

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

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**CONTENTS**  
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[1. NEWS: Richard Feachem to Leave the Global Fund](#)

Dr. Richard Feachem has announced that he will leave his position as Executive Director of the Global Fund when his current contract expires on July 15, or as soon thereafter as a successor can be put in place. In a separate development, Prof. Michel Kazatchkine resigned in January as Vice-Chair of the Global Fund board.

[2. COMMENTARY: Board Assignment – Find a Leader Who Is Remarkable in New Ways](#)

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[3. ANALYSIS: Timing of Round 6 Still Unclear](#)

Many potential applicants to the Global Fund, and the Secretariat itself, are hoping that the Round 6 Call for Proposals will be issued in April. However, it is far from certain that this will be the case. At present, there is no money to pay for Round 6. There is thus a real chance that Round 6 grants will not be approved until well into 2007, or even later. Furthermore, if the Fund is to launch the three new Rounds that the Secretariat desires for this year plus next, the Fund's annual revenue will have to double this year, and then grow by a further third in 2007.

[4. NEWS: Short Items](#)

Global Fund disbursements have passed \$2 billion. / Some "additional last-minute pledges" for 2005 turned out just to be shifts from 2006. / American Express, Converse, Gap and Giorgio Armani have joined forces to raise awareness and money for the Global Fund. / France has agreed to back the International Finance Facility in return for the UK supporting the levy on air travel. / The Fund has invited people to read and contribute to a web-based discussion forum.

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**1. NEWS: Richard Feachem to Leave the Global Fund**  
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Dr. Richard Feachem has announced that he will leave his position as Executive Director of the Global Fund when his current contract expires on July 15, or as soon thereafter as a successor can be put in place. Dr. Feachem, who joined the Fund in July 2002 as its first Executive Director, said in a statement on Friday that he is leaving partly in order to return to his former academic position at the University of California, and partly because he and his wife would like to spend more time with family and friends in San Francisco.

At its meeting in late April, the Global Fund board will agree on terms of reference and a selection procedure for the new Executive Director. The board will delegate much of the work to a selection committee, but the full board will make the final choice, presumably at its following meeting in early November. It therefore appears likely that it will be early 2007 before a new Executive Director can start work.

In a separate development, Prof. Michel Kazatchkine resigned in January as Vice-Chair of the Global Fund board, and also as board member representing France. Prof. Kazatchkine's letter of resignation explained that his commitment to the Global Fund remains "as strong as ever", but that he now wants

"to take some distance and time to think, outside of the day-to-day pressure." His resignation came nine months into his two-year term as Vice-Chair. The person to take over as Vice-Chair will be chosen at the April board meeting.

Finally, Ambassador Randall Tobias has resigned as Global Fund board member representing the United States, because of his promotion from Global AIDS Coordinator (that is, head of PEPFAR) to head of USAID. His place as board member will be taken by Dr. Bill Steiger, who has played an active role in the US delegation since the start of the Fund.

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**2. COMMENTARY: Board Assignment – Find a Leader Who Is Remarkable in New Ways**

by Bernard Rivers

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Richard Feachem will long be remembered as the man who took the Fund from dream to reality. When he started as Executive Director, the Fund had only a dozen staff, and it had not signed a single grant agreement or disbursed a single dollar. Nearly four years later, it has two hundred staff, it has signed 390 grant agreements worth \$3.6 billion, and it has disbursed over \$2 billion.

But he will also be remembered for occasional tensions with board members, some problems regarding staff morale, and the recent need to fix some management shortcomings identified in a board-commissioned investigation.

Dr. Feachem has always been somewhat larger than life, which is exactly what the Fund has needed thus far. He is a brilliant and charismatic communicator. Speaking at the 2002 Barcelona International AIDS Conference one week before he joined the Fund (and minutes after Tommy Thompson, then US Secretary of Health and Human Services, had been booed off the stage), Dr. Feachem was frequently applauded in a speech that ended, "As the Global Fund goes forward, we tread into the unknown and into the darkness. No one has gone where we are going. ... Together we will do this. Together we will make a difference. Together we will change the world."

What that audience wanted, and what it got, was someone who was no boring bureaucrat or cautious political operator.

But therein also lay his weakness. He was not a boring bureaucrat because creating a management team that is creative, motivated and efficient – which is what any bureaucracy should aspire to – was not of consuming interest to him. And he was not a cautious political operator because in private meetings, he tended to say what he felt – which did not always go down well with senior officials within donor governments.

At its meeting three months ago, the Global Fund board discussed at length how to handle the approaching end of Dr. Feachem's current contract. In the end, they established a procedure to be followed whenever the person running the Fund comes to the end of his/her contract, in which "the norm" would be to invite the person to re-apply for his/her position, competing against whoever else might apply. Dr. Feachem's announcement on Friday removes him from that competitive process.

There is no doubt that there will be many contenders for the job. It is rumoured that one or more past or present board members might be interested. If that is so, they might be hampered by the Fund's policy that board members are not eligible for employment by the Secretariat until one year after they leave the board, though the board's Ethics Committee has the right to waive that requirement.

Organizations grow in phases; and a leader who is appropriate to – or even perfect for – one phase is rarely the best person to take the organization through the next phase. What the Fund needs in its new leader is someone who can persuade donors to take pledges to a significantly higher level, who can persuade recipient countries to fix troubled grants, and who can persuade current and potential staff that this is the place to work for twelve hours per day.

But most important of all, the Fund needs someone who is a superb and proven manager of an operation involving billions of dollars of annual expenditure, hundreds of simultaneous contracts, hundreds of staff, and constant verification that the contracts are delivering the promised

results. There are many people who have developed such experience in the private sector; there are some who have done so in the governmental sector; and there are a few who have done so in the inter-governmental, NGO and academic sectors.

Dr. Feachem has been, in his way, a remarkable leader. He should be applauded for his achievements, and for clearly declaring his intentions months before the end of his term. It is now up to the board to find a leader who is remarkable in new ways.

[Bernard Rivers ([rivers@aidspan.org](mailto:rivers@aidspan.org)) is Executive Director of Aidspan and Editor of its GFO.]

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**3. ANALYSIS: Timing of Round 6 Still Unclear**  
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Many potential applicants to the Global Fund, and the Secretariat itself, are hoping that the Round 6 Call for Proposals will be issued in April, with grants approved in November. However, it is far from certain that this will be the case. The problem is that at present, there is no money to pay for Round 6. There is thus a real chance that Round 6 grants will not be approved until well into 2007, or even later. Furthermore, if the Fund is to be able to launch the three new Rounds that the Secretariat desires for this year plus next, the Fund's annual revenue will have to double this year, and then grow by a further third in 2007.

Another problem is that a significant proportion of Round 6 proposals will consist of requests to extend Round 1-5 grants that are coming to the end of their five-year term. This means that if the Fund's revenue does not increase significantly, some CCMs wanting to submit proposals for truly new grant activities, rather than for continuation of grant activities previously funded under earlier Global Fund grants, may have to wait years before their proposals can be approved.

This is not the first time the Fund has been in such a situation. During the build-up to Rounds 4 and 5, there were doubts as to whether there would be enough money to pay for the Round. With Round 5, what saved the day was three factors: Some grants from earlier rounds were running late, so Phase 2 costs for those grants were incurred later than expected; actual approval of Round 5 grants was spread over two board meetings, as more money came in; and some donors moved pledges forward from a later year to an earlier year. All these factors might help again with Round 6; but the situation is more acute than it was with Round 5.

Round 6, like all previous rounds, can only be launched after the board has made a decision to issue a Call for Proposals. And the grants can only be approved after the board has met six or more months later to respond to the recommendations of the Technical Review Panel.

During 2006, the Fund will only have two board meetings, in late April and early November. Although there are no rules preventing the board from agreeing in April to issue a Call for Proposals, there are severe restrictions regarding the value of grants that can actually be approved at the following board meeting. Specifically, the Fund's Comprehensive Funding Policy currently requires that the dollar value of grants approved must be no more than will be available by the end of the year, based on uncommitted pledges received at the time of the board meeting. To drive this point home, the Fund also requires that the entire cost of the first two years of a grant must be put in the bank before the grant agreement can actually be signed.

Table 1 shows that based on current pledges, plus certain assumptions about forthcoming pledges from the US and Japan, there will be no money (in fact, minus \$21 million) at the end of 2006 to pay for Round 6, and almost no money (\$29 m.) at the end of 2007. This is because the Fund has committed to giving first priority to paying for Phase 2 (Years 3-5) of all grants from earlier rounds.

One factor in this is that Japan, having pledged last year to give the Fund \$500 m. "in the coming years" (which was generally assumed to mean \$250 m. in 2006 and the same in 2007) has now said that its 2006 contribution will be only \$130 m., without specifying how much it will provide in 2007. This cutback for 2006 certainly hurts, but reversing it would by no means solve the Round 6 problem.

**Table 1: Global Fund Revenue Currently Available for Round 6 (US\$ million)**

	2006	2007
Global Fund Revenue:		
Left over from prior year	108	-21
Pledges, less administrative costs	1,724	1,565
<b>Total Revenue</b>	<b>1,832</b>	<b>1,544</b>
Global Fund Costs from Round 1-5:		
Residual costs from Phase 1 of Rounds 1-5	96	0
Phase 2 of Rounds 1-5	1,757	1,515
<b>Total Costs</b>	<b>1,853</b>	<b>1,515</b>
<b>Thus: Cash at end of year that is available for Round 6 and later</b>	<b>-21</b>	<b>29</b>

Note: This table is based primarily on information provided at the Fund's web site, plus clarifications received from the Secretariat. In addition, it assumes that the US pledge for 2006 will eventually be \$500 m., rather than the \$300 m. currently proposed by the President. (The US pledge has always increased from the President's original proposal to the amount finally agreed by Congress.) It also assumes that Japan's \$500 m. pledge will be paid out \$130 m. in 2006 plus \$370 m. in 2007. The Phase 1 2006 cost covers Round 5 appeals, plus possible cost of continuation of treatment for grants terminated at the end of Phase 1. Underlying spreadsheet available from GFO upon request.

Of course, the Fund will receive some additional pledges in the course of 2006 and 2007, which will somewhat improve this situation. But the "replenishment meeting" last year was supposed to be the time at which donors specified their pledges for 2006-7; so any further pledges will require donors to go beyond what they promised at that time.

The Global Fund Secretariat is officially hoping for a Round 6 in 2006 costing \$1.1 b., and for Rounds 7 and 8 in 2007 each costing \$1.3 b.

As shown in Table 2, the Fund's revenue was about \$1 billion per year in each of 2002 and 2003, and about \$1.5 billion per year in each of 2004 and 2005. The table also shows that if the Fund is to be able to launch Rounds 6, 7 and 8 during 2006-7 at the levels anticipated by the Secretariat, the Fund's annual revenue will have to double this year (to nearly \$3 billion), and then grow by another third (to over \$4 billion) in 2007. The major donors have certainly indicated that they wish to significantly increase their total overseas development assistance in the coming years, but they have not yet suggested they are considering increasing their Global Fund pledges to anything like the levels shown in Table 2 during this year and next.

**Table 2: Global Fund Revenue Needed to Support Rounds 6-8 in 2006-7 (US\$ million)**

	Actual				Projected	
	2002	2003	2004	2005	2006	2007
Revenue (i.e. Contributions/Pledges, less administrative costs), on same basis as Table 1	954	932	1,519	1,495	1,724	1,565
Additional pledges needed to cover R6 (\$1.1 b.) in 2006 and R7 and R8 (\$1.3 b. each) in 2007					1,121	2,550
<b>Total Global Fund revenue if these additional pledges are received</b>	<b>954</b>	<b>932</b>	<b>1,519</b>	<b>1,495</b>	<b>2,845</b>	<b>4,115</b>

Arising from all this, it is possible that some donor board members, at the April board meeting, will urge a more cautious approach. This might consist of issuing the Call for Round 6 proposals after the November 2006 board meeting rather than after the April 2006 board meeting, with the grants to be approved in mid-2007, and then issuing the Round 7 Call for Proposals a year later (November 2007), and Round 8 one year later still.

There is one additional complication, which is that for the first time, proposals in Round 6 and later will be of two types. The first type will be proposals that represent extensions of Round 1-5 grants that are coming to the end of their five-year term. (These can be thought of as "Phase 3" proposals, following on from the Phases 1 and 2 covered in the original Round 1-5 grants). The second type will

be proposals that represent truly new grant activities, so far as Global Fund grants to that country are concerned. It seems almost inevitable that the Fund will have to give priority to the first type – that is, to "Phase 3" proposals. In the worst-case scenario, with Round 6 not launched until November 2006 or even April 2007 and Round 7 not launched until April 2008, Round 6 might have to cover as much as \$1 billion in "Phase 3" grants, leaving little or no Round 6 money to cover "truly new" grants.

To put it another way: If pledges to the Fund do not increase significantly, and the Fund does not modify its Comprehensive Funding Policy, the Fund will be forced for at least the next two years to be "the Global Fund for the Care and Support of Round 1-5 Grants".

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**4. NEWS: Short Items**  
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**Fund disbursements pass \$2 billion**

On 27 February, Global Fund disbursement amounts passed \$2 billion. As of today, the Fund's main financial totals are as follows:

**Table 3: Global Fund Main Financial Totals as of 5 March 2006 (US\$ million)**

<b>Income by the Fund since it started</b>	
Money contributed and pledged to the Fund by donors	8,545
Contributed since 2001	4,933
Pledged through 2008 but not yet received	3,612
<b>Expenditure by the Fund since it started</b>	
Approved for Phases 1 and 2 of Round 1-5 grants	4,924
Committed in the form of grant agreements	3,588
Disbursed to Principal Recipients	2,024
Disbursed by PRs to grant implementers	Not known
Committed to PRs but not yet disbursed	1,564
Approved, but grant agreements not yet signed	1,336

Source: Various spreadsheets on the Global Fund website

**Correction regarding 2005 pledges**

In GFO Issue 54, 18 December 2005, we reported that just before the December board meeting, additional last-minute 2005 pledges had been received by the Fund from countries including Australia, Ireland and the United Kingdom, with the new pledge from the UK being for \$65 million. This was based on a press release by the Fund that referred to "additional last-minute pledges" and "the announcement ... by the UK ... of a further pledge for 2005 of £37 million." It turns out that these were not new pledges, they were shifts of pledges from 2006 to 2005.

**Product RED**

Four companies with globally known brand names have joined forces to develop and promote Product RED, which will raise awareness and money for the Global Fund. The companies initially involved are American Express, Converse (part of Nike), Gap and Giorgio Armani. When a company's product takes on the RED mark, it makes a commitment to contribute a portion of profits from the sales of that product to Global Fund-financed AIDS programmes, with a focus on women and children in Africa.

RED was created by Bono (U2, singer and activist) and Bobby Shriver (Chairman of DATA – Debt, AIDS, Trade, Africa). The two also helped found DATA in 2002 to put political pressure on world governments to tackle the key issues surrounding debt, AIDS and trade in Africa.

American Express has launched a RED credit card, initially in the UK, for which 1% of expenditure on eligible items goes to the Global Fund. The first RED product from Converse will be a Chuck Taylor

All Star mudcloth shoe. Gap's first RED product will be an African-made, vintage-style T-shirt. Giorgio Armani's first RED product will be a pair of Emporio Armani sunglasses, similar to those regularly worn by Bono. Further details are available at [www.joinred.com/pr.asp](http://www.joinred.com/pr.asp)

This is the first time that leading companies have made a joint commitment to channel a percentage of profits to the fight against AIDS. It is also the first time that the Fund has publicly permitted donations to the Fund to be channeled to support particular types of grant (AIDS programmes benefiting women and children in Africa) rather than the Fund's overall activities.

### **International air-ticket solidarity contribution, and International Finance Facility**

Last year, a number of governments, led by France, agreed to institute an "international air-ticket solidarity contribution" on airline ticket purchases in order to raise funds for anti-poverty programs, implementing it in a way that it was hoped will not hamper tourism or create an onerous burden for the airline industry or the air traveller. France, in particular, intends to channel at least some of the resources raised toward the purchase of AIDS medication. The French levy, to be instituted in July, is expected to raise up to 200 million Euros per year. Chile has begun implementing a levy on international airline tickets, and Brazil and other countries are expected to follow suit later this year. The UK already has an airline ticket tax in place.

The French levy will be €1 on each passenger's domestic or European flight and €4 on each passenger's long-haul flight. Business and first-class travellers will be charged €10 on European flights, rising to €40 on long-haul flights.

In a separate initiative, the UK proposed the International Finance Facility (IFF) three years ago as a new way of accelerating the availability of funding for international development. Donor countries would commit to contribute specified amounts of money in each of many future years. Public and institutional investors would then agree to provide substantial amounts of money near the start of that process – to be used for foreign aid – in return for receiving the somewhat greater flows of money that would come from the donor countries in the subsequent years. This would allow money to be spent sooner on aid, which would not only lead to lives being saved sooner, but also to money being spent on certain problems before those problems got out of hand.

Since its launch, the IFF proposal has in fact resulted only in a small-scale, pilot program to generate funds for childhood immunization. However, the concept continues to be actively promoted by the UK, despite a lack of support from the US.

Last week, after considerable negotiation, it was agreed that France would back the International Finance Facility in return for the UK supporting the levy on air travel. They also agreed to jointly establish a working group to consider the implementation of an IFF going to health and education, based on financial input from the air ticket levy. In the medium to long term, this development could be of considerable benefit to the Global Fund.

### **Global Fund Partnership E-Forum**

On July 2-3, the Global Fund will hold its second Partnership Forum. Two years ago, the first Partnership Forum took place in Thailand. This year, it will be in Durban, South Africa.

During the buildup to the July meeting, the Global Fund has invited all interested people to read and contribute to a web-based discussion forum, or e-forum. The discussions, which are taking place in English, French, Spanish and Russian, will be on four key themes, with additional more specialized weekly topics. The four themes are:

- Global Fund strategic positioning: What is the appropriate role of the Fund in the fight against the three diseases as part of national and international efforts?
- Ensuring impact: How can the Global Fund – working with its partners – help support countries to improve their grant performance, in particular by anticipating and addressing implementation challenges?

- Working more efficiently with local and global partners: How can the Fund work more harmoniously with local and global partners to reduce transaction costs and ensure the lasting impact of the programs it funds?
- Ensuring Global Fund financial sustainability: How can the Fund and all its partners further improve and diversify their resource mobilization efforts to secure predictable and sustainable financial support at the country level?

The e-forum is accessible at <http://forum.theglobalfund.org>.

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

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