

GLOBAL FUND OBSERVER (GFO), an independent newsletter about the Global Fund provided by Aidspace to nearly 10,000 subscribers in 170 countries.

Issue 174: 24 January 2012. (For formatted web, Word and PDF versions of this and other issues, see www.aidspace.org/gfo.)

+++++

CONTENTS

+++++

[1. NEWS: Global Fund Executive Director Michel Kazatchkine To Resign](#)

Michel Kazatchkine announced today that he will “step down” as Executive Director of the Global Fund by mid-March. He said that his planned resignation resulted from a decision by the Global Fund Board two months ago to appoint a General Manager who will supervise many Global Fund activities and who will report direct to the Board. *GFO* understands that this decision by the Board to transfer many of Dr Kazatchkine’s responsibilities to someone else arose from the Board’s concern that the Fund’s managerial leadership was not sufficiently effective.

[2. NEWS: National NGOs Serving as PRs Excluded from the Global Fund’s Policy on Percentage-Based Overhead Costs](#)

Concerns have been expressed that the Global Fund’s new policy on percentage-based overhead costs for international NGOs, adopted in April 2011, excludes national NGOs, except in very limited circumstances, and that there is no equivalent policy for national NGOs.

[3. NEWS: Demonstrators Rally to Urge African Leaders to Spend More on Health](#)

The Global Fund’s decision to cancel Round 11 was a hot topic at the International Conference on AIDS and Sexually Transmitted Infections in Africa (ICASA) held in Addis Ababa, Ethiopia on 4–8 December 2011. Demonstrators called for more spending on health from African governments.

[4. COMMENTARY: The Transformation of the Global Fund – Concerns and Opportunities](#)

“This is a significant and even bewildering time for the Global Fund,” says Dr David McCoy. “It is undergoing not just a financial and fiduciary crisis, but also a process of transformation. And multiple agendas are in play.... While it is too early to predict the final impact of all the changes, given their unclear (and, at times, contradictory) nature, there is still opportunity to shape the eventual outcomes of the transformation.”

[5. ANNOUNCEMENT: Aidspace Releases Revised Version of Its Guide to TFM Applications](#)

The new version incorporates some minor changes to the text.

+++++

1. NEWS: Global Fund Executive Director Michel Kazatchkine To Resign

Board Had Concerns Regarding Managerial Leadership

Gabriel Jaramillo, Brazilian Banker, to Serve as General Manager

Michel Kazatchkine announced today that he will “step down” as Executive Director of the Global Fund by mid-March. He said that his planned resignation resulted from a decision by the Global Fund Board two months ago to appoint a General Manager who will supervise many Global Fund activities and who will report direct to the Board. *GFO* understands that this decision by the Board to transfer many of Dr Kazatchkine’s responsibilities to someone else arose from the Board’s concern that the Fund’s managerial leadership was not sufficiently effective.

“For the last ten years, the Global Fund has been my passion and my most important undertaking,” Prof. Kazatchkine said in a [statement](#) to staff. Simon Bland, Global Fund Board Chair, [responded](#) by saying, “Few individuals have played a more central role in the creation and evolution of the Global Fund than Michel.”

The Global Fund also [announced](#) today that the General Manager will be [Gabriel Jaramillo](#), a prominent banker from Latin America who was one of the members of the [High Level Panel](#) that extensively evaluated the work of the Global Fund during 2011. Mr Jaramillo spent three days last week meeting senior staff at the Global Fund.

The Global Fund said that Mr Jaramillo will take up a 12-month appointment on 1 February. The Fund did not specify whether Mr Jaramillo will serve as Acting Executive Director once Dr Kazatchkine leaves, but it implied that he will when it said, in a Q&A document sent to Board delegation members, that Mr Jaramillo will “take over all of the management responsibilities of the Global Fund Secretariat.” A spokesman told *GFO* that the Global Fund will launch a search for a new Executive Director “in due time.”

Mr. Jaramillo, a native of Colombia and a citizen of Brazil, is a former Chairman and Chief Executive Officer of Sovereign Bank. Since he retired a year ago, he has served as a Special Advisor to the Office of the Special Envoy for Malaria of the Secretary General of the United Nations. Mr Bland said in a press release that Mr Jaramillo “is an outstanding choice, and exactly what we need at this time: an excellent manager and a proven financial leader who can direct change and improve performance in a large institution during a time of transition.”

Background regarding Board concerns

On 21 November 2011, the first day of the Global Fund’s two-day Accra board meeting, the twenty voting Board members and their alternates met in executive session to review a detailed performance assessment of Dr Kazatchkine. Such an assessment is automatically carried out each year by external professionals under the guidance of the Chair and Vice-Chair; it draws upon responses received to questionnaires that are submitted to dozens of people. According to several Board members, this year’s assessment praised many aspects of Dr Kazatchkine’s work, but it contained strong criticisms of his effectiveness as a manager – criticisms that echoed those made in the assessment that was conducted a year earlier.

On the second day of the Accra meeting, the Board decided, again in executive session, to appoint a General Manager. This decision was announced by the Fund the following day, as reported by *GFO* [here](#). However, at that time, the Global Fund specified only that the General Manager would work “alongside” the Executive Director, adding that the General Manager would “help to take the organization through its transformation phase over the next twelve months.”

Jon Liden, the Global Fund's Communications Director, clarified the situation earlier this month in the course of responding to questions from *GFO*. He said that all of the Fund's senior managers (including the Deputy Executive Director) who then reported to the Executive Director would instead report to the General Manager, and that the General Manager would report to the Board, not to the Executive Director. Mr Liden added that the person to serve as General Manager would be chosen by the Chair (Simon Bland, a U.K. government official) and Vice-Chair (Mphu Ramatlapeng, Minister of Health of Lesotho), in full consultation with the Board. Finally, he stated that the responsibilities of the Executive Director once the General Manager was in place were "to be determined."

It was against this context that Dr Kazatchkine announced today that he will resign by mid-March.

Speculation in French magazine

Earlier this month, there was speculation in the popular French magazine *Marianne* that certain procurements by the Global Fund were mishandled, and that this was of concern to the Board. The Chair has informed *GFO* that these allegations were not true and were not a factor in the Board's decision to appoint a General Manager. The procurements related to services to support the *Born HIV Free* campaign in 2010, in which Carla Bruni-Sarkozy, the Global Fund's unpaid Ambassador for Protecting Women and Children Against AIDS, and wife of the President of France, featured prominently. The Global Fund responded with a detailed accounting of the procurements in question, and stated emphatically that all Global Fund procurement procedures had been handled correctly and that this had been confirmed through an external audit specially commissioned by the Chair. (The Global Fund's statements in response to the *Marianne* article are available [here](#) and [here](#).)

Dr Kazatchkine

Dr Kazatchkine, 65, has been Executive Director of the Global Fund since April 2007. Prior to then he served the Global Fund as the first Chair of the Technical Review Panel, then as Board member representing France, then as Vice-Chair of the Board. He is an immunologist who has been working in the field of AIDS since 1983. In 1988 he became the director of the French National Research Agency on AIDS (ANRS), the world's second largest AIDS research program, and he has also served as France's Ambassador on HIV/AIDS and Transmissible Diseases.

Further background information regarding Dr Kazatchkine is available in his [bio](#), his Huffington Post [blog entries](#), a 2007 [interview](#) with *GFO*, a 2007 Boston Globe [profile](#), his [report](#) to the 2011 Accra board meeting, and various [interviews and speeches](#).

+++++

2. NEWS: National NGOs Serving as PRs Excluded from the Global Fund's Policy on Percentage-Based Overhead Costs

Policy covers primarily international NGO PRs

Some concerns that the policy is being applied inconsistently

Concerns have been expressed that the Global Fund's new policy on percentage-based overhead costs for international NGOs excludes national NGOs, except in very limited circumstances, and that there is no equivalent policy for national NGOs.

On 18 April 2011, the Global Fund adopted a new policy on percentage-based Headquarters overhead charges for international NGOs (INGOs) serving as principal recipients (PRs) and sub-recipients (SRs). The policy applies to INGO PRs and SRs that have certain services provided by their "Headquarters" (including regional offices) located in another country. The INGO PRs and SRs have to be able to demonstrate strong Headquarters involvement in their operations.

According to the policy, for services provided by Headquarters, an INGO PR can charge a maximum of 3% of the costs of procuring health products; up to 7% of other costs incurred by the PR directly; and up to 5% of the funds managed by SRs. These maximums are reduced in certain instances. For example, if a procurement agent is used, an INGO PR can only charge 1% of the costs of procuring health products (not 3%).

INGOs serving as SRs are entitled to charge a maximum of 3% of the costs of procuring health products; and can charge up to 5% of other costs incurred by the SR directly.

The policy states that the services provided by Headquarters for which a percentage-based overhead fee can be charged include financial accounting, treasury management and reporting support; management support and oversight; human resources administration support; legal support; IT support; internal audit; routine technical assistance and capacity building of in-country staff and structures; and procurement services.

The policy states that it specifically excludes national NGOs and U.N. agencies serving as PRs and SRs. Despite this, the policy includes a section on national NGOs. It says that national entities may not charge percentage-based overhead fees, but should be able to "directly charge" any support provided by Headquarters "using a reasonable basis of apportionment." Further, the policy states that in exceptional cases, where a national entity is managing multiple programmes and apportionment is not practical due to the low value of the Global Fund grant compared to other funding sources, a percentage-based charge may be applied.

Many national NGOs are upset about the fact that they are not permitted to charge percentage-based overhead costs in most situations. A spokesperson for one national NGO PR told *GFO* that in order to include any Headquarters cost as a direct cost in the programme budgets, detailed and tedious justifications are required. "One may say this brings about accountability," the spokesperson said, "but this does not assist the national NGO to grow beyond what it is today. Costs that go directly towards strengthening the governance structure of the organisation or increasing office space would be questioned by those [in the local fund agent and in the Secretariat] carrying out the review."

The Civil Society Principal Recipients Network (CSPRN), a network of 46 international and national PRs, expressed concern about the exclusion of national NGOs from the overhead policy. "As with INGOs," the CSPRN said, "national NGOs incur costs that are not directly related to Global Fund implementation but that have an overall impact on organizational effectiveness." The CSPRN formally recommended to the Global Fund that it develop an indirect cost recovery policy for national NGO implementers. The CSPRN said that such a policy would reduce conflict and delays during grant negotiations and would reinforce the Global Fund's objective of country ownership.

The CSPRN has set up a task force to advocate for a new policy on overhead costs for national NGOs or, alternatively, for the extension of the INGO policy to cover national NGOs.

The CSPRN also said that the new policy implemented in April 2011 has sometimes been misunderstood, misinterpreted and inconsistently applied by various stakeholders involved in grant negotiation processes. The CSPRN cited as examples the fact that there have been contradictory messages from local fund agents and fund portfolio managers concerning how

the policy should be interpreted, and the fact that there have been instances of treating direct implementation costs as Headquarters support costs.

One member of the CSPRN told GFO that the Global Fund is attempting to apply the policy to grants signed before the policy came into effect. The member said that this is a violation of the signed agreements for these grants.

The Fund's policy on overhead costs for INGOs is contained in an operational policy note in Section 6.1.5 of "The Global Fund's Operational Policy Manual," available [here](#). Some of the information for this article came from a paper describing the recommendations and meeting outcomes from a CSPRN meeting held in October 2011, on file with the author.

+++++

3. NEWS: Demonstrators Rally to Urge African Leaders to Spend More on Health

Concerns expressed that cancellation of the Global Fund's Round 11 will have devastating consequences

Editor's note: This is the first article written by the Key Correspondents (KC) Team to appear in GFO. We hope to publish additional KC articles in future. See the note at the end of this article for more information on the KC Team.

Medicins Sans Frontieres (MSF) Health Policy Analyst Dr Mit Phillips described the cancelation of the Global Fund's Round 11 as a "catastrophe," as protesters demonstrated to call on African leaders to commit more internal resources to the HIV response. Dr Phillips said the cancelation will have devastating consequences on millions of people who are yet to access ARV drugs.

"The Global Fund is the main instrument. Don't take it away; more people need treatment. It is not right for the Global Fund to pull out. Africa has invested so much energy and time and more people need treatment," Dr Phillips said during a media briefing organised by the Global Fund at the International Conference on AIDS and Sexually Transmitted Infections in Africa (ICASA) in Addis Ababa, held on 4–8 December 2011.

Prior to the media briefing, AIDS activists from 40 African civil society organisations marched around the conference centre, chanting and displaying messages, reading "Where is the money for HIV and AIDS?"

The demonstrators were campaigning to get African leaders to commit resources to health. On the march was James Kamau a representative from the Southern African Treatment Access Movement (SATAMO), a network of AIDS advocacy organisations. Mr Kamau described the move taken by the Global Fund as "a reverse gear," and said countries in Africa should learn from Kenya, which has come up with a sustainable health financing programme with support from UNAIDS, the National AIDS Control Council and civil society organisations. The Kenyan government has introduced a tax levy on mobile phones, Mr Kamau said; subscribers pay 10 cents per phone call and the money generated from the tax levy is allocated to health.

At the press conference, Dr Phillips said that by 2013 an estimated 86,000 people in Zimbabwe will not be receiving antiretrovirals (ARVs) if the Global Fund doesn't reverse its decision to cancel Round 11. In Malawi, people living with HIV who were on the ARV drug tenofovir will be switched to stavudine, which has severe side effects. In Mozambique, 15% of people in need of ARVs don't have access to them and those who are sick are told to wait

until their CD4 count drops to 250 to receive treatment. Dr Phillips said that due to the cancellation of Round 11, Mozambique will not have resources for the prevention of mother-to-child transmission of HIV (PMTCT) programmes.

Dr Phillips said Africa has made some progress in putting people on life saving drugs, hence the need to sustain existing programmes and to scale-up in order to reach out to people that need treatment.

Also at the media conference was Lynette Mabote, from AIDS and Rights Alliance for Southern Africa (ARASA), who lashed out at African leaders for not keeping the promise of allocating 15% of their national budgets to health. She said that Africa was at a “critical moment” and that there was an emergent need for “an innovative financing mechanism to be put in place to finance the health sector.”

Ms Mabote urged governments to be accountable to its people, citing the case of Zambia where social audit and expenditure budget tracking is being implemented to make leaders accountable and promote transparency in the health sector. She also bemoaned the lavish life that most African leaders live when others are without basic health services. Ms Mabote added: “The Global Fund was meant to fill up the gaps in health sector. We cannot entrust our health to the donors. Africa should start funding the health sector.”

Nearly 50 organisations are part of a broad coalition of HIV/AIDS organizations working under the banner of the “Where Is the Money Campaign” to push African governments to do more and give more in the fight against HIV/AIDS and in promoting health and life.

Many organisations working in Africa are advocating for local health and HIV funding. They include the African Council of AIDS Service Organizations (AfriCASO), ARASA, the Global Network of People Living with HIV (GNP+), the International HIV/AIDS Alliance, the International Treatment Preparedness Coalition (ITPC), the Networking HIV/AIDS Community of South Africa (NACOSA), the Eastern Africa National Networks of AIDS Service Organizations (EANNASO) and the World AIDS Campaign. Along with many other NGOs and stakeholders working in the HIV/AIDS and health fields, the Where is the Money Campaign coalition is pushing for African governments to own, scale up and sustain funding for HIV and health in Africa.

This article was written by Dennis Chibuye, a member of the KC Team. KCs are “citizen journalists” whose network is supported by the International HIV/AIDS Alliance. By posting dispatches and engaging in debate on www.keycorrespondents.org – read by activists, health professionals, academics, policy makers and journalists – KCs are able to communicate the reality of health and development to key influencers as a way to advocate for political and social change. For more information, contact kcteam@aimsalliance.org.

+++++

4. COMMENTARY: The Transformation of the Global Fund – Concerns and Opportunities

by David McCoy

It has been a year of turmoil for the Global Fund. Round 11 has been officially cancelled, preceded by months of negative publicity about corruption and fraud. But the turmoil is set to continue as the Fund undergoes a process of organisational transformation. A Consolidated Transformation Plan (CTP) consisting of six “transformation areas,” 31 projects and 162 deliverables is being implemented. A new Strategy for 2012–16 (“the Strategy”) has also

been produced, setting the direction for the Fund's future evolution. With so much happening, it can be hard to "see the forest for the trees."

This commentary identifies seven elements of the Global Fund's future transformation and then discusses what they might mean for the Fund's mission.

SEVEN ELEMENTS OF TRANSFORMATION

Contraction and tighter rationing

If the first decade was the Global Fund's era of expansion (in terms of the number of countries supported by grants and annual levels of expenditure), the next decade looks likely to be an era of contraction. As aid budgets stagnate or shrink, and as donor commitment to the Global Fund weakens, and given the reality of scarce resources and unmet need, the Global Fund has little choice but to consider tighter eligibility criteria and a more explicit system of rationing. The original demand-driven model of funding will thus be transformed into one that is more supply-driven. Funding will become less about countries "pulling in" Global Fund grants, and more about the Global Fund "pushing out" money according to stricter eligibility criteria.

A more hands-on approach

The Global Fund is adopting a more hands-on approach to all aspects of the grant cycle, from the initial applications for funding through grant management and programme implementation, and including grant renewals. This is designed to allow grant-making and grant-management to be better tailored to the specific context and needs of a given country. The CTP and Strategy also suggest a more operational role for the Fund in the procurement and supply management of pharmaceutical and other health commodities. In order to support this change, the status, capacity and authority of fund portfolio managers will be increased, as will the number of countries that will be managed under the country team approach. In addition, the time spent by Global Fund staff within recipient countries is expected to rise, and efforts will be made to strengthen the capacity and effectiveness of local fund agents. These changes mark a significant departure from the original vision of the Global Fund as a quick and nimble, global-level financing agency with a minimal in-country presence.

Shorter cycles of funding

The Fund will be moving towards shorter cycles of funding. For example, in future, new grants will cover a three-year period rather than a five-year period; and applications to the Transitional Funding Mechanism are limited to a maximum of two years. Grant performance will also be subject to more rigorous (and possibly more frequent) assessments and performance management prior to semi-annual disbursements. These changes mostly run contrary to the principles of aid effectiveness and may aggravate the difficulties associated with unpredictable and uncertain aid flows.

More emphasis on results and performance based funding

A striking feature of both the CTP and the Strategy is the even greater emphasis on results and performance measurement than before. This appears to be part of a general trend of donors and international agencies seeking to calculate their impact, especially in terms of the ultimate outcome measure: lives saved. As a result, the CTP and the Strategy include a number of plans to improve the health and management information systems of recipient countries and to improve the methodologies for measuring and attributing "results" to funders and programmes.

More risk averse

One of the transformation areas of the CTP is entirely focused on the Global Fund's approach to risk management. A risk management framework and strategy will be established at both the corporate and operational level. They include hiring a new and senior Chief Risk Officer; strengthening the role and management of external auditors; and ranking countries according to some type of risk score. This also marks a significant departure from the way the Global Fund was originally conceptualised. Whilst previously, the Global Fund was positively encouraged to "sail the boat whilst it was being built," the message now is to only sail fully constructed boats which have been tested and declared fit by an independent boat safety agency!

Changing the balance of power

Part of the Global Fund's transformation is concerned with changes to the Fund's governance and management. This includes the restructuring of the Board's committees; a clearer delineation of the roles and responsibilities of the Board and the Secretariat; and the appointment of a General Manager who, apparently, will be accountable to the Board. At the same time, the Executive Management Team (EMT) has been subjected to much criticism, causing harm to its reputation and authority. Meanwhile, the Office of the Inspector General (OIG), which has been at loggerheads with the Secretariat, has escaped being subjected to "transformation" and has, in fact, emerged with a bigger budget. All this adds up to a change in the balance of power across the Board, the OIG and the EMT. It is harder to discern whether there have been changes in the relative power and influence across the different Board members.

More fundraising and appealing to donors

When first established, the Global Fund was described as a "war chest" to help fight the scourge of disease (especially HIV/AIDS). Donors were quick to back the Fund; and, in turn, the Global Fund adopted an ambitious programme of expansion. The Fund was cast as a new type of global agency – quick, reactive, pragmatic and free of red tape. If the need was there, the money would be found. The Global Fund is now experiencing life under a more austere financial climate. As a consequence, there will be a bigger onus placed on the Global Fund to persuade donors of its value – possibly increasingly so as the Fund competes with other recipients of government aid. Additionally, the Fund will be expected to increase the level of support from the private sector and from the general public (e.g., through individual donations or through mechanisms such as voluntary levies applied to purchases).

CONCLUSION

How these different elements of transformation will impact on the Global Fund is unclear. It depends on how each element is implemented and how the elements interact with each other. But it's worth thinking about what might or might not happen.

The shift towards a more country-specific and iterative approach to grant management is potentially a good thing because it enables programmes financed by the Global Fund to align better with national disease strategies, national planning cycles and broader health systems strengthening (HSS) efforts. It could also help ensure better harmonisation with programmes funded by other development partners and sources of external funding for health. The Global Fund has been working towards simplification of its grant-making system through single-stream funding and consolidated proposals; there is an opportunity for the transformation to add further impetus to these efforts.

5. ANNOUNCEMENT: Aidspan Releases Revised Version of Its Guide to TFM Applications

“The Aidspan Guide to Applications under the Global Fund’s Transitional Funding Mechanism” has been revised to incorporate two minor changes to the text. The new version is dated 19 January 2012. The original version was issued on 10 January 2012. The guide is available at www.aidspan.org/guides. The changes are explained on the cover page of the new version.

Both English- and Spanish-language versions of the revised guide are currently available. French- and Russian-language versions will be posted shortly.

++++
END OF NEWSLETTER
++++

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

We welcome suggestions for topics we could cover in *GFO*. If you have a suggestion, please send it to the Editor of *GFO* (see contact information below).

Author: With respect to the news articles and announcements, Article 1 was written by Bernard Rivers, *GFO* Editor; Articles 2 and 5 were written by David Garmaise (david.garmaise@aidspan.org), Aidspan's Senior Analyst; and Article 3 was written by Dennis Chibuye of the KC Team.

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.

GFO is a free service of Aidspan (www.aidspan.org), a Kenya-based NGO that serves as an independent watchdog of the Global Fund, and that provides services that can benefit all countries wishing to obtain and make effective use of Global Fund financing. Aidspan finances its work primarily through grants from foundations.

Aidspan does not accept Global Fund money, perform paid consulting work, or charge for any of its products. The Board and staff of the Fund have no influence on, and bear no responsibility for, the content of *GFO* or of any other Aidspan publication.

GFO is currently provided in English only. It is hoped to provide it later in additional languages.

GFO Editor and Aidspan Executive Director: Bernard Rivers (bernard.rivers@aidspan.org, +254-20-418-0149)

Reproduction of articles in the Newsletter is permitted if the following is stated: "Reproduced from the *Global Fund Observer* Newsletter (www.aidspan.org/gfo), a service of Aidspan."

Are you a newcomer to Global Fund issues? See Aidspan's "A Beginner's Guide to the Global Fund – 2nd Edition" at www.aidspan.org/guides.

To stop receiving *GFO*, send an email to stop-gfo-newsletter@aidspan.org. Subject line and text can be left blank.

To receive *GFO* (if you haven't already subscribed), send an email to receive-gfo-newsletter@aidspan.org. Subject line and text can be left blank. (You will receive one to two issues per month.)

For *GFO* background information and previous issues, see www.aidspan.org/gfo.

For information on all approved proposals submitted to the Global Fund, see www.aidspan.org/grants.

People interested in writing articles for *GFO* are invited to email the editor, above.

Copyright (c) 2012 Aidspace. All rights reserved.