



Independent observer  
of the Global Fund

## Report from Sofia – Good News, Bad News

I've been going to Global Fund Board meetings, with observer status, for the past six years. And I think every Board meeting I've attended has involved one crisis – one topic where it was unclear until the last hour whether agreement would be reached. Nearly always, a solution has been found. The Board meeting in Sofia that ended on Wednesday was unusual because there was not one such crisis, but two. On the more difficult one, agreement was reached. On the easier one, not only did the Board fail to reach agreement, it failed to perform in a mature manner.

But before I come to those fights, let me fill you in on some other interesting items.

### The Inspector General

There was much discussion about the Office of the Inspector General (OIG), which is led by John Parsons. Parsons' strength is that he is fiercely determined to uncover corruption. His weakness is that he appears to know only two colours, black and white.

Parsons has published numerous reports in which he has exposed corruption in the use of Global Fund money. Good for him. The Global Fund is unusual not in that there is some corruption among recipients of its grants; it is unusual in that it seeks to identify such corruption, and to be open about its findings.

Unfortunately, Parsons comes down almost equally hard on cases of undocumented expenditure. If I pretend to incur an expense and I fraudulently claim "reimbursement," there's no question that I'm a thief. Whereas if I genuinely do incur that expense but I fail to obtain documentary proof, I'm not a thief, though I am a fool. Parsons makes insufficient distinction between the thief and the fool. Furthermore, he demands that PRs reimburse such money to the Fund even when the fool was not the principal recipient (PR), but one of its sub-recipients (SRs). Maybe, legally, that's valid. But it puts modest-sized PRs in a very difficult

position.

Parsons and his staff have caused great distress among employees of PRs and SRs, who have told me that they were treated like criminals long before the OIG had any idea whether they had done anything wrong. My fear is that as the OIG's working methods, and the consequences of its zealous behaviour, become more widely known, some organisations will decide that it's not worth serving as PR or SR.

Parsons said at one informational session just before the Board meeting started that there is a complaints procedure whereby PRs who feel they have been badly treated by the OIG can lodge a protest that will be reviewed not just by the Inspector General, but also by the chair and vice-chair of the Board. But when asked whether that process has been posted at the Fund's website or has been otherwise made known to those who might need to know about it, he acknowledged that the answer was "no."

### Choosing the chair

Every two years, the Fund elects a new chair. With all such elections thus far, the chair had to be elected by the Board members from among the Board members. The Board has now passed an excellent new rule stating that candidates for chair no longer have to be Board members. This means that, unlike in the past, if somebody with global stature is available, the Board can elect that person without first requiring him or her to become a Board member.

Under the old rules, it was never clear whether the chair's first responsibility was to the Board as a whole, or to the constituency that he or she served as Board member. This was unfortunate, and at times has led to some poorly chaired sessions, including at this meeting. From now on, the rules will be clear: The chair serves the Board as a whole. Period. Hopefully, some CCMs will institute a similar policy.

### The E.D.'s contract

Shortly before the Global Fund appointed Michel Kazatchkine to serve as its second executive director, it put in place a policy that each new E.D. will serve for four years, and then, subject to Board approval, for a further three years; then they have to leave.

The Board this week asked Michel Kazatchkine to serve for three more years once his first contract comes to an end early next year; and they did not make him compete for that second contract against other applicants, as they could have done. It was the right decision.

### Rounds 10 and 11

Two months ago, donors told the Fund how much money they would provide for the next three years. It was much less money than the Fund wanted and needed, although at least it was enough to fund Round 10. The question on everyone's mind at this week's Board meeting was not about Round 10; it was about when the Fund could afford to launch Round 11. Implementers wanted the Board to commit to launching Round 11 early next year. Donors said "No way." So a small "contact group" was set up to fight it out in a side room.

One unfortunate result of that process was that most Board members heard none of the arguments that were being made. Furthermore, none of those arguments will be recorded in the official report of the meeting. Instead, the negotiators finally emerged on the last day of the meeting, after having worked most of the night, and presented a compromise resolution. The compromise resolution was hardly discussed. Indeed, Board members hardly had time to read it before they passed it without any votes against.

In return for donors agreeing that Round 11 will be launched next year (though later in the year than many people wanted), Board members collectively agreed to two interesting conditions. First, Round 11 will not

take place unless there is agreement at the May 2011 Board meeting on firm rules on eligibility (that is, on which countries are eligible to receive Global Fund grants) and on prioritisation (that is, on the order in which approval proposals are funded if there is not enough money). Over the past year, two Board committees have jointly tried, but totally failed, to agree on those two issues.

The second condition agreed by the Board is that the Secretariat must “strengthen its application of Performance Based Funding principles.” Six months ago, I complained that this core Global Fund principle had been almost totally ignored during the preceding three years. (See [here](#).) Some grants had been terminated for corruption during that time; but none had been terminated for gross under-performance. The Board has now told the Secretariat to reduce Phase 2 funding (and to work with the implementers in reducing targets accordingly) in cases where grant performance is inadequate, and to use the saved money to help finance new grants. This is very significant.

## CCM guidelines

The Board did not do well this week when it discussed proposed new CCM guidelines.

Global Fund staff had spent over a year consulting widely on how to improve the Fund’s CCM guidelines. Under the oversight of the Board’s Portfolio and Implementation Committee (PIC), detailed and thoughtful new CCM guidelines were developed. Everybody involved had to compromise. The Secretariat handled this minefield well, reminding NGO participants to respect the core country ownership values of the Fund, and reminding implementing governments that the Fund’s other core values – including multi-sector representation, equal participation, accountability and transparency – also had to be reflected in the final outcome.

The PIC further refined the guidelines, and then sent them to all Board members before formally presenting them for approval at this week’s Board meeting.

But passage of the resolution was unexpectedly blocked at the meeting by several Board members who represent governments of implementing countries – including countries that were members of the very committee that brought these guidelines to the Board meeting in the first place.

The most sensitive section of the heavily negotiated proposed guidelines dealt with good governance. At the meeting, some Board members representing implementer governments complained about the proposed clause that recommended (but did not require) that “[CCM] election procedures should consider term limits for Chair and Vice-Chair positions and rotation of leadership positions amongst constituencies.”

Board members should have trusted the PIC to use its best judgment on this issue. The Board set a poor example for CCMs on how to make decisions. Hopefully, the new guidelines will be approved at the next Board meeting.

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