Independent observer of the Global Fund

Global Fund Observer

NEWSLETTER

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1. NEWS: Global Fund Calls On Donors to "Seize the Moment"

Pre-replenishment meeting concludes in Brussels

Private sector urged to contribute significantly more

"If we don't seize this moment, we will be dealing with these diseases for generations," Global Fund Executive Director Mark Dybul told his audience at the Preparatory Meeting of the Global Fund Fourth Replenishment.

The meeting, hosted by the European Commission, and held in Brussels, Belgium on 9–10 April 2013, was intended primarily to provide information and context to help donors prepare their funding decisions, and to make the case for a $15 billion target for the replenishment. The Global Fund had announced the target the day before the meeting.

The replenishment conference itself will be held later this year.

On 8 April, the day before the meeting, the Global Fund announced the $15 billion target for the Fourth Replenishment, which covers the period 2014–2016 (see GFO article).

The first day of the meeting consisted of presentations on new advances in science and programme implementation. On the second day, the Global Fund provided donors with a detailed explanation of its 2014–2016 funding needs.

"The meeting in Brussels was highly successful," Seth Faison, Director of Communications for the Global Fund, told GFO. "There was a palpable sense of optimism in the room. The mood was distinctly upbeat. Many delegates expressed enthusiasm for the progress we are seeing in the fight against the three diseases."

Timothy Hallett, a senior member of the faculty at the Imperial College in London, gave a presentation showing how focused work on specific geographic areas and populations – also known as "hot spots" – in countries with significant HIV epidemics has yielded dramatic reductions in infection and deaths. Robert Newman, Director of the Global Malaria Programme at the World Health Organization, outlined the sharp gains and steep challenges in fighting malaria. He likened the situation to a "coiled spring," meaning that if the response is allowed to stagnate, malaria prevalence will bounce back up to where it was a few years ago. Lucica Ditiu, Executive Secretary of the Stop TB Partnership, provided a similar overview for TB, emphasising some very threatening scenarios related to the multi-drug resistant form of the disease.

The discussion in the Q&A that followed emphasised the need to continue to strengthen health systems to support the work being done on the three epidemics. One person referred to this as "joining the dots." Several people, particularly ones from implementing countries, argued for the need to continue to move away from vertical programming and into more in-depth work on health systems strengthening.

“Together, the presentations and ensuing discussion made a compelling case for what can be achieved,” the Global Fund said in an article in its News Flash.

Pledges and calls for support

Although donors were not expected to make pledges at this meeting, Andris Piebalgs, Development Commissioner for the European Union (EU) reiterated a pledge he had made earlier to do his “best” to maintain the current level of support for the Global Fund – which is about €100 million a year.

“Naturally we would all like to see an increase in the EU’s development budget. But even if we have to live with a lower budget than expected, we are aware of the huge benefits the Global Fund brings and I can assure you … that it will remain an important instrument for the EU in the fight against HIV/AIDS, tuberculosis and malaria in poor countries,” Mr Piebalgs said in a speech.

The Government of Saudi Arabia also spoke up in support of the Global Fund, with its representative saying that it was proud of the Fund and would continue to pledge to it. However, the representative did not say how much Saudi Arabia would give.

When Mr Piebalgs spoke, he highlighted the need to expand the Global Fund’s current donor base by getting the private sector and emerging donors to boost their contributions.

Brian Brink, Chief Medical Officer with Anglo-American PLC, who represents the private sector on the Global Fund Board, called on the governments represented at the meeting to set up meetings in their countries with the top private sector CEOs and to make the business case, not just the social case, for investing in the Global Fund. Dr Brink said that the private sector (i.e. corporations and other businesses) should be contributing 10% of the $15 billion target. Currently, the private sector accounts for less than 1% of total contributions to the Global Fund.

Speaking to a reporter from Devex, an information hub for development news, the Global Fund’s Seth Faison said that other donors, such as the US, France, the UK, Germany and Japan, have “signalled their strong enthusiasm for the Global Fund’s new strategy of investing for impact.”

As reported in *The Guardian* newspaper, Mark Dybul told a new conference on the day preceding the preparatory meeting that double-digit declines in mortality from the three disease could be jeopardised if donors fail to top up the Global Fund. But he acknowledged that threatened cuts to international development budgets make his sales pitch harder. “We understand that these are difficult times. Unfortunately, infectious diseases don't pay much attention to budget cycles.”

The newspaper said that the Global Fund already estimates that money from its biggest contributors – which include the European Commission, EU member states, the US and Japan – will decline slightly from 2012 to 2013 (the last year of the current replenishment period). The organisation’s data show that contributions from foundations and companies are also shifting downwards, the newspaper said.

Civil society organisations and the Global Fund Advocates Network (GFAN) organised several events during the week of the preparatory meeting, including a high-level panel discussion and an activists' rally, both on 8 April.

The panel discussion, organised with the help of two European Parliament Working Groups and Friends of the Global Fund, was held in the European Parliament. It brought together six people to discuss the Global Fund strategy, its needs assessment and its new funding model: Dr Dybul; Charles Goerens, Member of European Parliament; Viktor Makwenge Kaput, Board Chair of Roll Back Malaria; Klaus Rudischhauser, Deputy Director General, DG DEVCO, European Commission; Lucy Chesire, Board Member, Communities Delegation to the Global Fund; and Oxana Rucsineanu, Here I Am Campaign Ambassador for Eastern Europe. A full report on the panel discussion is available on the website of the TB Europe Coalition here.

[This article was first posted on GFO Live on 23 April 2013.]

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2. NEWS: President Obama Asks Congress for $1.65 Billion for the Global Fund for Fiscal 2014

President Barack Obama has asked the US Congress to allocate $1.65 billion for the Global Fund in the budget for fiscal year 2014. If approved, this would appear to constitute the first tranche of the US pledge to the Global Fund for the 2014–2016 replenishment period. (In the US, the 2014 fiscal year runs from 1 October 2013 to 30 September 2014.)

If Congress were to approve $1.65 billion for the Global Fund in fiscal 2014, and if it were to approve similar amounts in fiscal 2015 and fiscal 2016, the US could contribute almost $5 billion to the Global Fund for 2014–2016. However, according to US law, the US cannot donate more that one-third of total contributions to the Global Fund. That would mean that for a US contribution of $5 billion to become a reality, other donors would have contribute $10 billion.

In any event, there is no certainty that the president will ask for $1.65 billion for fiscal 2015 and $1.65 billion for fiscal 2016, or that Congress will approve any such request.

For the 2011–2013 replenishment, the US pledged $4 billion. On 21 March 2013, the Congress approved $1.65 billion for the Global Fund (see GFO article). This appears to be the last tranche in the US contribution for 2011–2013. The fact that this figure, $1.65 billion, and the amount requested for fiscal 2014 by President Obama, are identical is a coincidence.

President Obama's announcement regarding the $1.65 billion for fiscal 2014 was well received. Global Fund Executive Director Mark Dybul said in a news release that the US is showing leadership. "Even in a challenging budget climate, the United States is making a priority of global health."

In a blog on the Huffington Post website on 10 April, Kolleen Bouchane, Director of Action, said: “It's an extraordinary decision that will echo around the world over the next six months as one by one other countries will announce their own contributions to the Global Fund and decide which side of history and this global fight they are on.”

In an article on heraldonline.com on 10 April, Deborah Derrick, President of Friends of the Global Fight said: “Today's request paves the way for a record-breaking three-year, $5 billion U.S. pledge to the Global Fund. I hope to see this remarkable opportunity realized at the Replenishment, and I eagerly anticipate the generosity of other international donors."

[This article was first posted on GFO Live on 12 April 2013.]

TOP

3. COMMENTARY: The Elephant and the Mouse

by Bernard Rivers

I was recently invited by a university in the UK to serve as a visiting fellow for most of this year while conducting research on the Global Fund. I have to raise my own funding for this project, so the only advantage of the fellowship is that it provides a label to hang round my neck. But that’s exactly what I wanted, so I accepted with thanks.

Subsequently, however, the university asked me to sign a “standard” legal agreement specifying that all results from my work over the next three years will be owned by the university, and that I need the university’s permission before I submit for publication anything arising from the project.

When I protested, it was explained that this is the agreement that the university always uses in such situations, and that the wording cannot be modified. The university attempted to reassure me by adding that the wording “is subject to interpretation” – which, as I understand it, meant that the university would not enforce the more unreasonable terms.

The agreement made me feel as though the university is an elephant and I am a mouse, with the elephant giving itself the right to stomp on the mouse – and then saying, “But don’t worry, we won’t actually do that.”

I relate this anecdote because I think that the Global Fund has often treated its principal recipients (PRs) very similarly. The Global Fund is the elephant; the PR is the mouse.

For each PR, this elephant–mouse imbalance starts as soon as the PR’s first grant agreement is “negotiated.” This has never been a negotiation between equals; it has essentially been a case of the Secretariat saying “sign it or don’t become a PR.”

The standard Global Fund grant agreement has been in place for ten years. The most elephant-like clause is Article 27, which says

> "The Global Fund may require the Principal Recipient to immediately refund to the Global Fund any disbursement of the Grant funds [if] there has been a breach by the Principal Recipient of any provision of this Agreement."

This means that the PR can be required to reimburse any or all of the grant funds it has received if it is in breach in any way of any provision of the agreement. This clause is fine if the PR is proven to have engaged in fraud. But the clause, as written, can also be applied in the case of much lesser offences.

I can hear the Fund protesting, "But don't worry, we won't actually do that."

But, at the urging of the Office of the Inspector General (OIG), the Fund has done exactly that, many times. Arising from its audits and investigations over the years, the OIG has used Article 27 as its basis for recommending to the Secretariat that 33 PRs be required to reimburse to the Global Fund a total of $92 million. Of this, $38 million had to be reimbursed because the PRs had incurred expenditures for which supporting documentation was either missing or inadequate, even though the actual expenditures may have been perfectly appropriate. (See the table available here.) Sometimes, the documentation was deemed "inadequate" simply because it consisted of photocopies rather than originals.

Until 2012, the Secretariat consistently, and without public complaint, accepted the OIG's recommendation that the Fund seek such reimbursements from the PRs.

When documentation confirming the expenditure was missing or imperfect, the key question that the OIG should have asked was, "Was the activity actually carried out? Were benefits derived?" It seems to me that when the answer was Yes, the PRs should have been reprimanded for the missing or poor documentation, but they should not have been required to reimburse the funds, as they were – at least until 2012. (Of course, any reimbursed money was then used by the Global Fund for other grants; but that was not much consolation to the countries that had to make the reimbursements.)

In its most recent reports, the OIG has not said how much money should be reimbursed; instead, it has proposed that the Secretariat look into the matter and make its own decision. But this does not change the determinations made by the OIG in the 33 earlier cases.

It would help if there were a process whereby PRs facing what they felt to be unreasonable demands by the OIG for reimbursement could ask an independent mediator to review the case and propose a reasonable solution. The Global Fund Board decided in November 2011 that the Fund should establish a Voluntary Dispute Resolution Process to resolve OIG-related disputes. But nearly 18 months later, the process is still not in place. (There is a separate arbitration process that can be used. But it is hugely expensive for the PR, because the grant agreement says that the arbitration process must take place in Switzerland.)

Two events late last year suggested that the Fund may be moving towards less elephant-like behaviour. First, three years after the OIG determined that a PR in the Philippines should reimburse $1.8 million to the Fund and that the PR's grant agreements should be terminated, the Global Fund reversed this determination and welcomed the PR back into the fold. No reason was given publicly, but Global Fund sources say that the Fund had concluded that it could not prove that the money being claimed had indeed been spent on unauthorised activities as the OIG had said. And second, the Fund fired the head of the OIG for performance that was "unsatisfactory."

Where does this leave the countries that have not yet refunded the money demanded by the OIG? And, for that matter, where does it leave the countries that have refunded the money but might now wish they had not?

In July 2012, the Secretariat set up a Recoveries Committee to look into the 33 cases where the OIG has determined that PRs must reimburse specific amounts of money to the Global Fund. At first, this committee played a rather passive role, working on the assumption that each of the OIG's determinations was valid unless the PR in question approached it with information that led the committee to conclude otherwise. But Seth Faison, the Fund's Communications Director, said on 6 March 2013 that Mark Dybul, the new Executive Director, recently directed the Recoveries Committee to work "in a more accelerated way." Mr Faison added that the Committee is now "engaging with each" of the 33 PRs, seeking "to come to solutions that properly reflect both sides of the story"; that the Voluntary Dispute Resolution Process will be put in place; and that the OIG welcomes this new approach.

Mr Faison also said that with the launch on 28 February 2013 of the new funding model, there is now "a cooperative approach and dialogue" in the relationship between the Global Fund and PRs.

Let's hope so. But the Global Fund is still going to have a very hard time retroactively imposing consistent and fair standards as to which of the 33 PRs should make reimbursements – when the OIG's own standards were, until 2012, rarely consistent and sometimes unfair.

Furthermore, the Global Fund still needs to revise its hundreds of grant agreements with PRs so that they are less imbalanced. Unless this is done, there is a danger that the Fund will still sometimes behave like an elephant, and the mice will continue to live in fear.

Bernard Rivers (email) founded Aidspan in 2002 and ran it until September 2012. He now serves as a Senior Fellow at Aidspan and as a Visiting Fellow at Cambridge University.

[This article was first posted on GFO Live on 18 April 2013.]

TOP

4. NEWS: Secretariat Responds to Concerns About the Indirect Cost Recovery Policy for International NGO PRs

Since the Global Fund's Indirect Cost Recovery (ICR) policy was adopted on 18 April 2011, a number of concerns have been raised about the interpretation and application of the policy. This article describes the concerns and provides responses from the Global Fund Secretariat.

The ICR policy applies to international non-governmental (INGO) principal recipients (PRs) and sub-recipients (SRs) that have certain services provided by their "headquarters" located in a country other than the country where the PR is operating. This can include regional offices of the INGO. 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 usually charge an overhead fee of up to 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. The policy also sets out what percentage fees INGO SRs can charge.

The ICR 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 ICR policy generally excludes national NGOs and UN agencies serving as PRs and SRs – except for one section that states that in exceptional cases, where a national NGO PR is managing multiple programmes and where calculating individual overhead costs 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 of the concerns about the ICR policy were expressed by the Civil Society Principal Recipients Network (CSPRN) – see GFO articles here and here. GFO asked the Global Fund Secretariat to respond to some of these concerns. Andrew Hurst, Head of Media and Translations, responded on behalf of the Secretariat.

For the balance of article, we have adopted an ISSUE and RESPONSE format.

ISSUE: *PRs say that despite the existence of a policy on ICR, there is a lack of understanding among local fund agents (LFAs) and fund portfolio managers (FPMs) of the concept of ICR and of the application of the policy – regarding, specifically, what expenses are allowed under the ICR policy.*

RESPONSE FROM THE SECRETARIAT: The ICR policy was adopted in order to remove the uncertainties in grant agreement negotiations concerning what costs are allowed to be charged to a grant when some work related to the implementation of the grant is done by the head office of a PR in “another” country.

It is true that there are some inconsistencies in interpretation of the ICR policy. This is something we are working on through our quality control initiatives. The inconsistencies appear to be due to the fact that there is an operational policy note that requires that an annual report be prepared listing the overhead costs charged to a grant – i.e. a report on what constitutes the amounts determined by applying the percentages under the ICR policy. Different actors may have had different interpretations of what this annual report should consist of, with some requesting a detailed breakdown and others just a high level statement.

The Global Fund is naturally cautious about allowing percentage-based unsupported amounts (ICR being the primary example) to be charged to its grants. ICR is seen as a potentially risky area to finance because of the lack of detailed supporting documentation required.

ISSUE: *According to the LFA manual, LFAs are not supposed to require PRs to provide detailed breakdowns of ICR, yet this continues to happen.*

RESPONSE: A detailed line-by-line cost breakdown supporting the ICR is not required. However, the LFA manual states that the PR needs prepare a narrative to explain the percentage amount in terms of the constituent costs.

When this requirement is combined with the operational policy note, which refers to the need for an annual report on ICR charged to a grant (see previous issue), it is reasonable to assume that the PR should provide at least a breakdown of the main cost types that make up the ICR. This enables the LFA or the Secretariat to make a judgement concerning the value obtained from the investment in ICR.

Some PRs, eager to prove that the ICR represents a reasonable recovery of real costs incurred, provide an annual statement of all institutional costs that are deemed covered by the ICR. They calculate the Global Fund proportion of these costs and compare this with the amount actually recovered. We are not aware of cases where the two sums are significantly different.

ISSUE: *Costs that go directly towards strengthening the governance structure of an organisation or increasing office space are questioned by the Fund.*

RESPONSE: Every dollar of a grant needs to be directly linked to the objectives of the grant. However, the Global Fund will fund costs that reasonably and directly mitigate risks associated with a grant. Such investments most often also improve the governance of the PR organisation. However, the Fund does not have sufficient resources to support strengthening governance as a separate activity. Across the whole portfolio, this would take funds away from activities directly linked to the fight against the three diseases.

The cost of office space may be covered if the PR can demonstrate that these costs are incremental to the management of the grant – for instance, additional space required to accommodate a larger project management team. If the costs are not incremental and are covered from other sources, they may not be charged against the grant.

ISSUE: *There have been contradictory messages from LFAs and FPMs concerning how the ICR policy should be interpreted. For example, there have been instances of direct implementation costs incurred by the headquarters of the PR being treated as indirect headquarters support costs covered by the ICR fees.*

RESPONSE: This has happened in some instances. Once a reasonable ICR percentage for INGOs has been agreed, there can be a tendency to be sceptical of additional direct charges. If the PR can demonstrate that they are absolutely essential, these costs may be accepted. This has happened, for example, in some of the very high-risk operating environments where PRs have requested higher-than-normal headquarters support to mitigate risks.

To ensure that there is no duplication or over-recovery of costs which are charged both through the ICR policy and as direct costs, the Global Fund scrutinises closely any additional direct costs requested to be sure that they would not fall under the coverage of the ICR and that they do, in fact, need to be incurred by the PR's headquarters.

ISSUE*: The Global Fund is attempting to apply the ICR policy to grants signed before the policy came into effect.*

RESPONSE: When the ICR policy was adopted, there may have been cases where it was applied immediately to grants whose agreements were signed prior to when the policy was adopted. If this was done, it would have been to correct a clear case of over-recovery on the part of the PR, and it would not have prejudiced the achievement of the objectives of the grant. Nor would it have prevented the PR recovering the real costs of doing business with the Global Fund.

In other cases involving grants that were already operating when the ICR policy was adopted, there has been a phased reduction of ICR rates over time to reach the rates contained in the policy.

Generally speaking, when the Global Fund issues a new policy that is designed to solve an issue that may have been the cause of a disagreement, it seeks to implement it promptly. If the application of a new policy were to result in a material change to the budget or even a reduction of the grant amount, this would require a change to the grant agreement. However, we are not aware of any instances where a grant agreement had to be changed as a result of the introduction of the ICR policy.

ISSUE: *The Global Fund should develop an ICR policy for national NGO implementers.*

RESPONSE: The situation of national NGO PRs is quite different from that of INGO PRs. For national NGO PRs, indirect costs are easily verified. This is the main reason why the two types of PRs are handled differently. The ICR policy is not intended to leave the national NGO PR any better or worse off than the INGO PR in terms of cost recovery.

To counter the criticism that the requirement to provide a breakdown of indirect costs is onerous for national NGOs, which may have fewer resources than their international counterparts, the Global Fund does allow some small amounts to be charged on a percentage basis, where the benefits of providing a detailed cost breakdown do not justify the costs. Furthermore, the Global Fund does allow indirect costs to be charged on a line-by-line estimated apportionment basis which, we believe, is not an unreasonable level of detail to demand.

ISSUE: *The Global Fund should ensure that LFAs and FPMs correctly and consistently apply the ICR policy.*

RESPONSE: In principle, we agree with this. Through our quality control initiatives, we endeavour to improve consistency throughout grant management. That includes the LFA services.

ISSUE: *The Global Fund should indicate in its guidelines that reports of annual audits of the PR are sufficient to provide justification for the ICR charges.*

RESPONSE: This is a sensible suggestion, provided the auditor's terms of reference specifically cover this issue of cost recovery. However, if the issue is not specifically addressed in the terms of reference for the audit, we do not believe that a standard audit scope of work would be sufficient to deal with the issue.

The Fund's ICR policy is contained in an operational policy note in Section 6.1.5 of "The Global Fund's Operational Policy Manual," available here.

[This article was first posted on GFO Live on 17 April 2013.]

TOP

5. COMMENTARY: The Global Fund Should Take Transparency to Another Level

by Robert Bourgoing

When I joined the Global Fund in 2003, my main responsibility, as the Manager of Online Communications, was to help the organisation deliver on its commitment to transparency. One of the conditions set forth by donors was the ability to trace every granted dollar to make aid recipients accountable for how it would be spent. This meant, among other things, developing and maintaining a website that quickly became a central repository of all Global Fund data and information. We were praised for the unprecedented level of openness that this made possible. But over time, I realised that something was (and still is) missing.

If you Google "Global Fund" + AIDS for news stories, the overwhelming majority of results are articles that are reactive (i.e. based on official announcements, press releases and conferences) or that make reference to the Fund only indirectly or anecdotally.

Apart from experts in donor governments and a handful of technical partners, Aidspan and the likes, very few local organisations or people take advantage of Global Fund transparency to trigger open and well-informed discussions on aid effectiveness. How can this be when all the data and documents are “just a mouse click away”? Close to $20 billion were disbursed in a few years. Where did it all go? Who got it? To do what? With what success?

The Fund’s website should be an extraordinary tool to get the facts right on those questions. It should be a gold mine of stories for local journalists, civil society organisations (CSOs), activists and parliamentarians in recipient countries. But, for the most part, they aren’t panning for this gold. What is transparency all about if it doesn’t translate into increased accountability at country level, and if people and communities for whom the Global Fund was created don’t use it to keep pressure on grantees, to voice their concerns and claim their rights?

The flip side of transparency

The reality is that using Global Fund data to make recipients accountable is out of reach to most concerned people because they lack access to the Internet, because they don’t have enough time or the technical skills – and because there are obstacles to freedom of information and speech**.**

Global Fund transparency, as it is practised today, is more of a barrier to journalists and in-country activists than anything else: intimidating piles of reports filled with obscure language, countless files and downloadable materials that reassure technocrats in donor capitals but that don’t say much about the reality of what happens to the funds when they hit the ground. Understanding, processing and making use of this information requires learning about technical jargon, Global Fund internal processes, and the roles and responsibilities of different local partners. One needs to be familiar with web searching techniques and data processing methods, and to have some basic communication skills to translate often indigestible data into a plain, common language that non-technical audiences can understand.

Last, but not least, trying to make the powerful accountable in countries with no such tradition is a risky game for the few activists and concerned citizens who dare to do so. With the rise of the “Open Government” and “Open Data” movements in Africa and elsewhere, people may fear less for their lives than they used to, but threats and intimidation are still very much a daily reality for local watchdogs.

This leads to a strange paradox. As I heard recently: “*That is almost the flip side of transparency. It’s very easy to use transparency if actually you want to drown people in information. I know it’s a tactic for lawyers: just give too much information to people, and it will be difficult for them to really figure out what is important.*” Certainly, the Global Fund did not create this complexity consciously and voluntarily, but the result is the same: mountains of data and files that have the effect of shielding grantees and the Fund’s bureaucracy from too much scrutiny.

From technical transparency to local oversight and accountability

Today, in the wake of the Global Fund, a growing number of international organizations have committed to making their information on aid spending easier to find, use and compare. More than

120 UN agencies, multilateral banks, bilateral donors and NGOs have already endorsed the IATI (the International Aid Transparency Initiative) and have agreed to convert their data into a common standard. While this is a major step in the right direction, a simple lesson should be drawn from the Global Fund's experience: Opening up databases is not enough for change to occur in the way local accountability happens. Rather, change requires a real commitment to accompany those for whom this data is made available as they make their first steps in the maze of aid transparency.

Here is what I think needs to happen.

Build capacity to use Global Fund data. Local watchdogs need help to stay afloat in the aid data deluge, to learn how to use the tools of transparency to have impact. While their work may not require the same level of technical sophistication as global watchdogs, they need training. They need to be able to understand who does what and where to find the information. They need to acquire watchdogging skills, using real-life case studies and guidance based on local needs. Watchdogs usually don't focus on one single aid provider; no organisation would be justified in developing such a programme in isolation. Therefore, the capacity building should be a shared responsibility, and a combined and coordinated effort, by all concerned parties, such as the IATI signatories and some global or regional players in the field of transparency. The Global Fund has the credibility to take the lead on this. It should sit down with IATI partners to explore how a step-by-step, scalable, replicable and carefully targeted capacity-building programme could be implemented. As a critical side effect, such an initiative could provide some recognition to participating local aid monitors, thus breaking their isolation and protecting them in the exercise of their democratic rights.

Declare war on gobbledygook. Besides data, transparency is first and foremost about communicating in plain language. How much sense does it make for thousands of people, including the Secretariat's own staff, to have to turn to a newsletter like the GFO to understand the rules of the game of a multi-billion dollar transparent organisation? The Global Fund should elevate proper communications with implementers (and others) to a top priority. The Fund should stop relying on technical staff to draft documents that are meant for wide distribution. It should reinforce the capacity of its Communication Department by adding writers who can translate complex policies and procedures into plain language.

Conclusion

If the Global Fund were to support and encourage local watchdogs, this would constitute a valuable early warning system for the Fund – one that complements the work of the local fund agents and the Office of the Inspector General. Building the capacity of local watchdogs to use transparency could greatly reinforce the Fund's own risk management and fraud prevention efforts, at little cost. The Global Fund should also tackle its poor communications with implementing countries by addressing the Secretariat's capacity issues in this field. With the 2015 MDG deadline on the horizon and the development community bracing for what comes next, with pressure on the Fund to improve its oversight mechanisms, and with the need for the Fund to position itself for a possible redefinition of its mandate, these measures could reassure donors about its capacity to be a truly different business model in international development.

The Global Fund should renew its commitment to transparency and take bold steps to promote wide use of its transparency in recipient countries. Information is power. It's time to give power to those for whom the Global Fund was created so that transparency can fully achieve what it is meant for.

Robert Bourgoing (email) joined the Global Fund in its early days, in 2003, and was a senior member of its communications team until last year. He is a trained lawyer and an experienced journalist, and currently works as an independent consultant.

[This article was first posted on GFO Live on 18 April 2013.]

TOP

6. NEWS: Global Fund Approves Phase 2 of Republic of Congo TB Grant Despite Mediocre Phase 1 Performance

Case detection and treatment success rates were low

A number of strategic high-impact activities were not implemented during Phase 1 of a Round 8 TB grant in the Republic of Congo, and a significant portion of the budget was not spent, according to the Global Fund's Grant Renewals Panel. Nevertheless, the Global Fund Board has approved new funding of $234,687 for Phase 2 of the grant. The overall Phase 2 budget recommended by the panel was approximately $2 million. The reason why the Board only approved a small amount of new funding is that some or all of the unspent funds from Phase 1 will be used for Phase 2.

The principal recipient (PR) for this grant is the Ministry of Health and Population. In approving Phase 2 funding, the Board was acting on a recommendation from the Grant Renewals Panel.

The panel said that TB remains a public health concern in the Republic of Congo. Although rates have decreased slightly since 2005, TB incidence, prevalence and mortality were all considerably higher in 2011 than they were in 1990. The panel said that the Republic of Congo is unlikely to reach the Millennium Development Goal for TB (which is that by 2015 the growth in the incidence of TB cases will have been halted and the incidence numbers will have started to decline).

In 2011, the panel said, the TB programme reported 11,142 TB cases (case detection rate: 68%). The panel said that the treatment success rate for smear-positive TB cases in the 2010 cohort, at 77%, was low – and that the success rate for retreatment cases, at 57%, was very low. In addition, in 2010, about 18% of the registered TB cases were not evaluated for treatment outcomes. Multiple-drug-resistant TB (MDR-TB) patients are estimated to represent 3.1% and 10% of all new TB cases and retreatment cases, respectively.

Among the high-impact activities that were not implemented during Phase 1, the panel said, were community TB care, TB detection amongst high-risk groups (including prisoners), and an MDR-TB programme. In addition, the panel said, many interventions that were implemented demonstrated limited progress. The performance of the grant during Phase 1 was rated B2 (“inadequate, but potential demonstrated”); the expenditure rate, at just 29%, was very low. According to the Global Fund website, the budget for Phase 1 was $2.5 million.

Despite data that shows that TB/HIV co-infection is a significant problem in the Republic of Congo (31% of TB patients are co-infected), most of the TB/HIV collaborative activities planned for Phase 1 were not implemented, the panel said. Only 20% of TB patients were tested for HIV, whereas the current international standard requires that all TB patients be tested.

According to the panel, the Republic of Congo does not have an effective MDR-TB programme. There is no drug susceptibility testing laboratory and, in Phase 1, none of the TB patients received drug sensitivity testing or second-line treatment.

The Grant Renewals Panel expressed concern about the low case detection rate and highlighted the need for strengthening the community-based DOTS (directly observed therapy, short course) approach. Concern was also raised over the lack of collaboration between the TB programme and prison authorities regarding the implementation of TB activities in prisons.

Despite the fact that there was limited progress in target achievement in Phase 1, the implementation strategy proposed by the CCM in its request for continued funding was largely unchanged. As a result, the panel said, the Secretariat proposed a number of amendments. These were designed to ensure that the activities reflected better value for money; took into account key issues identified by technical partners regarding the implementation of DOTS; and addressed programmatic gaps and risks linked to the procurement of pharmaceutical and health products.

In the first year of Phase 2, sufficient pharmaceutical and health products will be purchased to provide one year of stock plus a six months buffer. For the balance of Phase 2, the panel said, government resources will be used to cover procurement and distribution costs.

In Phase 2, funds will be increased for MDR-TB treatment; however, the additional money is conditional upon the submission of a detailed work plan and budget.

The National TB Control Strategic Plan for 2013–2018 has not yet been developed. Consequently, the Global Fund Board said that disbursements for the second and third years of Phase 2 are conditional upon the development of a sound national strategic plan and the submission of a revised budget and performance framework for the grant.

The Grant Renewals Panel said that the Global Fund needs to continue efforts to engage national stakeholders and partners to build political leverage in the Republic of Congo and to improve cooperation with the government.

Information for this article was taken from Board Decision B28-EDP-17 and from B28-ER-13, the Report of Secretariat Funding Recommendations for March 2013. These documents are not available on the Global Fund website. The Secretariat recently gave notice of its intent to issue No-Go recommendations for two malaria grants in the Republic of Congo; see GFO article.

[This article was first posted on GFO Live on 11 April 2013.]

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7. NEWS: Revised Charter Clarifies That the OIG's Role Does Not Include Evaluating Programme Impact

No change in the section of the charter on publishing OIG reports but, separately, the Fund is reviewing its disclosure policy

Revised terms of reference for the Inspector General adopted

Changes to the charter of the Office of the Inspector General (OIG) adopted by the Global Fund Board specify that when the OIG conducts country audits, it will not evaluate programme impact.

On 19 March 2013, the Board approved by electronic vote the changes to the charter recommended by its Audit and Ethics Committee (AEC). It also adopted, separately, revised terms of reference for the Inspector General position. Previously, the charter and the terms of reference were contained in one document. The changes to the terms of reference for the Inspector General were not significant.

The issue of whether the OIG should be auditing programme impact was one of several issues discussed by the AEC. The AEC said that it should not be, and it revised the charter to make this clear; changes were made to Sections 2 and 9 of the charter.

In the original charter, Section 2 read as follows:

> "The scope of work of the Office of the Inspector General encompasses all aspects of the Global Fund's activities, including those carried out on its behalf by its program recipients, partners, suppliers and service providers. All systems, processes, operations, functions and activities within the Global Fund and the programs it funds are subject to the Office of the Inspector General's review, evaluation, and oversight. The Office of the Inspector General may also act in an advisory role to further the Global Fund's mission and objectives."

In the revised Charter, the first sentence of Section 2 was removed and additional text was added, in parentheses. The revised Section 2 reads as follows:

> "All systems, processes, operations, functions and activities within the Global Fund and the programs it funds (including those in place or carried out by its program recipients, partners, suppliers and service providers) are subject to the Office of the Inspector General's review, evaluation, and oversight. The Office of the Inspector General may also act in an advisory role to further the Global Fund's mission and objectives."

Section 9 of the charter describes the activities of the OIG. Clause 9.2 remains unchanged. It reads as follows:

> "To review management and control processes of Global Fund financed programs at the country level, including oversight and governance, grant and financial management, procurement and supply chain management and program delivery processes."

However, a new clause (9.4) has been added. It reads as follows:

> "The Office of the Inspector General will coordinate to avoid duplication of assurance or evaluation work provided by other advisory bodies or entities to the Global Fund. <u>The Office of the Inspector General does not conduct evaluations of the impact of Global Fund financed programs</u>." [emphasis added]

Editor's note: *It is not entirely obvious why the Global Fund Board deemed it necessary to amend the OIG charter to state that the OIG will not evaluate programme impact. The most likely explanation is that the Board wanted to ensure that there was no overlap between the OIG and the Technical Evaluation Reference Group, whose mandate includes advising and assisting the Global Fund with respect to evaluating programme impact. Over the years, there has been some debate in the Global Fund universe about whether the OIG should be auditing the programmatic aspects of grants – generally, not just with respect to impact. However, it does not appear that these latest changes to the OIG charter had anything to do with that debate.*

Published reports

The AEC also discussed what the Charter should say about when and how OIG reports are published. The High-Level Panel had recommended that the Global Fund have different versions of OIG reports for different audiences. In addition, the AEC considered whether the Global Fund should discontinue publishing OIG audit reports on its external website, but still ensure full disclosure to the Executive Director and the Board.

The section of the OIG charter on reporting (Section 15), currently reads as follows:

> "Final reports of Office of the Inspector General regarding its external assurance and investigations work will be posted on the Global Fund's public internet site in accordance with the 'Policy for Disclosure of Reports Issued by the Inspector General'. Internal assurance findings will be promptly reported to the Executive Director for internal action."

The AEC noted that the latest OIG audit plan focuses on key Global Fund processes and controls, and that the number of country audits will not be as numerous as in past years. The AEC said that this was likely to mean that a smaller number of audit reports will be published on the Global Fund's external website than before, and that this "may lead to perceptions that the Global Fund was moving back from its principle of full transparency." For this reason, the AEC said, it decided that Section 15 of the OIG Charter should be not be changed.

However, the AEC noted that it will soon be discussing a proposed revised disclosure policy for OIG reports, and that it plans to look at the issue from a variety of perspectives – including ethics, transparency and accountability.

The information for this article was taken from Board Decision B28-EDP-16 and Document B28-ER-12. These documents are not available on the Global Fund website. However, the revised Charter of the Office of the Inspector General and the revised Terms of Reference of the Inspector General are available on the Fund's website here.

[This article was first posted on GFO Live on 29 March 2013.]

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8. NEWS: Government of Azerbaijan Increases Funding for HIV, TB and Malaria As Several Donors Pull Out

Sustainability of the programmes are nevertheless threatened, OIG says

Diagnostic review finds a mix of good practices and weaknesses or risks

The Government of Azerbaijan has stepped up its funding for HIV, TB and malaria as a result of the departure or anticipated departure of several donors. The government has started funding opiate substitution therapy (OST) and has begun procuring antiretroviral drugs (ARVs), sufficient to meet 20% of the national need. The government has also increased its funding for anti-TB medicines, laboratory reagents and medicines for opportunistic infections.

These are some of the findings of a diagnostic review of four Global Fund grants to Azerbaijan conducted by the Office of the Inspector General (OIG).

According to the OIG, the Open Society Institute is no longer funding programmes in Azerbaijan. Other donors expected to leave the country in 2013 include USAID and the World Bank.

The Ministry of Health (MOH) is the principal recipient (PR) for three of the grants covered by the diagnostic review: Round 9 HIV, Round 7 TB and Round 7 malaria. The Ministry of Justice is PR for a Round 9 TB grant that focuses on the penitentiary sector.

The total value of the four grants was $44 million, of which $41 million had been disbursed at the time of the review. Field work for the review was conducted between 26 September and 24 October 2012.

A diagnostic review is different from a country audit in that no overall opinions are provided and no assurance is given regarding how grant funds were spent.

The review revealed a mix of good practices and weaknesses or risks that needed to be addressed.

Good practices

The OIG noted that Azerbaijan has implemented innovative strategies for harm reduction in its HIV programme. Examples include the provision of OST and the use of mobile laboratories for HIV testing for most at risk populations (MARPs).

The OIG said that TB patients were being routinely tested for multiple and extensively drug-resistant TB (M/XDR-TB) and that directly-observed treatment (DOTS) was conducted among M/XDR-TB patients.

The OIG said that Azerbaijan has a comprehensive TB control programme in prisons with a strong DOTS component and active screening, solid infection control and segregation of patients, no waiting list for M/XDR-TB patients, and routine follow up of released TB-affected prisoners through an NGO.

The diagnostic review found that Azerbaijan is moving towards malaria elimination and has a sound malaria policy and strong implementation of its malaria programme. The OIG noted that operational research studies were used to help guide programme implementation.

Weaknesses and risks

Despite additional funding from the Government of Azerbaijan, the OIG said that the departure of donors other than the Global Fund threatens the long-term sustainability of HIV, TB and malaria programmes.

The diagnostic review found a gap in the provision of treatment for multi-drug-resistant TB and M/XDR-TB in the general population.

The OIG identified a significant unmet need for OST among injection drug users. The OIG noted that two OST sites in Baku, the capital city, were serving 140 clients whereas there are an estimated 71,000 injection drug users in Azerbaijan.

The OIG said that, in general, more harm reduction programmes are needed in Azerbaijan, including needle exchange in prisons.

Other weaknesses and risks identified by the OIG included the following:

- Some national disease strategies have not been updated in line with current World Health Organization standards.
- Civil society organisations were not involved in the social support and follow-up of TB patients in the general population.
- Not all co-infected patients received the treatment they required. For example, in the prison TB hospital, only half of co-infected M/XDR-TB patients received ARVs.

Recommendations and actions

The OIG's report advanced 10 recommendations to address the weaknesses and risks identified. The OIG revealed that the relevant stakeholders have agreed to implement a number of actions, including the following:

- develop financial sustainability plans for HIV and TB programmes;
- update the national disease strategies, protocols and guidelines in line with WHO standards; and
- prioritise the implementation of harm reduction interventions such as OST.

In response to some other findings in its report regarding procurement and supply chain management, the OIG said that stakeholders have agreed to harmonise procurement practices in the three grants managed by the MOH, to attempt to secure lower prices for reagents by enhancing competition, and to implement a quality assurance system for pharmaceuticals and health products.

The OIG's report on its diagnostic review of grants to Azerbaijan is available on the Global Fund website here.

[This article was first posted on GFO Live on 29 March 2013.]

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9. ERRATUM: Number of TB Cases in 2012

There were some errors in a GFO article entitled "Significant Declines in TB Incidence, Prevalence and Mortality, but MDR-TB Remains a Threat," first posted on 9 April and included in the GFO 214 Newsletter on 10 April.

The article quoted a Global Fund Update on Results and Impact report as saying that there were 1.1 billion new smear-positive TB cases reported in 2012. The correct number was 1.1 million, not 1.1 billion. And the number refers to all TB cases, not just smear-positive cases.

The Results and Update report did not state how many of the 1.1 million TB cases were smear-positive cases. The breakdown of smear-positive cases provided in the article is accurate, but the text could have been worded more clearly. This is how the text should have read:

> "The report said that of the new smear-positive cases reported in 2012, 83% were from 22 so-called 'high-burden' countries. Since 2002, 70 percent of all cases were from the East Asia and South Asia regions. However, the report noted, the sub-Sahara African region has seen a faster rate of increase in recent years, particularly in Nigeria, the Democratic Republic of Congo, Angola, Cameroon and Mozambique. These five countries accounted for one-third of all new smear-positive cases in sub-Saharan Africa in 2012."

Thanks to a watchful reader for pointing out the errors!

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AVAILABLE ON GFO LIVE:

The following articles have been posted on GFO Live on the Aidspan website. Click on the article heading to view the article. These articles may or may not be reproduced in GFO Newsletter.

ANNOUNCEMENT: Report on Participation of Women, Girls and Other Marginalised Groups on CCMs in Africa

AIDS Accountability International has released a report on the participation levels of women, girls and groups marginalised by sexual orientation and gender identities on Africa's country coordinating mechanisms.

NEWS: Opportunity for Scale-Up in Next Implementation Period of Nepal TB Grant

The Global Fund Board has approved $15.1 million in funding for the next implementation period of a TB grant in Nepal. The next period will provide an opportunity to scale up TB case detection and activities related to multiple-drug-resistant TB.

NEWS: Global Fund Expects Improved Performance for Phase 2 of TB Grant in Haiti

The Global Fund Board has approved Phase 2 funding in the amount of $11.5 million for a Round 9 TB grant in Haiti. Phase 1 performance was hampered by the 2010 earthquake and other factors. Although the Global Fund judged Phase 1 performance "acceptable," it expects to see improvements in Phase 2.

NEWS: Irregularities in Global Fund's Disbursement Request Process Prompted a Review and an Investigation by the OIG

The Office of the Inspector General says that although the Global Fund Secretariat's process for making disbursement requests to the World Bank, as well as its process for recording income from donors, are generally adequate, some improvements are required. The OIG launched a review of the processes after some irregularities were identified.

NEWS: EHRN Plans Wide Consultations and Regular Updates for Its NFM Proposal

One of the early applicants under the new funding model, the European Harm Reduction Network, plans to hold an open and inclusive regional dialogue for the development of its concept note.

NEWS: Funding the Fund: Recent Developments

This article provides brief summaries of recent developments concerning development aid and money for the Global Fund.

NEWS: Diagnostic Review of Grants to Guatemala Identifies Both Good Practices and Risks

As with many other audits and reviews of Global Fund grants, the diagnostic review of grants to Guatemala has revealed both good practices that other countries may want to emulate and risks that should be addressed. The review was conducted by the Office of the Inspector General.

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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).

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For GFO background information and previous issues, see www.aidspan.org/page/gfo-newsletter. For information on all approved proposals submitted to the Global Fund, see www.aidspan.org/page/grants-country. People interested in writing articles for GFO are invited to email the Editor, above.

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