

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

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**CONTENTS**  
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[1. NEWS: Global Fund Suspends All Uganda Grants](#)

The Global Fund has temporarily suspended all five of its grants to Uganda, after learning of "serious mismanagement of the grants" by the unit within the Ministry of Health that was set up to administer them.

[2. NEWS: Fewer Round 5 Proposals Than Expected Are Recommended for Approval](#)

The TRP has completed its assessment of Round 5 proposals, and has recommended proposals for board approval that will cost \$726 million over the first two years. This is about three-quarters of the \$1,000 million cost that was originally projected. The identities of those recommended for approval will not be known until the end of September.

[3. NEWS: Global Fund Terminates Grants to Myanmar](#)

The Global Fund has terminated its three grants to Myanmar (Burma), because it has concluded that political restrictions imposed by the government mean that the grants "cannot be managed in a way that ensures effective program implementation."

[4. NEWS: Over 300 Organizations Sign International Appeal for Global Fund Financing](#)

Over 300 organizations in 67 countries have signed the International Appeal for Full Funding of the Global Fund. The Appeal was launched two weeks ago by the three NGO board members of the Global Fund, backed by a coalition of NGOs in Europe, North America and Japan.

[5. COMMENTARY: Lessons From the Uganda Experience](#)

The recent developments in Uganda show the need for some significant changes in Global Fund procedures.

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**1. NEWS: Global Fund Suspends All Uganda Grants**  
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The Global Fund announced today that it has temporarily suspended all five of its grants to Uganda, after learning of "serious mismanagement of the grants" by the unit within the Ministry of Health that was set up to administer them. The Fund, which only weeks ago approved a Uganda grant for "Phase 2 renewal," ordered the suspension after discovering that some expenditures by the Ministry of Health unit, and by some sub-recipients, were "inappropriate, unexplained or improperly documented." The Fund stated that although it has not found "concrete evidence" of corruption or fraud, this might be because it has not yet obtained access to confidential documentation such as private bank records.

The Fund said that the suspension of the grants followed an intensive investigation in Uganda by PriceWaterhouseCoopers (PWC), the Local Fund Agent. The investigation found that some entities chosen as sub-recipients were not even legally registered, or had addresses that don't exist.

Brad Herbert, the Fund's Chief of Operations, told GFO that the lengthy report by PWC on its investigation in Uganda convinced him that firm actions had to be taken immediately to "protect the

assets of the Fund" while alternative arrangements are worked out with the Ugandan government. He said "I'm very hopeful that new arrangements can be put in place in under a month."

Herbert explained that the Fund has three courses of action that it can take with deeply troubled grants. The most severe is to terminate the grant; less severe is to appoint a new Principal Recipient; and least severe is to temporarily suspend the grant while the Principal Recipient (PR) and Country Coordinating Mechanism (CCM) propose ways to resolve the problems, which is what has just happened in Uganda. Herbert said, "Suspension is our way of saying 'The ball is in your court. Propose a way of fixing things so the grants can get back on track.' "

The Ugandan government, however, said that the Fund's action was, in the words of a source close to the Minister of Health, "unnecessarily drastic." The source noted, "The Minister and the Permanent Secretary were not interviewed during the investigation; the government was not shown any draft of the report of the investigation before it was finalized; the government was only shown the report yesterday; the government then requested two weeks to make a response; this was ignored, and the Fund announced its decision to suspend the grants a few hours later. The government believes that most of the issues raised in the report can be explained, and that the others can be addressed with administrative measures."

Taking a different position, Major Rubaramira Ruranga, head of Uganda's National Guidance and Empowerment Network of People Living with HIV/AIDS (NGEN+), a sub-recipient for one of the suspended grants, said "The Global Fund has done the right thing. They are taking a disciplinary action, and trying to find a new way to ensure that people with AIDS get the services they need." He said his NGO, and others, have long complained about how grant money in Uganda is handled "in a political way, with relatives of big people in government being given the money not because they are experts on AIDS but because they are turning AIDS into commerce."

The investigation carried out by PWC was requested by the Fund in June after the Fund "was given information indicating mismanagement of grant funding."

The information triggering the investigation was provided to the Fund by Aidsplan, publisher of GFO, after a Ugandan reader, acting as a "whistleblower," emailed the editor of GFO in June describing certain abuses that were taking place.

The Fund's five grants to Uganda have a two-year value of \$201 million, of which \$45 million has been disbursed thus far. The grants are on average 6.5 months behind schedule. The Ministry of Finance is the PR for all five grants. In each case, the PR's administrative work has been delegated to a Project Management Unit (PMU) that was specially set up within the Ministry of Health. The Fund's investigation focused on the PMU's handling of one particular grant, the HIV Round 1 grant, but the problems found were sufficiently severe that the Fund suspended all of the grants.

The Fund has insisted that the PMU must be closed down. The Ministry of Finance, in its capacity as Principal Recipient, has been given two months to work with the CCM to propose alternative arrangements for grant administration and for ensuring that funds are properly handled, including by sub-recipients. The Fund retains the right to reject those alternative arrangements.

Within the next few days, the Fund is sending Brad Herbert, Chief of Operations, and three other senior staff to Uganda to work with the government and the LFA to identify which funded activities will be permitted to continue during the transitional period, in order to ensure that there are no interruptions in the provision of life-saving treatment. The Fund will also seek to ensure continued funding to those sub-recipients not implicated in the findings of mismanagement. Any use of funds already sent to Uganda must be explicitly approved by the Fund.

Dr. D.K.W. Lwamafa, Secretary of Uganda's CCM, said "We are disappointed that as a result of the Fund's decision, those aspects of the grants which do not relate to the provision of life-saving treatment must be put on hold." He said that the CCM will review the situation at its meeting tomorrow, and added "I am very confident that we shall overcome this challenging scenario."

The head of a large Ugandan NGO said "I would not want my organization to be a Principal Recipient. Being responsible for disbursing money to a hundred NGOs – when many hundreds want it – is very

hard, particularly when most of the NGOs are small and are unable to handle the reporting requirements imposed by the Fund or the PMU, and when capacity-building to overcome these weaknesses is not part of the grant."

The Global Fund's grants in Uganda have been troubled for a long time. Richard Feachem, Executive Director of the Fund, visited Uganda last November, and received complaints from NGOs about the "over-dominating" PR at the Ministry of Finance and PMU at the Ministry of Health, and about the fact that some key NGOs had been denied the right to become sub-recipients. According to a report at the time, Feachem told NGOs that he was advising the government to permit more than one PR, with at least one being NGO-based.

In January 2005, the head of the UK's Department for International Development (DFID) and the head of UNAIDS undertook a joint mission to Uganda, in part to examine "systemic blockages" that have slowed down the disbursement and effective utilization of Global Fund money.

DFID then commissioned a quick study of Global Fund effectiveness, focusing in particular on problems of slow disbursement in Uganda and Kenya. This found that at times, Fund processes are "burdensome and bureaucratic," and that there has been a rapid turnover of Portfolio Managers, some of whom lacked appropriate experience. The study mentioned in passing that in Uganda, the PR has "delegated responsibility to the Permanent Secretary of the MoH and a (highly paid) off-line Project Management Unit," and added that there are "concerns about lack of supervision" of the PMU.

Despite these problems, when it came time in June for the Fund to evaluate the Uganda Round 1 HIV grant for Phase 2 renewal, the Secretariat recommended it for renewal, giving it a rating of "B2: Inadequate but potential demonstrated." The Fund's Grant Scorecard pointed out that the PMU "was initially unable to absorb Grant funds in a timely way," but said that there was "substantial evidence" that the issues were being dealt with, which "would lead to a rapid catch-up in results." In addition, the Scorecard said, a report submitted by the Ministry of Health indicated that there had been "marked improvements" in the PMU.

The Fund's board agreed in mid-June, with no negative votes, that the Fund should renew the grant. Less than a week later, unaware of this decision, the whistleblower sent the email to GFO that ultimately led to that grant and four others being suspended.

The Fund's Brad Herbert acknowledged that the Phase 2 assessment had indeed failed to detect the problems within Uganda's Project Management Unit. He justified this by explaining that when the Fund does these assessments, it is looking not so much at how the money was spent, as at whether the promised results were delivered. But, he added, "I'm going to recommend that we tighten up our auditing process."

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**2. NEWS: Fewer Round 5 Proposals Than Expected Are Recommended for Approval**

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The Technical Review Panel (TRP) has completed its assessment of Round 5 proposals, and, according to the Global Fund Secretariat, has recommended proposals for board approval that will cost \$726 million over the first two years. This is about three-quarters of the \$1,000 million cost that was originally projected.

The list of which particular proposals have been recommended for approval is confidential, and will not be made known until the board makes its decisions at its meeting on September 28-30.

The Secretariat says that the total pledges received thus far for this year, when added to funds available from last year, total \$1,616 million. Of this, \$1,257 million is needed for Phase 2 renewals plus operating expenses, which always takes precedence over new grants. This means that at present, only \$359 million will be available for Round 5 grants. There is therefore an anticipated "Round 5 shortfall" of \$367 million (\$726 m. minus \$359 m.)

If those numbers remain unchanged as of the September board meeting, and if the board does not dispute the TRP's recommendations, the board will have two main options. The first will be to approve only \$359 m.-worth of proposals. The second will be to immediately approve proposals worth \$359 m., and to declare that it plans to approve the remaining \$367 m.-worth of proposals in January, when 2006 pledges can be taken into consideration. Most observers believe that this second scenario is the more likely.

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**3. NEWS: Global Fund Terminates Grants to Myanmar**  
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The Global Fund has terminated its three grants to Myanmar (Burma), because it has concluded that political restrictions imposed by the government mean that the grants "cannot be managed in a way that ensures effective program implementation."

Last month, the government of Myanmar instituted new requirements restricting access to grant implementation areas by relevant staff, and other requirements that affect procurement of medical supplies. The Fund stated that these measures breach the government's previous written commitments.

The termination decision means that three grants, one each for HIV/AIDS, tuberculosis and malaria, with a total value of US\$ 35.7 million over two years, will be phased out by the Principal Recipient, UNDP, by the end of the year. All unspent money will be returned to the Global Fund.

Myanmar's CCM, which is chaired by the health minister, said in a statement that it "strongly deplores the negative impact [the move] will have on people in need and refutes the reason given for termination." The government restrictions are "only temporary in nature and do not justify irreversible termination of grants," the statement said, adding, "The Global Fund's response is clearly inappropriate"

The *Financial Times* quoted the Myanmar program manager for the UK's Department for International Development as saying that it is "very regrettable" that the grants have been terminated. "These diseases are critical humanitarian problems, and the international community as a whole has to look at what can be done," she said. "We can't wait for a change in the political context."

"Programs were just getting started," added the Myanmar country director for World Vision. "To have the plug pulled like that has been devastating."

The Fund's grants were the biggest health initiative planned for Myanmar. They were to provide anti-retroviral drugs to about 5,000 people over two years, vastly expand condom promotion programs, increase HIV testing, provide mosquito nets to prevent malaria, and strengthen TB controls.

The grants had long been criticized by some members of Congress in the US who oppose almost any increase in aid to Myanmar. The *Financial Times* reported that some observers believe Myanmar's new restrictions were a convenient excuse for the Fund to back away from the politically controversial program.

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**4. NEWS: Over 300 Organizations Sign International Appeal for Global Fund Financing**  
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Over 300 organizations in 67 countries have signed the International Appeal for Full Funding of the Global Fund. This Appeal was launched two weeks ago by the three NGO board members of the Global Fund, backed by a coalition of NGOs in Europe, North America and Japan. The board members explained that donor governments, at their Replenishment Meeting to be held on September 5-6 in London, are likely to pledge far less money to the Global Fund than the Fund says it requires. The Appeal that the 300 organizations signed calls upon donor governments to contribute their fair share to meet the Global Fund's needs, and specifies exactly how much each donor should contribute.

The Appeal has also been signed by eleven CCM Chairs, and a number of prominent persons, including Desmond Tutu, Archbishop Emeritus of Cape Town; Stephen Lewis, Special Envoy for HIV/AIDS in Africa of the UN Secretary-General; Zachie Achmat, Chair of the Treatment Action Campaign (TAC) in South Africa; and Mary Robinson, former President of Ireland and former UN High Commissioner for Human Rights.

The period for accepting signatures has been extended to 3 September. Full details about the Appeal and who has signed are available at [www.aidspace.org/globalfund/appeal](http://www.aidspace.org/globalfund/appeal). Organizations can sign by emailing [GlobalFundAppeal@aidspan.org](mailto:GlobalFundAppeal@aidspan.org).

A selection of the 311 organizations that have signed the Appeal as of today is as follows:

Action against AIDS Germany / Aktionsbündnis gegen AIDS	Germany
ActionAid International	UK
Africa Action	USA
Africa Japan Forum	Japan
AfriCASO	Senegal
AIDES	France
AIDS Foundation East-West (AFEW)	Russia
Aidspan	USA
Asociación para la Salud Integral y Ciudadanía en America Latina (ASICAL)	Ecuador
Association des Frères et Soeurs Unis du Cameroun	Cameroon
Association Marocaine de Lutte Contre le SIDA (ALCS)	Morocco
Blue Diamond Society	Nepal
Bread for the World	Germany
CARE International	Belgium
CARE USA	USA
Catholic Medical Mission Board (CMMB)	USA
Centre for Youth and Population Development	Ghana
Christian Aid	UK
Church World Service	USA
Churches Health Association of Zambia (CHAZ)	Zambia
DATA	USA
Ecumenical Advocacy Alliance	Switzerland
Global AIDS Alliance	USA
Global Health Council	USA
Global Network of People Living with HIV/AIDS (GNP+)	Netherlands
Health GAP (Global Access Project)	USA
HIV-Service Coalition	Ukraine
Interagency Coalition on AIDS and Development (ICAD)	Canada
International AIDS Vaccine Initiative (IAVI)	USA
International Community of Women Living with HIV/AIDS	UK
International Council of AIDS Service Organizations (ICASO)	Canada
International HIV/AIDS Alliance	UK
Kenya AIDS NGOs Consortium (KANCO)	Kenya
Latin American Network of PLWHA (RedLa+)	Colombia
Lutheran World Federation	Switzerland
Open Society Institute (London)	UK
Oxfam International	UK
Positive Women Network	India
Rainbow/PUSH Coalition	USA
Réseau des Acteurs Intervenants dans la Lutte contre les IST/VIH/SIDA	Niger
RESULTS	USA
Russian Harm Reduction Network	Russia
Rwanda HIV/AIDS NGO Forum	Rwanda

South African Council of Churches	South Africa
STOP AIDS NOW!	Netherlands
Treatment Action Campaign (TAC)	South Africa
World AIDS Campaign	Netherlands
World Council of Churches	Switzerland
World Vision International	USA
World YWCA	Switzerland
Zambia National AIDS Network	Zambia
Plus 260 more	

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**5. COMMENTARY: Lessons From the Uganda Experience**

by Bernard Rivers

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I would not want Brad Herbert's job.

He and his team of a few dozen people at the Global Fund have to negotiate hundreds of grant agreements, disburse billions of dollars, and then attempt to ensure that the grants deliver the promised results with no inappropriate diversions of money.

The Global Fund money attracts wonderful people and organizations who do amazing things with it; but it also attracts some people who have other objectives in mind. To assume otherwise would be naïve in the extreme. Equally naïve would be to assume that because some apparent corruption has been uncovered, this proves that there is a fundamental problem with the Global Fund process.

How many other bilateral or multilateral organizations would launch an intensive investigation within days of receiving a credible report from a whistleblower, and then initiate decisive remedial action, and publicly announce it, as soon as the problems were confirmed? Most would first spend some time wishing the problem would go away, and would only then, reluctantly and slowly, look into things further, treating the whole matter as highly confidential.

The Global Fund is to be congratulated for its courage in handling the Uganda problem in a direct and transparent manner. And the Uganda Minister of Health is to be congratulated for agreeing to sit down with Brad Herbert on Tuesday and work out how best to proceed.

Having said that, the recent developments in Uganda show the need for some significant changes in Global Fund procedures.

First, the Global Fund should establish a mechanism that encourages other whistleblowers to report their concerns. (While GFO welcomes information from future whistleblowers, it is only the Fund that can fully investigate their charges.)

Second, the Fund should write to every PR and every sub-recipient, letting them know about the actions that it will take if corruption is confirmed, or even strongly suspected.

Third, the Fund should set up a procedure that has a good chance of detecting corruption even if no whistleblowers come forth. Stricter audits should automatically be carried out with every Principal Recipient and sub-recipient. If the results of that audit raise some concerns, a much more thorough audit should automatically be triggered. This will not be inexpensive. If donors to the Fund want to be sure that none of their money is wasted, they have to allow more of their money to be spent on auditing.

The Fund must find ways to make it less likely that corruption will occur, and more likely that corruption is detected when it does occur.

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

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

GFO is an independent source of news, analysis and commentary about the Global Fund to Fight AIDS, TB and Malaria ([www.theglobalfund.org](http://www.theglobalfund.org)). GFO is emailed to 8,000 subscribers in 170 countries once to twice a month.

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GFO Editor: Bernard Rivers ([rivers@aidspan.org](mailto:rivers@aidspan.org), +1-212-662-6800)

GFO Contributing Editor: Esther Kaplan ([estherkaplan@earthlink.net](mailto:estherkaplan@earthlink.net))

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For information on all approved and rejected proposals submitted to the Global Fund, see [www.aidspan.org/globalfund/grants](http://www.aidspan.org/globalfund/grants)

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