of the report of the investigation, even in summary form. The report was treated as extremely confidential; each Board member had to sign a confidentiality agreement before reading it, and was not allowed to retain a copy.

[Note: The quotes above represent the entirety of what the Board and its Ethics Committee have revealed about what was investigated. The quotes are taken from the Board's Decision Points and a Board statement, both available at [www.theglobalfund.org/en/files/boardmeeting12/GF-B12-Decisions.pdf](http://www.theglobalfund.org/en/files/boardmeeting12/GF-B12-Decisions.pdf), and from the report of the Ethics Committee.]

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**2. NEWS: Main Decisions Made at Global Fund Board Meeting**  
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Key decisions made by the Global Fund Board at the meeting that ended on Friday were as follows:

- **Round 5:** The Board fully and finally approved all of the Round 5 proposals that had been recommended by the Technical Review Panel (TRP) for approval at the September board meeting. (At the September meeting, some of the recommended proposals had only been provisionally approved, because it was anticipated that there might not be enough money until 2006.) The Board was now able, at its December meeting, to approve all of the grants, for two reasons. First, some pre-Round 5 grants that were earlier expected to be ready for Phase 2 renewal this year will not be ready until next year. Second, additional last-minute 2005 pledges have been received from Australia, Iceland, Ireland, Luxembourg, Norway, Sweden, and the United Kingdom. The new pledge from the UK is for \$65 million.
- **Round 5 appeals:** Appeals by initially-rejected Round 5 CCM applicants from Equatorial Guinea (Malaria), Philippines (TB), and Sudan (HIV/AIDS and TB) were provisionally approved. However, the formal approval will only occur when further funding becomes available. Appeals from the CCMs of Afghanistan, Bangladesh, Benin, Djibouti, Guatemala, Kosovo, Nepal (malaria), Pakistan, Rwanda, South Africa and Turkey were not approved. Appeals from Colombia and Nepal (HIV) were ruled ineligible because the applicant had not been rejected for the same component in both Rounds 4 and 5.
- **Round 6:** The Board instructed the Secretariat to commence preparations for a possible Round 6. The Board would like it to be possible, before the end of 2006, both to issue a Call for Proposals for Round 6, and to approve those Round 6 proposals that are recommended

by the TRP. However, the Board made no commitment that it actually will take either action during 2006.

[Note: Given that there will be only two board meetings in 2006, meeting the Board's goal will require the Round 6 Call for Proposals to be agreed to at the April meeting, and grants then to be approved at the October meeting. At present, unless there are significant increases in pledges or the Fund softens its Comprehensive Funding Policy (which requires the Fund to deposit the entire cost of a grant in the bank before a grant agreement is signed), there will not be enough money to approve a Round 6 in 2006. However, the Board still has the authority to issue the Call for Proposals in April, regardless of how much or little money it expects to receive prior to approving grants.]

- **Phase 2 decision-making procedures:** The Board finalized – for now – the procedures to be followed when grants are approved or rejected for Phase 2 (that is, for Years 3-5). The approved procedures involve minor modifications to what has been done thus far.

[Note: It is extremely important that grant recipients who are facing Phase 2 renewal evaluations clearly understand the Phase 2 process. To help, Aidspace has transcribed the new Board-approved process and placed it at [www.aidspace.org/gfo/docs/gfo64.pdf](http://www.aidspace.org/gfo/docs/gfo64.pdf).]

- **Phase 2 duration:** The Board agreed that the Secretariat has the right, under certain circumstances, to extend by up to six months the time period that Principal Recipients are given for completing Phase 2. This action cannot be used to justify the provision of any additional funding.
- **Continuity of Services:** A policy was developed to ensure continued funding of treatment-based grants when they are denied Phase 2 funding or they are approaching the end of their term.
- **Strategy development:** The Board approved continued work by its Policy and Strategy Committee on development of a possible strategy to maximize Global Fund impact and success during the period mid-2006 to mid-2010.
- **Secretariat budget 2006:** The Board approved a Secretariat budget for 2006 of \$83.2 million.
- **Conflict of interest of former employees:** The Board asked its Ethics Committee to develop a policy regarding possible conflicts by staff members after they leave the Secretariat.

[Note: This point arose after the Board received word of current consulting activities by a former employee. GFO expects to report on this in a later issue.]

- **loveLife:** The Board voted not to approve \$38 million in Phase 2 funding for a grant for HIV prevention activities in South Africa by an NGO named loveLife. In taking this decision, the Board was agreeing with the Secretariat, which some time ago had recommended terminating the grant because of weaknesses in implementation.
- **Investigation:** See "*Investigation of the Global Fund*," above.
- **Executive Director:** See "*Executive Director Term Limits*," below.

The precise wording of the Board decisions is available at [www.theglobalfund.org/en/about/board/twelfth](http://www.theglobalfund.org/en/about/board/twelfth). It is likely that extensive background documentation will also soon be available at this location.

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**3. NEWS: Executive Director Term Limits**  
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At its Board meeting last week, the Board put in place a procedure that will limit any Executive Director to a total of seven years' service. The procedure will normally require that after four years,

whoever is Executive Director will have to re-apply for his/her own job, competing against other applicants.

Richard Feachem, the Fund's first Executive Director, was hired on a two-year contract on 15 July 2002. The Board then renewed his contract for a further two years starting 15 July 2004. Thus, Dr. Feachem's current contract expires on 15 July 2006.

The way in which the Board's decisions apply to Dr. Feachem is as follows:

- As would apply for any Executive Director of the Fund, the Board will conduct a performance assessment of the Executive Director during the first quarter of 2006, for completion prior to the April Board meeting.
- The performance assessment will take into consideration the report of the recently-completed investigation of the Secretariat.
- At the April Board meeting, the Board will make one of three choices:
  - a. Launch a public recruitment procedure, and encourage the Executive Director to apply. This option will be what the Board describes as "the norm".
  - b. Reappoint the Executive Director, without permitting others to apply for the position.
  - c. Launch a public recruitment procedure, and do not encourage the Executive Director to apply.
- If the current Executive Director is given a new contract, it will be for three years. If a new Executive Director is given a contract, it will be for four years, with a possible subsequent renewal for three years. The Board does not expect a particular Executive Director to serve for more than seven years.

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**4. BACKGROUND: Aidspan's Role in the Investigation of the Global Fund Secretariat**

by Bernard Rivers, Executive Director, Aidspan, and Editor, GFO.

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Six months ago, I started working on an article for GFO about the high level of turnover among mid-rank and senior GF staff. I interviewed many past and present staff in considerable depth. In the course of these interviews, I learned of some worrying problems within the GF Secretariat, including activities which appeared to involve violations of board-mandated policies.

These findings left me in a quandary. Should I publish what I had been told? To do so could have been very harmful to the Fund. Should I, instead, throw away all my notes and forget the whole thing? To do so would have been irresponsible. Aidspan, the small NGO that I run and that publishes GFO, was set up to serve as a watchdog of the Fund. What use is a watchdog if it only wags its tail, but is silent when it sees possible problems?

In the end, I decided that the appropriate action was to write up my findings in the form of a confidential letter, and to send that letter to the Chair of the Global Fund, Carol Jacobs.

Before doing so, I wrote on July 7 to Richard Feachem, the Global Fund's Executive Director, attaching a draft of the letter that I planned to send to the Chair and to a few other Board members on July 11, and inviting him to comment.

The following day, I received two calls from senior GF officials, telling me that Dr. Feachem had decided that if the Chair wanted to call for an independent investigation into the matters in my letter, he would support that. One caller requested that when I sent my July 11 letter to the Chair, I should send copies to the Vice Chair and Dr. Feachem but not to any other Board members. I agreed.

I edited the letter to take account of these and other inputs provided during the two calls, and then on July 11 I sent the letter to the three agreed people. My letter dealt only with concrete items of information that I had obtained from staff members. I made no suggestion, and I never have, that there has been any fraud or misuse of funds within the Fund.

In my letter, I promised to publish nothing in GFO about my findings until after the Board had received and digested the report of the investigation, assuming there was one. I also promised that during that time period, I would not show the letter to anyone else, not even chairs of Board committees. I have fully honoured those promises. Furthermore, I have never informed anyone verbally or by email about what I said in my letter to the Chair.

On July 27, Dr. Feachem wrote to all Global Fund staff saying "On the morning of Monday July 11, I strongly advised the Chair and Vice Chair of the Board to refer the allegations to the WHO Office of Internal Oversight Services (IOS) for an independent review." He also informed staff that on the same day, the Chair had informed the Board about my July 11 letter, and that she had added that she and the Vice Chair "have also had concerns expressed on these matters by several Board members."

The Chair, Vice Chair and Executive Director then jointly called for an independent investigation to be carried out by IOS. The investigation lasted several months, and was completed in late November. (I have not seen a copy of the investigation report. The investigation appears to have examined most but not all of the matters raised in my letter.) The Board then read and discussed the report at the board meeting that has just been concluded. (See "*Investigation of the Global Fund*," above, for the limited information that is publicly available on what the report found and what the Secretariat and Board have decided to do about it.)

During the five months since sending my letter to the Chair, I have not been informed of any item in my letter that was incorrect. (However, to be fair, I have also not been told that my letter was correct. Indeed, the Fund's spokesman told the *Wall Street Journal* in August "I would hazard to say a lot of this is nonsense.")

Since I started looking into the issues in June, GFO readers have only been told what was said in a *Wall Street Journal* article about the investigation, and, with permission, what was said by the chief investigator in a statement he made to the Global Fund Board on 29 September (see GFO #50 and #51 at [www.aidspace.org/gfo](http://www.aidspace.org/gfo)). Revealing any more would have violated the commitments I gave to the Chair.

Now that the Board has received and discussed the report, the promise to remain silent that I made five months ago has expired. However, I am very aware that the Board, representing governments, NGOs and others from all parts of the world, worked long, hard and collegially seeking and finding an outcome that was acceptable to all. Accordingly, I feel it would be inappropriate for GFO to reveal more about the issues that were investigated than the Board itself has chosen to disclose.

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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](http://www.theglobalfund.org)). GFO is emailed to 9,000 subscribers in 170 countries once to twice a month.

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