

GLOBAL FUND OBSERVER (GFO), an independent newsletter about the Global Fund provided by Aidspace to nearly 10,000 subscribers.

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1. NEWS: Ugandan Official Inquiry Condemns Minister

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A Ugandan Presidential commission of inquiry into misuse of Global Fund money has concluded that the man who has just been replaced as Uganda's Minister of Health, Maj. Gen. Jim Muhwezi, lied to the inquiry under oath. The commission recommended that he and two junior ministers "be investigated further with a view to prosecution" for perjury, causing financial loss, and providing false documents, and that they be required to return Global Fund money that they had inappropriately made use of.

The commission of inquiry was led by James Ogoola, Principal Judge of the High Court of Uganda. The inquiry was called for by President Museveni after the Global Fund temporarily suspended its grants to Uganda last year. (The Fund's own action was originally triggered by a report of corruption relayed to it by Aidspace from a whistle-blower reader of GFO.)

The inquiry, which lasted nine months, was based on evidence from 150 witnesses who testified through public hearings that were widely reported in the Ugandan media. The 340-page report of the inquiry was handed over to President Museveni on 31 May and was summarized in the Ugandan media the following day. GFO has obtained a copy of the full report from sources in Uganda.

Most of the inquiry related to activities within the Project Management Unit (PMU) that was set up within the Ministry of Health to administer Uganda's Global Fund grants. (The Principal Recipient was the Ministry of Finance, but the inquiry found that the problems arose almost entirely within the Ministry of Health, and particularly within the PMU.)

The main findings contained in the report of the Commission of Inquiry were as follows:

Recruitment: The Minister of Health instructed the Permanent Secretary of the Ministry of Health (PS/MOH) to obtain the Minister's clearance before recruiting senior staff for the PMU. The Minister specified, in particular, that the head of the PMU should be Dr. Tiberius Muhebwa, despite the "explicit negative warning" expressed by the recruitment consultants regarding Dr. Muhebwa's "dire lack of managerial experience and competence."

One of the staff employed by the PMU's Finance Department was the son of a junior minister in the Ministry of Health. The PS/MOH and the head of the PMU displayed "timidity and sycophancy" in appointing to this "lofty" position someone who "had no basic accounting knowledge at all" and "simply could not cope."

Salaries: PMU salaries were far too high; they were about three times those at the Uganda AIDS Commission.

Training: The PMU, which was entirely financed using Global Fund money, had a training budget that was mis-used. Many PMU staff were sent on training abroad, with no attempt being made to identify less expensive local courses. The staff applied for these courses "recklessly", and the head of the PMU approved them "indiscriminately". One senior staffer incurred nearly \$9,000 in expenses going to South Africa for a month to present her PhD thesis. And the wife of the Acting PS/MOH was reimbursed over \$7,000 in travel expenses to attend a conference in the US that bore no relationship to Global Fund activities.

Borrowing: Whenever the PS/MOH was asked – usually by the Minister of Health – to fund an activity for which the MOH had no ready funds available, he would invariably "borrow" the required funds from the PMU. Often, such a requisition was accompanied by "a false voucher" incorrectly suggesting that the money was needed for GF-related purposes.

For instance, the PS/MOH requisitioned nearly US\$20,000 from the PMU to facilitate travel by the Minister to Southern Africa to campaign for a particular Ugandan to become WHO Regional Director for Africa. As it turned out, the Minister did not travel to Southern Africa at all, he went elsewhere on a different mission. (This money has since been refunded.)

Also, the PS/MOH requisitioned a few thousand dollars from the PMU's malaria programme to facilitate travel by the three MOH Ministers to their districts to campaign for a "yes" vote in the 2005 national referendum.

Sub Recipients: The PMU appointed several Sub Recipients to serve as Lead Agencies, with the intention that they would sub-grant money to smaller organizations that had less sophisticated managerial systems in place, retaining 10 percent as a management fee. One such Lead Agency, ICOBI, retained not 10%, but about 90%. Others passed on the necessary funds, but only after considerable delays. Yet others did not have the capacity to monitor their sub-grantees' progress.

One sub-recipient, ironically named the Uganda Centre for Accountability (UCA), was given a grant of about \$60,000 to monitor the activities and use of funds of other sub-recipients. UCA withdrew this grant from the bank almost immediately and "dismally failed" to account for the money. "Their purported Co-ordinator ran into hiding from the Commission. Those who remained claimed that UCA had submitted a report of its work to the PMU, [but] none of the PMU staff admitted having ever seen or received any such a report."

Exchange rate manipulation: A Ugandan bank named DFCU Bank was used to convert large amounts of Global Fund money into local currency. This task was clearly necessary; however, the conversion was done at an unfavourably low exchange rate. The difference between the appropriate rate and the actual rate amounted to about \$250,000, which was then transferred outside the bank. This amounted to a "criminal scheme" carried out by the former Executive Director of the bank and certain others. The Minister of Health participated in at least one meeting at which the banking arrangements were discussed. This was "a serious and complex fraud" in which the bank was "as much a victim as was the PMU".

Contracting: The PMU appears to have favoured particular suppliers by a variety of means, including by restricting the specifications such that in fact only one bidder could comply. In at least one case the inquiry found strong reason to suspect "collusion between those responsible for the procurement process and the successful bidder", and recommended further investigation into possible criminal wrongdoing.

Global Fund pressure: PMU senior staff "testified that [GF] Geneva's song was one of intense pressure on Uganda to 'disburse, disburse and disburse', without the concomitant chorus of 'account, account and account'."

Local Fund Agent (LFA): The PS of the Ministry of Finance, which served as Principal Recipient, "complained that the LFA had never alerted them that the mismanagement of the Project was so severe."

The Commission of Inquiry recommended that some of the moneys that were inappropriately obtained by individuals and organizations should be reimbursed. It also decided to release to the press the full list of which organizations and individuals had received how much Global Fund money.

The inquiry concluded that in this "sordid" story of "grand managerial inefficiency and incompetence", the main losers have been "the people of Uganda, the international donor community, [and] the new experiment in Global Fund Public-Private Sector partnership." But above all, it found, "the most poignant and pathetic losers have been the millions of persons infected and affected by the three scourges of HIV/AIDS, TB and Malaria. These millions watched in pain and agony as their dire hopes were dashed to dust through the incompetence of the PMU stewards, and the naked greed of the middlemen (the sub-recipients) of the Global funds."

The Ugandan media reported that upon receiving the report, President Museveni said he was happy that the commission's work had already led to the recovery of some stolen money, and that enforcement officials were already planning prosecutions. "Impunity had gone too far in Uganda and it must stop," Museveni was quoted as saying. A week before he received the Ogoola report, Museveni announced that none of the three MOH ministers subsequently criticised in the report would feature in his new cabinet.

The Global Fund issued a statement saying that it welcomed the recommendation regarding reimbursement to the Global Fund of misused funds, and added that "the Ugandan incident should help us strengthen our procedures so that we can avoid such problems in the future."

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2. NEWS: Global Fund Advertises for new Executive Director

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The Global Fund has issued advertisements for a new Executive Director to take over from Dr. Richard Feachem, who, as previously reported, is not applying to have his contract renewed. The position is not posted in the "Jobs" section at the Fund's own web site, but the ad can be seen at places such as http://economicsit.com/classifieds/view_classified.cfm?sitd=4682.

The post, described as "one of the most exciting opportunities in international health and development", requires "very high calibre" candidates with strengths in leadership and strategic management, international experience with health and development, and experience working with boards of directors. The latter point is reinforced when the advertisement states that "an absolute prerequisite" is demonstrated potential for enjoying excellent relations "with country partners, with key international partners, such as the UN, with the Board, and with staff of the Secretariat."

The position becomes vacant in January 2007, and the closing date for applications is 21 July 2006. The Terms of Reference for the position are publicly available at www.theglobalfund.org/en/files/boardmeeting13/GF-B13-14_Report_of_the_Executive_Director_Transition.pdf.

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3. NEWS: Global Fund Issues "Clarifications on CCM Minimum Requirements: Round 6"

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The Global Fund has released a document entitled "*Clarifications on CCM Minimum Requirements: Round 6.*" The document is available on the Global Fund website via www.theglobalfund.org/en/apply/mechanisms/guidelines (click on "Clarifications of CCM Requirements").

There are six minimum requirements that a CCM must meet before a Round 6 proposal from the CCM will be regarded as eligible for consideration:

- CCM members representing the non-government sectors must be selected by their own sector(s) based on a documented, transparent process, developed within each sector.
- CCMs are required to show evidence of membership of people living with and/or affected by the diseases.
- CCMs are required to put in place and maintain a transparent, documented process to solicit and review submissions for possible integration into a national proposal.
- CCMs are required to put in place and maintain a transparent, documented process for nominating/electing a PR for programme implementation.
- CCMs are required to create a transparent, documented process which ensures that CCM members and non-CCM members have the opportunity to contribute to proposal development and in conducting grant oversight.
- CCMs must have a written plan in place to mitigate conflicts of interests when the CCM Chair or Vice Chair(s) is from the same organisation as the PR.

The Global Fund's *Clarifications* document outlines the rationale for these requirements, and provides some examples of how CCMs could meet the requirements. The document also provides examples of the types of documentation that a CCM needs to submit with its Round 6 proposal to demonstrate that it has complied with the requirements.

The *Clarifications* document firmly states that "failure to comply with the minimum requirements may lead to the disqualification of the proposal in its entirety."

The current version of the Fund's CCM guidelines, last updated in April 2005, is "Revised Guidelines on the Purpose, Structure and Composition of Country Coordinating Mechanisms and Requirements for Grant Eligibility", available at www.theglobalfund.org/en/apply/mechanisms/guidelines.

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4. COMMENTARY: The Minimum CCM Requirements Need To Be Taken Seriously for Round 6
by David Garmaise

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Most of the minimum requirements regarding CCM eligibility were adopted by the Global Fund in November 2004, a few months prior to the launch of Round 5. Because of the short time between when the requirements were adopted and when Round 5 was launched, it appears that the Global Fund Secretariat did not rigorously enforce these requirements when screening Round 5 proposals.

However, the Global Fund Secretariat is unlikely to be as lenient when it screens proposals submitted for Round 6. CCMs have now had about 18 months to implement the requirements since they were first adopted.

CCMs planning to submit Round 6 proposals would be well advised (a) to read the *Clarifications* document (see previous article) in order to familiarize themselves with the minimum requirements; and (b) to determine whether the CCM currently meets all of the requirements. If the CCM does not meet all of the requirements, the CCM should take action immediately to correct any deficiencies. In the event that the CCM is unable to meet one or more of the requirements by the time it submits its Round 6 proposal, the CCM should consider providing ample documentation (a) describing what actions are being taken to meet the requirements; (b) providing a timeline for the completion of these actions; and (c) demonstrating that the process is already well underway.

[David Garmaise, garmaise@aidspan.org, is author or co-author of several Aidspan Guides, including "The Aidspan Guide to Building and Running an Effective CCM"]

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5. NEWS: New Guide Released Promoting Inclusion of Activities Related to Sexual and Reproductive Health (SRH) in Proposals to the Global Fund

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The Global AIDS Alliance (GAA) has released a guide entitled "*Integration of Sexual and Reproductive Health into HIV/AIDS Programming: Guide for Submitting HIV/AIDS Component Proposals to the Global Fund, Round 6 and Beyond.*"

The Guide has two aims. The first is to encourage and facilitate more proposals to the Global Fund for increased investment in linking sexual and reproductive health (SRH) programmes with HIV programmes, and vice versa. The second is to assist countries not yet ready to submit such proposals to understand what is needed to get to that point, including gaining knowledge about the Global Fund and building the capacity of SRH-related organizations to join CCMs, where they have not already done so.

The target audiences for the Guide are CCMs and national AIDS committees, task forces, and organizations working on sexual and reproductive health and/or HIV – both in countries where specific strategic planning in this area has already occurred, and in countries where such planning has not yet begun or is just getting underway, and which might consider proposals benefiting SRH programmes.

Copies of the Guide are available at www.globalaidsalliance.org/docs/Global_Fund_Round_6_HIV_and_SRH_Guide_FINAL_5.17.06.pdf.

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6. PRESS RELEASE: New Global Fund Impact Data
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The Global Fund issued the following press release today, 29 June 2006

New Global Fund Grant Results Show Substantial Impact

More than 40% Increase in People Reached Over Six Months

Johannesburg - With nearly 400 grants approved to combat HIV/ AIDS, TB and malaria, Global Fund-financed programs are proving that where money is invested, treatment and prevention efforts are working.

In its latest progress report published today, the Global Fund outlines the latest program results and looks at the initial data on how its grants affect health systems and indications of global impact in the fight against the diseases.

Newly-compiled performance results show that as of end April, 544,000 people have begun antiretroviral (ARV) treatment through Global Fund-supported programs – up from 384,000 six months ago. The new figures show a more than four-fold increase since December of 2004 in the number of people started on ARV treatment with support from the Global Fund.

Taken together, programs providing DOTS (Directly Observed Short Course Treatment) have detected and treated more than 1.4 million cases of tuberculosis worldwide. In addition, Global Fund-supported programs to combat malaria expanded distribution of insecticide-treated bed nets to 11.3 million, up from 7.7 million in December 2005.

Early indications of impact on the three diseases show both that the additional funding of the Global Fund bears a promise of substantially reducing the prevalence of these diseases. The potential for most rapid progress is in the field of malaria, where concentrated investments have drastically reduced mortality within periods of less than two years and carry promise for a global turnaround in the prevalence and mortality rates.

Results at a Glance

Intervention	Dec 2004	Dec 2005	June 2006	Increase since Dec 2005
HIV: People on ARV treatment	130,000	384,000	544,000	42%
TB: Cases treated under DOTS	385,000	1 million	1.4 million	43%
Malaria: Insecticide-treated nets distributed	1.35 million	7.7 million	11.3 million	47%

"This latest set of performance figures comes as very good news," said Richard Feachem, Executive Director of The Global Fund to Fight AIDS, Tuberculosis and Malaria. "These results demonstrate that where countries are given the resources they need, progress against this pandemic is possible. It shows that with sufficient global resources, we can drive back this scourge."

The report finds that the Global Fund's system of performance-based funding does appear not to penalize poor countries, as countries with the lowest wealth, health systems or human resources for health have no worse performance during their first two years of grant implementation. Even countries known as "fragile states" (due to extreme poverty, recent armed conflict or weak governments) do not fare significantly worse than other countries, with two thirds of them showing satisfactory performance. Many of these "fragile states" have developed a close collaboration between government and civil society in implementation of national health programs, compensating for weaknesses in public sector.

Civil society organizations are strong implementers, with 30 percent of their grants over-performing and the remaining 70 percent showing satisfactory performance. There are strong indications that countries can drastically increase their national absorptive capacity by channeling more of its health spending through non-governmental and faith-based organizations.

Global Fund support for efforts to combat AIDS account for 56 percent of the total US\$ 5.4 million committed to date for programs in 131 countries to fight the three diseases. Of the US\$ 3 billion allocated to AIDS, half is dedicated to prevention activities while the other half is allocated to treatment.

In 2005, the Global Fund was responsible for an estimated 20 percent of all international funding in support of efforts to combat HIV/AIDS, and approximately two-thirds of global funding for programs against TB and malaria.

Over the past three years, Global Fund financing has enabled nearly 53 countries to change from malaria drugs which have become increasingly ineffective to the new artemisinin-based combination therapy (ACT), which has the potential to drastically reduce mortality from malaria among children and pregnant mothers. In some countries, Global Fund grants have also provided blanket coverage of new, long-lasting insecticide-treated bed nets, which afford more durable, effective protection against malaria to vulnerable populations. The roll-out of ACT or other effective combination therapies and bed nets - in combination with targeted insecticide spraying and strengthening of expertise, infrastructure and training - is expected to reduce malaria mortality in large parts of Africa in the coming years.

On average, data compiled shows that grants to combat all three diseases are exceeding targets set out in their respective grant agreements, which serve as the basis of the Global Fund's performance-based grant evaluation. The new results released today represent the aggregation of numbers issued directly from reports on progress by individual grants.

While the new treatment and prevention figures demonstrate the Global Fund's expanding track record in saving lives, raising awareness among vulnerable populations and preventing further infections, the Global Fund's funding gap for years 2006 and 2007 threatens to curtail the momentum of funded programs as well as funding for new rounds of grants.

"New rounds of grants in 2006 and 2007 will provide the opportunity for countries to expand the considerable progress we are seeing against the three diseases", said Carol Jacobs, Chair of the Global Fund Board. "Donors need to make long-term commitments of sufficient resources to enable developing countries to plan for the future with confidence that funding for their lifesaving activities will not trail off."

Expected outcomes of grants approved in Rounds 1 - 5 after five years:

- More than 1.8 million people on antiretrovirals
- 62 million clients reached with voluntary counseling & testing services for HIV
- Over 1 million orphans supported through medical services, education and community care
- 5 million additional tuberculosis cases treated under DOTS treatment strategy
- 264 million artemisinin-based combination treatments for drug-resistant malaria delivered
- 109 million bed nets financed to protect families from the transmission of malaria

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7. NEWS: Physicians for Human Rights releases "Guide to Using the Global Fund to Support Health Systems Strengthening in Round 6"

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by Eric A. Friedman, Physicians for Human Rights

Round 6 of the Global Fund comes on the heels of WHO's *World Health Report 2006*, which identified 57 countries with health worker shortages that will severely impede their ability to achieve the Millennium Development Goals (MDGs). The MDGs include reversing the spread of AIDS, tuberculosis, and malaria. A few weeks after the launch of Round 6, world leaders at UNGASS committed to universal access to comprehensive prevention, care, and treatment by 2010, a goal requiring massive scale up of health workforces and strengthening of health systems. In light of these important developments, it is vital that Round 6 make a significant contribution to health workforce and health system strengthening.

To facilitate applicants' efforts in these areas, Physicians for Human Rights (PHR) has produced a *Guide to Using the Global Fund to Fight AIDS, Tuberculosis and Malaria to Support Health Systems Strengthening in Round 6*, available at www.phrusa.org/campaigns/aids/pdf/guide_hs.pdf. Even though Round 6 does not have a separate Health System Strengthening category, as Round 5 had, applicants still may use the Global Fund for a very wide range of health system strengthening activities which may be system-wide. That is, countries may seek funds to strengthen basic health system elements, as long as the system-strengthening activities are needed to reduce the spread and impact of at least one of the three diseases. This round, these activities must be integrated into an HIV, tuberculosis, or malaria component of the application, rather than placed in a separate category.

Much of the new PHR Guide is based on analysis of the three successful Health System Strengthening proposals in Round 5 and the Technical Review Panel's comments on the thirty Health System Strengthening Proposals submitted in that round. The Guide describes the benefits of using the Global Fund to support health system strengthening. It also analyzes features of successful proposals on health system strengthening and shares several innovative approaches to addressing the health worker shortage.

The key lessons include:

- Round 5's successful Health System Strengthening proposals had a discrete focus on one or several health system elements; addressed major obstacles; made strong links to reducing the spread and impact of the target diseases; included strong health system analyses; lodged health system activities within national commitments and strategies; demonstrated that they had a strong chance of success; included considerable benefits for poor and rural populations; and supplemented support being received from other development partners.
- Proposals must have strong links between the health system activities and at least one of the three diseases. The successful Round 5 Health System Strengthening proposals of Malawi and Rwanda indicate that this entails presenting data on the severity of the health system problem being addressed, providing qualitative descriptions of how the problem impacts the target disease, using data to demonstrate this link, and employing impact indicators for the target diseases.
- Proposals should include detailed budgets and work plans, including, for example, providing clear descriptions of incentives. A proposal that includes incentives for health worker retention or deployment to rural or deprived areas should describe the nature of the incentives, explain who will be eligible for them, and if possible, provide evidence that the incentives will work.

The Guide also provides a list of resources for further support in several areas, such as developing appropriate indicators for health systems and developing human resource plans.

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8. REMINDER: Global Funds grants can now be used to provide support for a wide range of CCM activities

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In June 2004, after the completion of the fourth round of funding, the Global Fund Board decided that new proposals could include a plan (and costs) for obtaining technical assistance and capacity building to strengthen the functioning of the CCM and to improve the ability of the CCM to fulfil its responsibilities to oversee program implementation. The Board also decided that CCMs could re-allocate some of the funds in the budgets of programs that had previously been approved in Rounds 1-4 to allow for technical assistance and capacity building for the CCM (as long as the total budgets remained the same).

Then, In April 2005, at its Tenth Board Meeting, the Global Fund Board decided to expand the range of CCM activities that can be supported by Fund grants. It also established certain conditions and procedures. This article provides an explanation of the new policy.

Under the new policy, Global Fund grants can support the following types of CCM activities:

- staff salaries;
- office administration, such as phone, fax, postage, stationary and photocopy;
- CCM meeting costs, including travel cost for CCM for non-governmental members (for up to six meetings per year);
- some communication and information dissemination;
- facilitation costs associated with constituency consultation and processes to promote stakeholder participation; and
- some translation.

Global Fund grants can still be used for capacity building of the CCM (as per the June 2004 policy.)

For new proposals, costs for the activities listed above should be included in the proposal workplan and budget. However, it is also possible for CCMs to request that funds from already approved proposals be re-allocated to provide support for these activities (as long as the total budgets for these programmes remain unchanged).

The Global Fund would prefer that, whenever possible, funding for these activities be provided by other in-country partners (e.g., multilateral and bilateral funders, or the private sector). When applying to the Global Fund for funding for these activities, the CCM must be able to demonstrate that adequate support is not available from other partners. The evidence can be in the form of minutes of the CCM meeting in which the CCM affirms that it is contacted all prospective partners and has determined that the amount of funding requested is not available; or direct communication from partners in country.

If a CCM is currently receiving support from other partners for some CCM activities, it can still apply to the Global Fund for support for other CCM activities (if it can demonstrate that support for the additional activities is not available from other partners). However, the Global Fund would prefer not to have its funding used to *replace* funding currently being provided by other partners.

The Global Fund Board did not set a ceiling on the amount or percentage of a grant that can be allocated to supporting CCMs. It simply said that the size of the grants and the number of programmes overseen by the CCM will be used as criteria to determine the total amount of eligible funding. Any CCMs thinking of requesting funds for CCM support should consult their Fund Portfolio Manager concerning the total amount of funding that the Fund would be prepared to provide.

The Board policy specifies that CCMs may receive funding from the Global Fund for a maximum of two years. These two years may coincide with the duration of Phase 1 of a Global Fund grant, but this is not a requirement. It is possible for funding in support of CCMs to start part way through Phase 1 and extend into Phase 2.

The Board policy also includes the following provisions:

- When applying for funding, the CCM is required to show total costs by category for each of the two years, and must provide a more detailed budget for the first year showing units costs.
- The application should show co-financing or in-kind to support from other partners.
- The CCM is required to indicate how additional support will be obtained once Global Fund financing ends.
- The funds will be disbursed on an annual basis, and the CCM will also report annually on the expenditures of the funds.
- Since most CCMs are not legal entities, the funding will have to be provided through another entity, usually the PR.

Although the PR will likely receive the funds for CCM support, the Global Fund says that normally the PR should not actually manage the funds on behalf of the CCM. For the PR to do so might constitute

a conflict of interest, since one of the responsibilities of the CCM is to oversee the performance of the PR. Instead, the Global Fund suggests that the CCM designate some other legal entity that will receive and manage the support funds on behalf of the CCM.

Further information is available in "*Frequently Asked Questions: Use of Grants to Provide Support to CCMs*" at www.theglobalfund.org/en/apply/mechanisms/guidelines.

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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 nearly 10,000 subscribers in 170 countries at least twelve times per year.

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GFO Editor: Bernard Rivers (rivers@aidspan.org, +1-212-662-6800)

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