

GLOBAL FUND OBSERVER (GFO) NEWSLETTER, a service of Aidspan.

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1. NEWS: Support Group Launched in USA for Global Fund
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A support group for the Global Fund named "Friends of the Global Fight" has been launched in the USA. It will be led by Jack Valenti, who has served for 38 years as chief executive of the Motion Picture Association of America. Mr. Valenti became famous for his effective and highly-paid lobbying work in Washington DC, often gaining the support, or at least the interest, of members of Congress by inviting them to private viewings of major movies.

Valenti is respected by a wide range of US politicians. "Jack is the ultimate in public relations," Senator Orrin Hatch has been quoted as saying. "There's no doubt he's a Democrat, but he's never let me down as a conservative Republican."

Mr. Valenti will now encourage members of Congress and the Administration to support increased US contributions to the Fund. The Wall Street Journal reports that the Fund's Dr. Feachem is looking for \$1.2 billion from the US in 2005, one third of the Fund's needs. At present, the US has promised only one sixth of that.

Under Mr. Valenti's leadership, Friends of the Global Fight will also seek to make the Fund much better known among members of the public, so they will both make their own donations and support increased governmental contributions. Wealthy donors will also be targeted.

Friends of the Global Fight was launched at a star-studded event in Washington DC last week co-hosted by Senate Majority Leader Bill Frist and Minority Leader Tom Daschle. Attendees viewed a new nine-minute film about the Global Fund narrated by movie star Tom Hanks. (People in the US "may not have heard of HIV, or even malaria or TB," Mr. Valenti told the Wall Street Journal, "but they've heard of Tom Hanks.") The film starts with the words "Imagine 23 fully loaded 747's crashing...every day. That's AIDS."

The film will be distributed to thousands of US schools and churches as part of an effort to get viewers involved through actions and financial contributions.

Mr. Valenti will work for Friends of the Global Fight on a part-time basis, with a compensation package that has not yet been finalized. Under him will be an office of five staff led by Anil Soni, former senior advisor to the Global Fund's Executive Director, Richard Feachem. Valenti is 82 years old, and Soni is 27.

Initial costs for establishing Friends of the Global Fund were provided by its founder, Ed Scott, a technology entrepreneur and philanthropist. The Global Fund will not provide grants or fees to the organization.

One project that has already been supported by Friends of the Global Fight is "Investing in Our Future" (www.investinginourfuture.org), a new web site described as "a project of the Global Fund" that is "the premier, online destination" for people to quickly learn, act and give to the battle against AIDS, TB and malaria.

Friends of the Global Fight has prepared some documents, available at its web site (www.theglobalfight.org), that describe achievements of various Global Fund grants.

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**2. COMMENTARY: Pointed Lessons from a Regrettable Row
by Bernard Rivers**

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Over the past two weeks, the Global Fund was involved in a public argument with the government of South Africa over whether Global Fund grants to South Africa are being disbursed quickly enough. While the facts, when finally revealed, make it clear that South Africa wasn't at fault in the way that the Executive Director of the Global Fund had believed it to be, the incident highlights the challenge of moving grant money in a timely manner to where it's really needed.

On May 20, Executive Director Richard Feachem, emerging from a high level meeting in London at which grant delays in South Africa were mentioned, was asked by an SATV crew for comments on the Fund's South African grants. He obliged, forcefully. "Our money at the moment is stuck in Pretoria, and we are seriously unhappy about that," he said, adding that the Fund was "in almost daily contact" with South African government officials about these problems.

He went on, "If we can't move the money, we will take it away and sign agreements directly with the recipients like loveLife [a South African NGO], and send the cheques directly to them. It's intolerable that the money gets stuck in Pretoria."

Dr. Feachem's claim was angrily rejected by Thabo Mbeki, the President of South Africa. There is "not even one cent of such money in Pretoria," he said. All money received by South Africa from the Global Fund had been forwarded to the intended recipients by February, six weeks after receipt, he insisted.

Dr. Feachem, it turned out, had got his facts wrong. He had identified a real and widespread problem, which is that once the Global Fund sends grant money to a Principal Recipient (PR), it sometimes takes months for the PR to move that money to the organizations that are actually doing the work. But he had directed his allegation at a country that is currently innocent of that fault. Neither Feachem nor Mbeki mentioned that South Africa has faced this problem at other times. Nor did they mention that South Africa faces a related problem: the country is taking months to approve and relay to the Fund requests for further payments on the grant.

One cause of these cash flow problems is that the Fund insists – as do its donors – that all of its grants be "results based." This means that grants are disbursed only in partial payments, which the Fund expects to send quarterly, semi-annually, or annually. Each disbursement after the first is sent only upon receipt of a request that is backed by a report, verified by the Local Fund Agent (LFA), that earlier use of the funds led to the promised activities and results.

The other cause is that in many countries, including South Africa, the organization chosen to be the PR is not the organization that implements the grant. South Africa, for instance, has strongly insisted, despite urgings to the contrary from the Fund's Secretariat, that Global Fund grants are received by the National Treasury (the ministry of finance), which in turn may only disburse the money to other government ministries. Thus, although the CCM-initiated grant that Dr. Feachem was concerned about is being implemented by a large and sophisticated NGO named loveLife, South Africa has insisted that the money go from the Fund, to the Treasury (serving as PR), to the Department of Health (the ministry of health), to loveLife. Reports on past progress of the grant and requests for further disbursements have to go up the pipeline along the reverse path; in addition, the Fund says they have to be approved by the Local Fund Agent after leaving the Treasury and before arriving at the Global Fund.

The money involved in the first disbursement of the South African grant took an unduly long six weeks to move from the PR to loveLife. But it was safely received almost four months before Dr. Feachem's public complaint.

Information is taking even longer to flow back up the pipeline. loveLife launched the request for its second disbursement three months ago. That request only recently reached the LFA, and has still not reached the Fund. As a result, loveLife has had to borrow money from others to enable it to continue its work on the Global Fund project, which seeks to promote healthier sexual practices among South African adolescents. And people close to the project – which has a two-year cost of \$12 million – say that it may collapse if these problems are not resolved.

David Harrison, CEO of loveLife, complained in an interview that the request by loveLife for the second disbursement "is just one folder amongst a hundred on the desk of an official, and they get to it, as government does, only after one or two months." He said that such bureaucratic procedures are "completely inappropriate" for rapidly scaled-up programs like most Global Fund grants. Including any intermediary organizations between PR and grant implementers "literally makes things grind to a halt," he added.

Brian Brink, head of health services at Anglo American (a major South African employer) and deputy leader of the Global Fund private sector board delegation, observed that all the parties involved in passing a disbursement request up the pipeline and then passing the resulting payment down the pipeline are like runners in a relay race. "They need to be in constant communication, recognizing that if one of them drops the baton, the whole team loses," he said.

As it turned out, the fuss over Feachem's statement was rapidly resolved. The Fund issued a statement saying "The Global Fund is not threatening to withdraw any funds from South Africa. Collaboration between the Global Fund and the South African Government is productive and positive." Dr. Feachem wrote to the Minister of Health, Dr. Manto Tshabalala-Msimang, saying "I would like to apologize for any irritation and pressure on you caused by the misunderstanding of my comments." And Dr. Tshabalala-Msimang said she "is satisfied that all misconceptions around the projects supported by the Global Fund have been clarified."

All parties can share some blame for what happened in South Africa. Sources say that loveLife took too long to learn the rules and complete its paperwork. The National Department of Health took too long to approve the paperwork. The National Treasury only got in the way as the PR. The LFA did little or nothing to spot the problem and recommend solutions. And the Global Fund gave in to South African pressure for cumbersome procedures despite having insufficient staff to troubleshoot when blockages arise.

Fortunately, such mistakes and setbacks can be a positive force in a young and growing organization like the Global Fund if the appropriate lessons are learned. In this case, there are four lessons that are applicable to the Global Fund's work in all countries.

First, as is increasingly being pushed for by the Fund, the primary implementing agency should, if at all possible, serve as the PR, i.e. as the organization to which the Fund sends the money. At the very most, that agency should be only one step removed from the PR. Sometimes, this makes it appropriate for there to be more than one PR for a single grant, with one in each main sector (government, NGO, etc.) involved in implementation. (If the government insists, it can conduct its own monitoring of the work of non-governmental PRs, but that monitoring should not be permitted to slow down the grant.)

Second, the Global Fund should require its portfolio managers and LFAs to sound an immediate alarm when there is a delay at any stage in the sending of a funding requisition up the pipeline or of a fund disbursement down the pipeline. (All parties could learn from "just in time" manufacturing techniques, which recognize that a single delay by a remote party in the supply chain can lead to an assembly line grinding to a halt.)

Third, the Global Fund should recruit one or two senior staff experienced in managing multi-billion-dollar time-critical flows of money in which some stages are under the control of others. (Despite the fact that the Fund is a financial agency, it has very few staff – particularly from the private sector – with this particular expertise.)

Finally, Dr. Feachem, whose candor is normally most refreshing and can be a valuable strength, should check carefully with his staff before opening fire.

[Bernard Rivers (rivers@aidspan.org) is Executive Director of Aidspan and Editor of its GFO.]

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3. NEWS: Global Fund Provides Details on Ineligible Round 4 Proposals
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Every Round 4 proposal that NGOs submitted direct to the Global Fund (that is, without CCM endorsement) was ruled ineligible by the Secretariat. Most, according to the Secretariat, had little technical merit. And the few that were strong did not make a legitimate case for bypassing their CCM. However, it is possible that some of those proposals were subsequently repackaged as part of proposals submitted by CCMs.

As reported in a previous issue of GFO, a total of 320 proposals were submitted to the Global Fund by the Round 4 deadline of April 5. About 145 of these were "screened out" by the secretariat as ineligible, leaving only 175 proposals to be forwarded to the Technical Review Panel (TRP) for assessment.

Brad Herbert, the Global Fund's chief of operations, said in an interview that the screened-out proposals would have cost about \$2 billion over the first two years. These fell into two main groups. The first group, worth about \$800 million, came from organizations that were obviously ineligible. Some were "real oddballs," he says, such as one from a private company that wanted \$50 million to develop a vaccine, and several from universities in developed nations. "People see funding opportunities, and you get a lot of junk," he says. One proposal was only two pages long yet asked for major sums of money.

The second group of screened-out proposals, worth about \$1.2 billion, were proposals submitted directly by NGOs rather than via their countries' CCMs.

Herbert sees the high number of independent NGO applications as a "real concern," but one that's on the decline. While in Round 3, 65 proposals came in from NGOs without CCM endorsement, in Round 4 only 34 did. He attributes this in part to the fact that in many cases in Round 4, NGO proposals were integrated into proposals submitted by their country's CCM, a sign that NGOs are finding it easier to work within (or at least with) CCMs, and that governments, busy implementing Global Fund grants from earlier rounds, are now more willing to give NGOs a chance.

But Herbert says the decline is also due to aggressive interventions by the Global Fund secretariat. Prior to Round 4 submissions, the secretariat went to all board members, particularly NGO members, to encourage them to get out the word that NGOs should apply through their respective CCMs. Then, when individual NGOs requested an identification number for submitting a proposal, the secretariat wrote to each one urging the group to work through the CCM, and followed up with emails and phone calls. Finally, once the 34 NGO proposals came in, the secretariat went to each of the relevant CCMs and let them know that if the CCM wanted to add its endorsement to an NGO proposal from its country, the Fund would allow that even at such a late stage.

The majority of the independent NGO proposals – 70 percent – came from two countries, India and Kenya. Nineteen small NGOs from Kenya submitted their own proposals direct to the Fund, for example, and most of these proposals lacked any documentation or failed to answer basic questions. (Matthew Black, director of the Kenyan NGO consortium KECOFATUMA, says that the 19 independent proposals from Kenya NGOs doesn't surprise him. KECOFATUMA reached out to some 800 community organizations, encouraging them to apply. "We told them about all possible routes of application, including telling them about successful NGO applications in Round 1, even through we strongly advised against independent applications in Round 4." Black says that most NGOs sent proposals to KECOFATUMA, which in turn submitted a joint civil society application to the CCM. But some may have applied by more than one route, just to cover all bases. See Black's piece, "Unity in Civil Society – Lessons from Kenya," below.)

According to Herbert, only three of the 34 directly-submitted NGO proposals had strong technical merit – one from Nepal, one from Kenya, and one from South Africa. But after investigating, Herbert determined that none of them had legitimate reasons for going around their CCMs. One declared that its CCM was dysfunctional, a claim the secretariat found to be unmerited; another simply chose to submit its proposal independently. In countries with a functioning CCM, the secretariat may only pass independent NGO proposals to the TRP if there is evidence that the CCM is discriminating against civil society, and none of these three proposals passed that test. In the end, all 34 of these independent NGO proposals were screened out.

Herbert points out that he has a track record of being flexible with this guideline; for example, he supported three independent NGO proposals in Round 3, forwarding them on to the TRP, including one from Thailand that dealt with injection drug users. While NGOs play a strong role on Thailand's CCM, Herbert argued that this one particular civil society sector – NGOs dealing with injecting drug users – was indeed suppressed in Thailand. The decision caused some political controversy, but the secretariat and the board stood by it. In Round 4, Herbert says, "there just wasn't enough there to convince me the NGOs were justified in going out on their own."

Herbert calls the India and Kenya NGO proposals a "lost opportunity," and says he wishes they had been integrated into the proposals submitted by their CCMs. For Round 5, he hopes that CCMs will begin to educate their constituencies about the Global Fund process well before the application deadline approaches. He would also like to see partners such as UNAIDS, WHO, and Roll Back

Malaria work closely with NGOs and help them figure out how their proposals can be aggregated into a CCM proposal and then disaggregated once funding comes through. "We're still getting too many small, separate NGO proposals," Herbert says. "Even if they're good, we don't want that. The Fund is set up to move large sums of money, and the transaction costs of processing 19 different grants from one country for one round would be prohibitive." The board once considered – and rejected – setting a minimum dollar amount for grant applications, over concerns that it would discourage NGO involvement. The problem, says Herbert, is there's "de facto discrimination" against NGOs now, because by avoiding the established CCM mechanism they're losing their chance to compete for funds. Herbert would like to see the idea of a minimum dollar amount put back on the table as an incentive for NGOs to aggregate their proposals through CCMs.

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4. FROM THE FIELD: Unity in Civil Society – Lessons from Kenya by Matthew Black

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Even among sub-Saharan nations, Kenya has been hard hit by disease – AIDS has left up to 1.5 million dead; TB cases have quintupled in the past decade; and malaria kills some 26,000 children annually. So for Kenya, the Global Fund could have been a magic bullet. Instead, this country's approach to the Fund has produced a string of disappointments.

Since 2001, the Joint Interagency Coordinating Committee, a long-standing health policy coordinating body, has assumed the role of Kenya's CCM and submitted proposals to each of the first four Global Fund Rounds. It did not get off to a good start. The Round 1 application was roundly rejected. The Fund criticized the TB component for offering "no mention of activities," the HIV component for lacking a work plan and a legitimate basis for its budget calculation, and the malaria component for being "unclear on the role of NGOs." The faults in the proposal directly reflected the faults in the process: though a few NGOs signed the final document, there was no widespread engagement by civil society in crafting the proposal. In fact, while the CCM's proposal was rejected, the Global Fund took the unusual step of funding two independent NGO proposals.

In the wake of this disaster, NGOs began to meet to discuss problems with the Round 1 application and to lobby for a stronger collaborative role in proposal writing. These efforts, convened by the Kenya AIDS Watch Institute, met with some success: 45 organizations collaborated on a Round 2 proposal to the CCM, and NGOs won two seats on the 34-member body. Still, in the end, the CCM never incorporated the NGO proposal into its country proposal, and though Kenya's Round 2 proposal was ultimately successful, it gave only vague details on what role civil society would play in implementing the grant. The situation worsened when the director of the National AIDS Control Council (NACC), which served as a subrecipient for the Global Fund grant, was indicted for fraud related to her salary package, undermining the Fund's confidence in NACC and delaying fund disbursement. Two years after Kenya's Round 2 application was approved, NGOs are still awaiting the grant money. Clearly, problems remained: When Kenya submitted a Round 3 application without having remedied the meager civil society engagement, the Fund rejected the AIDS and integrated components, another blow to confronting Kenya's health crisis.

At that point, the NGOs that had been meeting informally consolidated as a civil society coordinating body, KECOFATUMA, or the Kenya Consortium to Fight AIDS, Tuberculosis and Malaria. KECOFATUMA now serves as the advocacy arm of some 500 NGOs, community and faith-based organizations, and private sector groups dealing with AIDS, TB and malaria in Kenya. The consortium works to better the information flow from donors and government to grass roots organizations and back again, and to increase the ability of Kenyan civil society to mobilize resources both locally and internationally. KECOFATUMA has also pushed for reforms in CCM representation, asking that members be elected by constituencies to sit on the CCM, rather than selected by government. In the past several months, KECOFATUMA has begun to build a national profile, receiving national media coverage for its visit, during the Idd festival, to a Muslim-run orphanage in a Nairobi slum, and for its silent march past the president during World AIDS Day. In mid-February, KECOFATUMA hosted its first national conference, an effort to demystify the Global Fund for community groups and NGOs.

Despite a breakdown of the public transport system that left Nairobi at a virtual standstill, more than 700 people from some 600 organizations turned out, along with major players on the CCM. Charity Ngilu, the health minister and CCM chair, came to address the crowd, as did representatives of NACC, Unicef, and other CCM members. Each speaker assured participants of the CCM's seriousness about carrying out Round 4 in a participatory manner. They also offered concrete guidance on how to write a successful proposal for the Fund and provided paper copies of Global Fund documents to groups without effective Internet access. Ngilu also made a major announcement: For Round 4, Kenya would accept NGO microproposals from which a broad country proposal would be constructed – the first time the government had openly invited civil society in on the Global Fund process.

Following the conference, several well-resourced groups prepared full proposals for submission to the CCM. But KECOFATUMA developed a simple, five-page document called a "project concept tool," to encourage smaller NGOs and community groups to enter into the process as well. It was an enormous success. More than 400 groups filled out the project concept tool, laying out their location, constituency, areas of interest, and proposed activities, and sent the form on to KECOFATUMA. From these concepts, KECOFATUMA wrote three proposals (one on each targeted disease) that summarized the intended civil society response and passed them on to the CCM for inclusion in Kenya's country proposal. The KECOFATUMA proposals covered 83 percent of the districts in Kenya, cut across all the priority areas of the Global Fund, and included evaluation at every step. Each group that filled out the project concept tool agreed to be assessed by KECOFATUMA for readiness to implement, and KECOFATUMA plans to provide the participating organizations with ongoing capacity building support. KECOFATUMA's structure has built in more support and accountability than the CCM ever did.

Kenya's Global Fund process has not been perfected, by any means. For Round 4, the CCM hired consultants to draw up the country proposal, and once KECOFATUMA submitted its consortium proposals, we were never contacted by these consultants again. As they integrated small projects from the KECOFATUMA proposals into the country proposal, many of these microproposals were scaled down, which will require complicated adjustments by NGOs when it comes to implementation. Our vision at KECOFATUMA is that in the future, the process should be reversed: the CCM should begin by engaging in a consultative process to identify clear needs, and then invite NGOs to tender for the proposal components. This would better match the country proposal to national health needs, and it would also remove the need to scale down proposals later on. Lastly, the CCM should engage civil society in the actual writing of the final national proposal.

But for all these challenges ahead, KECOFATUMA has set a precedent in Kenya for involving wider stakeholders and having government and civil society engage each other in open forums. During the process KECOFATUMA has come to believe that a cooperative approach between NGOs, CBOs, FBOs, government, and the private sector is not just the best way to approach the Global Fund; it is the best way to fight AIDS, TB and malaria.

[Matthew Black (kecofatuma@wananchi.com) is the Programme Coordinator at the Kenya AIDS Watch Institute (KAWI) and has been acting in the role of Interim Secretary for KECOFATUMA since October 2003.]

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5. NEWS: New Study Reveals Varying Acceptance by CCMs of People Living with HIV/AIDS
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The Global Fund's official guidelines on the composition and purpose of Country Coordinating Mechanisms (CCMs) make clear that the role of a CCM is to build partnerships between *all* the relevant players in a country. The guidelines, likely to be strengthened soon, state that each CCM should "strive to include ... people living with HIV/AIDS, TB and/or Malaria." The guidelines also expect CCMs to be involved at every stage of a Global Fund project, from drafting the proposal to selecting a Principal Recipient to monitoring implementation of the grant.

A new study from GNP+, the Global Network of People Living with HIV/AIDS, available in English, French, Spanish, and Russian at www.gnpplus.net, offers a fascinating window into whether people with AIDS are truly playing the participatory role that the Fund envisioned.

The Global Fund's own data have shown that during Rounds 1 through 3, between 25 and 29 percent of CCMs lacked any representation by people living with one of the three diseases. The GNP+ report offers a glimpse behind the data for 13 countries – 12 of which have at least one member who is a person living with HIV/AIDS (PLWHA) – through interviews with CCM leadership, PLWHA representatives, NGO representatives, and others. Stuart Flavell, the project supervisor on the report and the international coordinator of GNP+, points out that the study is based on interviews conducted last summer and fall, and that CCMs have matured a tremendous amount in the intervening months.

The GNP+ report, "A Multi-Country Study of the Involvement of People Living with HIV/AIDS (PLWHA) in the Country Coordinating Mechanisms (CCM)," found that merely having a seat at the table didn't always count for much. On some CCMs, PLWHAs play an active role in proposal writing or review, selecting Principal Recipients, designing disbursement plans, engaging in AIDS-related project implementation, and doing monitoring and evaluation. But on others, PLWHAs are excluded from these significant roles, and their signatures appear on proposals only as a "rubber stamp."

On six of the 13 CCMs featured in the study, PLWHAs report experiencing open bias or paternalism; on some others, the opinions of PLWHAs are simply disregarded. Only four CCMs have PLWHA participation at the subcommittee level – Bolivia, El Salvador, Nigeria, and Ukraine. In most countries, the PLWHA representative was simply appointed; only in Bolivia, El Salvador, and Peru did the PLWHA community manage to elect their own representatives based on clear, public criteria. In these countries, this process produced a high level of confidence that the PLWHA representatives were really bringing the views of their community to the table; on many other CCMs, such confidence was lacking.

"The most exciting thing for me is that in these countries, the national AIDS groups have really embraced the notion of community representation on the board," said Flavell in a conversation with GFO. "The community representatives on the board have a real constituency and a real system for communication and accountability. They've gone above and beyond what was expected."

Despite this mixed track record on PLWHA participation, the report conveys a strong vision for the role PLWHAs could play on CCMs in the future, in challenging discrimination, using their first-hand knowledge to shape proposals and strategies for treatment access, and bringing transparency to the CCM.

The report identifies a number of obstacles to meaningful involvement by PLWHA: many speak only the local language, and yet meetings in some countries are conducted in English to accommodate representatives from international bodies; there is often poor communication from CCM chairs to CCM members; there is a lack of clarity about the PLWHA role on the CCM; and many PLWHA representatives lack equipment and training to access email or the web, as well as experience with proposal writing and project implementation. "There's no technical support for CCMs," says Flavell, "or for people living with HIV."

The report recommends a number of forms of technical assistance that would foster deeper engagement by PLWHAs in their CCMs: instruction in basic literacy and in the English language; email training and access; and training on proposal writing, budgets, project development, and evaluation. The report also tackles the question of financial support, recommending that CCM secretariats be staffed, that communications between CCM representatives and their constituencies be subsidized, and that CCM members receive pay or at least transportation stipends to facilitate their involvement; it suggests, too, that PLWHA organizations themselves need financial support and office space to better function as representative bodies. (Half of the CCMs in the GNP+ study already do cover transportation costs to enable PLWHA representatives to attend meetings, and one provides a subsidy for Internet access.) Finally, the report suggests a change in tone – that PLWHAs be invited to play a more fully participatory role, and that CCMs themselves engage in combating stigma.

Building meaningful representation from PLWHAs is clearly unfinished business, but the report found broad goodwill toward the CCM structure and the multi-sectoral approach it has encouraged. And the report identifies some challenges for CCMs that extend far beyond the role of people living with AIDS. The report exposes an enormous lack of clarity about the role of the CCM, and in many cases, a lack of transparency. According to the report, "luck and word of mouth" are the main means of CCM

communication with the broader public in five countries. Only half of the CCMs are engaged in monitoring and evaluation of grants; six of the CCMs don't even report having plans to put such a system in place. "What's missing is any thought that CCMs are going to be here for a while, that this is more than a one-shot deal," says Flavell. "I'd like to see people look to building their CCMs as ongoing institutions, and talking more about evaluation and ongoing needs assessment." While most of the CCMs function democratically, through votes or consensus, participants in two CCMs report the chair making unilateral decisions, and two others report that the government or large international NGOs dominate decision-making. As one respondent from Nepal said, the CCM is a very powerful structure that needs to be awakened.

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6. NEWS: Global Fund Examines its Long Term Future
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The Global Fund Secretariat has conducted a study projecting how many grants it will have under management each year, and how much money it will spend, if recent grant-approval patterns continue in effect for years to come. The study, entitled "The Global Fund's Grant Making: Future Projections" was recently sent to members of Global Fund board delegations, with no restrictions as to further dissemination.

The study shows that the continuation of current Fund practices and assumptions could lead to three significant outcomes. First, the Fund will level out at a much lower "cruising altitude" than was originally anticipated by many. Second, the Fund will need considerably more staff than the board has thus far been willing for it to recruit. Third, the Fund will end up sitting on a multi-billion dollar "mountain" of cash that is earmarked but not needed for up to three years.

The assumptions made in the study are as follows:

- The Global Fund will launch three rounds of proposals every two years. (This is the pattern that has been followed thus far. There are three board meetings per year, and the Fund has always approved a new round of grants every second board meeting.)
- In each new round, 100 new grants will be approved, of which 85 will later be renewed for phase 2. (The number of new grants approved in Rounds 2 and 3 were 98 and 71, respectively. The number recommended by the TRP for Round 4 is not known.)
- The cost of the first two years of the 100 new grants approved in each new round will be \$1 billion. (The amount that the Technical Review Panel has recommended to the board for approval late this month for Round 4 is \$964 million.)
- After five years, each grant will be regarded as complete. (But, of course, a proposal can always be submitted for a new grant to continue where the old one left off.)
- The board will continue to require that a grant agreement cannot be signed for the first two years or for a subsequent three years unless the Fund already has money (or promissory notes) in the bank sufficient to cover the costs involved.

These assumptions lead to the following outcomes:

- Annual expenditure will level out by 2008 at about \$2.8 billion, considerably less than what Richard Feachem, Executive Director of the Fund, describes in a cover note he sent to the board with the study as "our shared vision" of the Fund.
- Annual grant signings (for new grants, and for Phase 2 renewals) will grow from 125 in 2003 to 280 by 2008.
- Annual approvals for quarterly, semi-annual or annual disbursements of partial payments on grants will grow from 500 in 2004 to around 1,500 by 2008. (As discussed above in

"Commentary: Pointed Lessons from a Regrettable Row", dealing with just one of these disbursements can involve a significant amount of work for Secretariat and LFA staff.)

- Total grants under management will grow from about 160 at present to about 700 by 2008.
- The above three findings have major implications for staff workload. (Dr. Feachem's cover note observes that the Fund "need[s] to explore how we might rationalize and re-model our portfolio management to reduce significantly the workload while enhancing speed, service and delivery at country level," but he provides no suggestions as to how these conflicting objectives should be achieved.)
- The amount of money that the Fund will hold in the form of cash or promissory notes but that it cannot do anything productive with will climb to almost \$5 billion. The study refers to this as "non-working assets." (This money will be needed because board policy does not permit the Fund to sign a grant agreement unless the cost of the next two or three years is already in the bank in the form of cash or promissory notes. Thus, the Fund could end up in a position of saying it cannot afford any new grants while, at the same time, it has billions of dollars in the bank that will not be needed until up to three years later. This incongruous situation will not make fundraising easy. Dr. Feachem's cover note observes that the Fund "must reflect further on whether accumulating such an 'asset mountain' is consistent with the sense of urgency required in fighting the three diseases.")

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END OF NEWSLETTER
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This is an issue of the GLOBAL FUND OBSERVER (GFO) NEWSLETTER.

The GFO NEWSLETTER is an independent source of news, analysis and commentary about the Global Fund to Fight AIDS, TB and Malaria (www.theglobalfund.org). The GFO Newsletter is emailed to about 5,000 subscribers once to twice a month.

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