



Independent observer  
of the Global Fund

## MAIN DECISIONS MADE AT GLOBAL FUND APRIL BOARD MEETING

Key decisions made by the Global Fund Board at the meeting that ended on Friday were as follows.

1. New Chair and Vice-Chair chosen: See article above.
2. Growth Target for the Global Fund: See article above.
3. Two or more PRs per grant should be the norm: The Board recommended (but did not require) that starting with Round 8, each proposal submitted to the Global Fund should specify both a government Principal Recipient (PR) and a non-government PR. The Fund refers to this concept as “dual-track financing”. If a proposal does not include both types of PR, it should contain an explanation for this. The Board noted that the possible benefits achieved through dual-track financing include increased absorption capacity (from taking full advantage of the implementation capacity of all domestic sectors, both governmental and non-governmental), accelerated implementation and performance of grants, and the strengthening of weaker sectors.
4. National-Strategy Applications — a new way to apply to the Fund: The Board decided to create a new way in which countries can apply for Global Fund support, in addition to the current rounds-based approach. In this new approach, a country that has developed a solid national strategy for tackling HIV/AIDS, TB or malaria will be able to apply for Global Fund support for implementation of this strategy. However, the Fund’s requirements for “National-Strategy Applications” will be very strict. The strategy must be inclusive, costed, comprehensive and prioritized, and must include a workplan and budget. And the strategy must have successfully undergone a rigorous technical certification by an “independent review mechanism” (IRM). A key objectives of this whole approach is to make it possible for a country that has developed a high-quality national strategy to submit that strategy for certification by a single IRM and then to obtain support for the implementation of that strategy from the Global Fund and from other funding sources. This approach is intended to support

alignment and harmonization, by being flexible enough to fit with the preferred timing cycles and planning approaches both of the applicant country and of the various funders. The Board called upon partners to develop a shared certification approach for national strategies and to allow the use of certified strategies as the basis for applications for funding. The Board hopes to agree at its November meeting on detailed plans for implementation of National-Strategy Applications, including specifying which organizations can serve as IRMs and what criteria they should follow when certifying national strategies.

5. New rules for new LFAs: The contracts of all Local Fund Agents (LFAs) expire in November of this year. After many board members expressed dissatisfaction with the effectiveness of LFAs, the Board agreed on the need for a number of changes. The Fund will soon invite bids from organizations wishing to serve as LFAs from November. In the past, LFAs have focussed primarily on monitoring and evaluating PR performance at a financial level. In the future, they must also show that they can effectively monitor and evaluate PR performance at a programmatic level, and that they can monitor and evaluate PR oversight of sub-recipient activities. LFAs must also act in a timely, open and reliable manner (which has not always been the case), and they must have clear lines of communications with PRs, CCMs, and in-country partners. The performance of the new LFAs will be much more rigorously assessed than in the past. LFAs that do not perform well may be required to pay penalties, and/or may have their four-year contracts terminated mid-way through. Applications to serve as LFAs will be considered not only from large private sector entities, but also from civil society entities, possibly acting together in consortia.
6. Whistleblower hotline: The Fund has had for some time an Office of the Inspector General (OIG), whose role is to investigate possible cases of misconduct within the Global Fund, Principal Recipients, and Sub Recipients. The Board asked the OIG urgently to implement an independent hotline to enable “whistle-blowers” to contact the OIG confidentially and, if necessary, anonymously. (Note: Current procedures for contacting the OIG are listed at [www.theglobalfund.org/en/about/oig/contactus](http://www.theglobalfund.org/en/about/oig/contactus).)
7. Community systems strengthening: The Board recommended (but did not require) that starting with Round 8, each proposal submitted to the Global Fund should include elements designed to strengthen the community systems that are necessary for the effective implementation of GF grants. (“Community systems” refer to structures and systems for the delivery of HIV, malaria or tuberculosis services at the community level — services such as home-based care, outreach prevention, orphan care, training, etc.)
8. Simplified CCM access to funding: The Board asked one of its committees to propose, by November, how CCMs could obtain simplified access to funding to cover the CCM’s own activities. The Board also called for increased transparency by CCMs about how they plan to ensure access by civil society to such funding
9. Rolling Continuation Channel, for funding after Phase 2: Last November, the Board approved the establishment of a method (known as the “Rolling Continuation Channel”, RCC) that will sometimes permit a CCM to apply for up to six years of further funding for a grant that is approaching the end of Phase 2. The Fund will consider such applications about four times per year. Grants will only be eligible for consideration if the Secretariat determines that they have been performing very well, are expected to have measurable impact, and are receiving significant support from other funding sources. Only one-quarter to one-third of grants are expected to meet this eligibility standard. At last week’s meeting, the Board agreed that the Secretariat will gather data regarding the performance thus far of each candidate grant; the TRP will then review the data and recommend to the Board whether to approve the grant for RCC funding; and the Board will then make the final decision via electronic vote. Grants approved in Round 4 and later that in Phases 1 plus 2 have a term of less than five years will not be eligible for RCC funding.
10. Eligibility of Upper-Middle Income countries: The Board has been arguing for years about whether and when the Fund should provide HIV grants to Upper-Middle Income countries (UMICs). Some Board members want the Fund to focus almost entirely on the poorest countries; others say that grants also should be given to all UMICs with reasonably high HIV incidence rates. The problem has

been in deciding where the cutoff should be. The Fund has a rule that UMICs are only eligible for HIV/AIDS grants if they have a ratio of (HIV prevalence multiplied by 1000) to (Gross National Income in US dollars) that is greater than 5.0. Recently, three UMICs with very high HIV/AIDS prevalence rates — South Africa, Botswana and Equatorial Guinea — have become ineligible according to this rule, because they have a ratio that has moved below 5.0, not because of reduced HIV incidence or stronger economies, but because their currencies have strengthened against the US dollar. Last week, the Board agreed, with great difficulty, that UMICs should be eligible if the epidemic has a “measurable impact” on population demographics such as life expectancy, or if the epidemic in a vulnerable population is such that there is a risk of accelerated spread within that vulnerable population. Details should be finalized at the November Board meeting.

11. Use of pooled purchasing service: The Board instructed the Secretariat to more strictly require PRs to use the Fund’s Price Reporting Mechanism to report details of their procurement of health products, and specified that the reported data should be externally audited. The Board also agreed that the Fund will establish a pooled-purchasing service involving one or more external procurement agents. When a PR wishes to make use of a procurement agent, payments out of the grant in question will be made by the Fund’s Trustee direct to the procurement agent, without going first to the PR. Usually, use of procurement agents will be voluntary. But where a PR has shown inadequate procurement capacity, the Fund may insist that it use a procurement agent. Where a PR uses a procurement agent, the PR will also be provided with voluntary access to procurement capacity-building services and supply-chain-management assistance. The costs of these services will be covered by the PR, normally out of grant funds. Other entities in the PR’s country will also have access — at their own expense — to these services.
12. Credit Suisse: The Boston Globe reported in February that the Fund’s then Inspector General stated in a confidential 2006 report to the Board that the spending habits of the Fund’s then Executive Director — often based on use of a special account that the Fund maintained with Credit Suisse — had created “potential risks” for the Fund. Neither the then Inspector General nor the then Executive Secretary is still with the Fund. The Secretariat responded at the time that the Inspector General’s report was “of extraordinarily poor quality”. At last week’s meeting, the Board reviewed two unpublished independent analyses of the Inspector General’s work, and concluded that none of the activities examined by the Inspector General involved fraud or misappropriation of funds. The temporary successor to the former Inspector General was asked to prepare a comprehensive account, based on all the source materials and reports, with the expectation that the Fund would publicly release that account by the end of May.
13. New Inspector General: The Board agreed a procedure for recruiting a new Inspector General, and specified that this person will report independently and confidentially to the Board while maintaining an administrative reporting line to the Executive Director.
14. Earmarked donations: In the past, the Fund has not permitted donors to specify how their particular donations should be made use of by the Fund. The Board agreed that from now on, private donors could require that their donations be made use of for a specified grant that has already been approved by the Fund, or for a mix of such grants grouped by region and/or disease, and/or for the procurement of specific goods and services. Under certain circumstances, such “earmarking” may also be used by public mechanisms such as UNITAID; but, as always, it cannot be used by governmental donors.
15. Disclosure of non-approved proposals: With effect from the Board’s decision in November 2007 as to which Round 7 proposals to approve, the Fund will provide public access at its website not just to the proposals that the Board approved, but also to the proposals that the Board chose not to approve.
16. Board voting re “No Go” decisions: The Board resolved that when the Secretariat makes a “No Go” recommendation regarding a proposal that the Fund is considering for Phase 2 renewal, the grant in question will indeed be terminated unless that recommendation is blocked by at least four board members from the “donor” block plus at least four from the “recipient” block. (In the past, just one of these two groups could block the No Go recommendation.)

17. Funding of CCMs: The Fund currently has a policy that under certain circumstances, CCMs are permitted to apply part of a GF grant to cover certain CCM operating costs for a period of up to two years. The Board resolved last week that this time limit could be extended beyond two years, but only to the end of the grant or the end of 2007, whichever comes first.
18. Resource mobilization strategy: For the first time in the Fund's five-year life, the Board approved a resource mobilization strategy. The strategy focuses on raising funds from the following sources, in decreasing order of importance: public donors (contributions from national governments); investment returns (the return gained on money that the Fund has received but not yet disbursed); private sector (cash and non-cash contributions from foundations, corporations and individuals); and innovative financing mechanisms (various new mechanisms that aim to mobilize resources distinct from official development assistance and private sector contributions). The Board approved the recruiting of 18 additional staff in 2007 to help pursue these options.
19. Health-systems strengthening: The Fund has always supported the idea of HIV/AIDS, TB and malaria proposals that deal, in part, with the need to strengthen health systems. In Round 5, the Fund also permitted proposals that focussed entirely on health-systems strengthening. (Few such proposals were submitted, and even fewer were successful.) At last week's meeting, the Board agreed that at its next meeting, in November, it will decide, based on input from two committees and outside parties, how best to handle health-systems strengthening in the future.
20. Transition from Administrative Services Agreement with WHO: At its meeting last November, the Board agreed to start preparing for a likely termination of the Fund's Administrative Services Agreement with WHO, prior to making a firm decision at last week's meeting on whether to implement termination. (Under the Agreement, WHO is responsible for certain aspects of Global Fund administration. If the Agreement is terminated, new procedures will be put in place that the Fund controls more directly.) At last week's meeting, the Board deferred making a final decision until its November 2007 meeting, partly because of the complexity of resolving how best to handle pension plans.
21. Debt2Health: The Board agreed that the Fund should start a two-year pilot debt-conversion project, known as "Debt2Health", in up to four countries. Under this scheme, a debtor country that owes money to a creditor country can, if both parties agree, have its debt forgiven if the debtor country contributes an agreed fraction (say, one half) of the debt, in local currency, towards covering the cost of future Global Fund-approved grants in the debtor country. The availability of this money will not be allowed to be a factor in whether such grants are approved by the Fund. The pilot project will probably take place in Indonesia, Kenya, Pakistan and Peru, and could generate up to \$250 million. Germany is the first creditor country likely to be involved.
22. Report re Corporate KPIs: The Board reviewed the Fund's 2006 performance against previously-agreed targets for fifteen Corporate Key Performance Indicators (KPIs). For five KPIs, 2006 results exceeded targets. For a further five, results were within 10% of the target. For four, results fell short of the target by more than 10%. And for one, results are not yet available. For those where the target was not met, the Board accepted the reasons given by the Secretariat.
23. New TRP members: The Board agreed to expand the Technical Review Panel (TRP) from 29 to 35 members, and approved various new members.

[Read More](#)

---