1. NEWS: Global Fund Board Completes Tenth Board Meeting
   The tenth Global Fund board meeting, just completed, continued the constructive and cooperative tone that has been the pattern for some time now.

2. BOARD DECISIONS: New Chair and Vice-Chair
   The Board elected Dr. Carol Jacobs of Barbados to serve as Chair for the next two years, and it elected Prof. Michel Kazatchkine to serve as Vice-Chair.

3. BOARD DECISION: CCM Authority over PRs
   The board passed an obscurely-worded resolution intended to help clarify what authority CCMs have over Principal Recipients.

4. BOARD DECISION: Funding of CCM Secretariats
   The Board decided that under certain circumstances, it is acceptable to finance the costs of a CCM Secretariat out of Global Fund grants.

5. BOARD DECISIONS: Phase 2 Grants
   The board took some actions designed to resolve complications in the Phase 2 renewal process.

6. BOARD DECISIONS: Committee Restructuring
   The board revised its committee structure.

7. BOARD DECISIONS: Quality Assurance of Limited Source Pharmaceutical Products
   The board reached agreement on how grantees should proceed when they wish to procure drugs available from only one or two sources.

8. BOARD CONCERN: Round 5 Funding
   The board expressed concern over the current shortage of funds for Round 5.

9. BOARD DECISION: Global Fund Inspector General
   The board agreed it will appoint an Inspector General to investigate whether there has been fraud, abuse, misappropriation, corruption or mismanagement within the Fund or among grant recipients.

10. NON-BOARD NEWS
    Aidspan's web site was visited by 2,000 people the day after the launch of its "early-warning" system regarding Global Fund grants. And an updated version of "The Aidspan Guide to Round 5 Applications to the Global Fund" has been released.
1. NEWS: Global Fund Board Completes Tenth Board Meeting

This issue of GFO is devoted almost entirely to decisions made at the Global Fund board meeting that took place in Geneva on April 21-22. The Fund holds three board meetings per year. This was the tenth such meeting. GFO was present, with observer status.

The meeting continued the constructive and cooperative tone that has been the pattern for some time now. Board members ranging from government ministers to activists, and coming in equal number from developed and developing countries, were actively and collectively involved not only in the formal meeting, but in the lengthy back-room negotiations that took place prior to some of the most difficult decisions.

The decisions made at the board meeting were rather less profound in their implications than were decisions made at some of the earlier meetings. The board has reached the point where it primarily needs to fine-tune existing policies rather than develop completely new policies.

The Global Fund says that it is about to post at its web site the precise wording of all resolutions passed, and that over the coming week or so it will post most of the papers that were used as inputs to the board meeting. These documents can be accessed at www.theglobalfund.org/en/about/board/tenth and www.theglobalfund.org/en/about/board/tenth/boardmeetingdocs.

The highlights of the meeting are described in the following articles:

2. BOARD DECISIONS: New Chair and Vice-Chair

The Board elected Dr. Carol Jacobs of Barbados to serve as Chair for the next two years, and it elected Prof. Michel Kazatchkine to serve as Vice-Chair. They took over from Mr. Tommy Thompson, former US Secretary of Health and Human Services, and Dr. Helene Rossert, head of the French NGO AIDES, respectively, whose terms of office had expired.

Global Fund bylaws state that during the next two years, the Chair must come from the "recipient group" (that is, from the board members who represent developing country governments, NGOs from developing and developed countries, and communities living with the three diseases), and the Vice-Chair must come from the "donor group" (that is, from the board members who represent developed country governments, the private sector, and foundations). After two years, the requirements will reverse.

Dr. Jacobs is Chair of the National Commission for HIV/AIDS of Barbados; she has served for the past fifteen months as the Global Fund board member representing the Latin America and Caribbean Region.

Prof. Kazatchkine is France's Ambassador on HIV/AIDS and Transmissible Diseases. He is an immunologist who has been working in the field of AIDS since 1983. In 1988 he became the director of the French National Research Agency (ANRS), the world's second largest AIDS research program, and until recently he served as Chair of the Global Fund's Technical Review Panel.

Many board members had been very apprehensive when Tommy Thompson became Chair two years ago. They ended up being pleasantly surprised. As Chair, he did not have a vote and he did not show bias. Every board meeting that he chaired finished its work on time with every agenda item having been fully debated, which was not the case under the previous chair. As Mr. Thompson left the podium at the end of his last Global Fund board meeting, he received a standing ovation.
3. BOARD DECISION: CCM Authority over PRs

In many countries, there has been considerable uncertainty regarding the extent to which the Country Coordinating Mechanism (CCM) has authority over the Principal Recipient (PR). Accordingly, the Board added to the CCM Guidelines a number of paragraphs that are supposed to clarify things.

The new paragraphs are as follows. However, they use terminology that is unhelpfully diplomatic and obscure. Accordingly, GFO has provided after each clause its own interpretation of what the clause really means.

"The CCM shall develop tools and procedures for overseeing proposal implementation. These should include, but need not be limited to:"

[GFO interpretation: CCMs – Do at least the following to ensure that the PR is doing what it should be doing.]

i. "the establishment and implementation of criteria for the nomination of principal recipients and sub-recipients;"

[GFO interpretation: CCMs – Nominate PRs and SRs in a logical way.]

ii "the recording of all key CCM oversight actions, including the nomination of Principal Recipients, the development of CCM feedback arising from review of periodic reports, the review of information arising from implementation monitoring visits, and the approval of decisions made on implementation status, such as requests for reprogramming;"

[GFO interpretation: CCMs – Keep a record of how you nominate PRs, and of concerns expressed by CCM members when they read PR reports and when they visit the PR's projects, and of how you handle requests by the PR to modify grant activities.]

iii "the development of a communication strategy for the dissemination of CCM decisions and for regular sharing of information on grant implementation status with all CCM members and relevant stakeholders, in keeping with the Global Fund principle of transparency;"

[GFO interpretation: CCMs – Be open about decisions you make about grants, and about information you gather on how well the grant is doing.]

iv "the development of a CCM oversight work plan, coordinated with the PR, which should include:"
   – Periodic CCM site visits and the regular submission and review of PR periodic reports;
   – Facilitation by the CCM of technical assistance through partners – academia, multi/bilateral, civil society, private sector - to the CCM for the strengthening of its functions and to the PR to address implementation issues; and
   – Systems analysis and strategic planning review to ensure coordinated implementation, monitoring and evaluation with national and other donor funded programs, and to the harmonization of program activities with other on-going programs and the timely request for reprogramming of activities if needed.

[GFO interpretation: CCMs and PRs – Don’t fight over who has what power regarding grant implementation. Instead, agree on how you will work together. CCM members – Visit projects and check whether you believe the PR's reports on grant progress. CCMs – If you are weak, or if the PR is having problems with grant implementation, get help. CCMs and PRs – Try to keep the grant aiming in the same direction as non-Global Fund grants; and if the grant needs modifying, negotiate with the Fund for changes before it's too late.]

v "the development of a mechanism to ensure that follow-up action, as needed, will be taken where the CCM review of periodic progress reports indicate discrepancies with observed program results."
"Since CCMs vary from country to country and are in different stages of their evolution, the proposed guidelines can be adapted and implemented in a phased manner to meet the specific needs and contextual situation of the CCMs."

The board decided that when funding from partners cannot be found to pay the costs of operating a CCM Secretariat, it will be acceptable to finance the Secretariat out of Global Fund grants for up to two years, subject to certain conditions. (This was felt to be necessary because in the past, a lack of such funding has often led to PRs and/or Ministries of Health performing the CCM Secretariat function, which has led in turn to conflicts of interest and/or excessive government influence over CCM activities.)

The conditions imposed by the Board regarding such funding were as follows:

1. Eligible costs shall be limited to the following items:
   - Salary of staff. (Number of staff to be supported will be determined by size of grant and number of components)
   - Office administrative costs (phone, fax, postage, stationary, photocopy)
   - CCM meeting costs, including travel cost for CCM for non-governmental members (up to 6 meetings per year)
   - Communication and information dissemination costs for sharing key information (e.g., call for proposals, periodic reports of implementation status, minutes of meetings) which may include the costs of establishing and updating of website or newsletter.
   - Facilitation costs associated with constituency consultation and processes to promote stakeholder participation.
   - Translations of key information to promote participation by all stakeholders.

2. The size of grants and the number of components overseen by a CCM will be used as criteria to determine the total amount of its eligible funding.

3. Funded costs must be consistent with national salary scales and local operating costs.

4. The proposal must include a sustainability plan for financial support to the CCM after the first two years of grant support.

5. The proposal should show co-finance or in-kind support from in-country partners.

6. Disbursement and activity reports of CCM support funding must be provided to the Global Fund on an agreed periodic basis. These reports will be subject to LFA review and verification."

The board resolution did not specify a financial cap. However, during the discussion it appeared that board members were thinking that no more than $35,000 to $50,000 should be taken out of grants to pay for a CCM Secretariat over the permitted two-year period.
5. BOARD DECISIONS: Phase 2 Grants

The process whereby the Secretariat and the Board decide which grants to approve for "Phase 2 renewal" (that is, for Years 3-5) during the second year of each grant has led in recent weeks to considerable friction. In particular, when the Secretariat recommended that an HIV grant to Honduras should not be renewed, many people lobbied board members to over-rule the Secretariat recommendation.

Arising from this and other aspects of the Phase 2 renewal process, the Board made several decisions:

First, when the Secretariat needs more than twenty months to formulate a recommendation, the Secretariat may extend the term of Phase 1 grant agreements by up to six months, so long as the total cost does not exceed the amount originally specified. (This does not impact the Honduras decision, where the Secretariat has already made a recommendation.)

Second, an ad-hoc task force will be set up to review the Phase 2 decision process and to submit to the September board meeting recommendations for improvement. The task force will have members taken from the Board, the Secretariat, the TRP, and the Technical Evaluation Reference Group.

Third, the Round 1 HIV grants to Honduras and Senegal, both of which had been recommended by the Secretariat for termination because of poor performance, will be referred back to their respective CCMs. In each case, the CCM will be informed of the reasons for concern, and will be given the opportunity to propose, within two months, how the problems will be addressed through a restructuring of the grant. The Secretariat will review that proposal for financial reasonableness. Then the TRP will review the proposal. If both the TRP and the Board agree to approve the revised proposal, the grant will be renewed. Otherwise, it will be terminated.

6. BOARD DECISIONS: Committee Restructuring

Most board decisions are made after the topic in question has been extensively discussed by a board committee, and the committee has made a recommendation to the board. The board has now decided to revise its committee structure. The four main committees that have existed in the past have been replaced with the following three committees:

- Policy and Strategy Committee (PSC)
- Portfolio Committee (PC)
- Finance and Audit Committee (FAC)

Each board delegation may be a member of the Policy and Strategy Committee, and of one of the other two committees.

The Board approved detailed rules, procedures, and terms of reference for the committees.

7. BOARD DECISIONS: Quality Assurance of Limited Source Pharmaceutical Products

At its October 2002 meeting, the board decided that if a medicinal product is to be eligible for purchase using Global Fund grants, it must meet various requirements. One of these is that if it is a "single- or limited-source product," it must (a) have been found to be acceptable by the WHO-initiated UN Pilot Procurement Quality and Sourcing Project, or (b) have been authorized for consumption in its country by a stringent regulatory authority, or (c) have been authorized by the national drug regulatory authority in the recipient’s country. Option (c) was originally applicable only until December 31, 2004, after which suppliers must comply with option (a) or (b).
At the November 2004 board meeting, the ability to use option (c) was extended to April 30, 2005.

At the board meeting just completed, extensive negotiations took place behind the scenes on "what to do about option (c)." These negotiations involved participants ranging from pharmaceutical company representatives to AIDS activists. An agreement, endorsed by the board, was finally arrived at. For the record, and without interpretation or summarizing, the board resolution was as follows:

"The Board decides to change its policy on quality assurance approved at the Third Board Meeting on "option (c)" by replacing the decision on Agenda Item 10(B)(4)(b)(c) with the following and eliminating the last sentence of that decision on the "option (c)" time limit.

- Once there are two or more equivalent pharmaceutical products that meet the standards in Option (a) or Option (b), then Option (c) is not applicable. Contracts entered into on or before April 30, 2005 with suppliers for products that qualified for purchase under Option (c) may be honoured by the Principal Recipient until they expire. No new purchase contracts or contract extensions for such products will be allowed after April 30, 2005.

- If the Principal Recipient determines that there is only one or no equivalent pharmaceutical product that meets the standards in Option (a) or Option (b) OR if the Principal Recipient determines that the product that meet these standards are unavailable ['Unavailable' is defined as: inability of the manufacturer to supply a sufficient quantity of finished product within 90 days from date of order] and represents the same to the Global Fund Secretariat, and the Secretariat does not object, then Global Fund resources may be used to procure other equivalent pharmaceutical products, provided that the products are selected in accordance with the following, in order of priority:

  (i) the manufacturer has submitted an application for product approval to the WHO Prequalification Program or a stringent regulatory authority AND is manufactured at a site that is compliant with Good Manufacturing Practice (GMP), as certified after inspection by the WHO or a stringent regulatory authority;

  (ii) the product is manufactured at a GMP-compliant manufacturing site as certified after inspection by the WHO or a stringent regulatory authority.

A Principal Recipient shall inform the Global Fund Secretariat if it procures under provisions (i) or (ii), after having followed the above process. In turn, the Secretariat, working with technical partners, shall contract an independent third-party to conduct random quality analysis of products being procured according to these criteria to ensure their quality in the absence of the Option (a) or Option (b) standard.

In the event that (a) the submitted application for product approval is no longer under consideration, or (b) the independent third party finds the quality of the product to be unacceptable, the Principal Recipient shall promptly terminate the contract with the supplying manufacturer.

- In all cases, products purchased with Global Fund resources are subject to the monitoring product quality standards prescribed by the Fund as specified in Section 6 of the Report of the Third Board Meeting.

- Procurement of products according to criteria (i) or (ii) should be time limited and Principal Recipients should defer to Option (a) or (b) as soon as possible.

The Secretariat will monitor implementation of this decision and report to the Board at the Fourteenth Board meeting."
8. BOARD CONCERN: Round 5 Funding

Several board members commented on the fact that at present, only $300 million of the anticipated $1,000 million cost of Round 5 has been promised. This led to a resolution saying "The Board notes with concern the current shortfall regarding funds available for Round 5. The Board calls upon participants of the Replenishment Conference, and all other potential donors, to take urgent action to ensure that Round 5 is fully funded."

9. BOARD DECISION: Global Fund Inspector General

As a result of pressure from the United States, the Board agreed to appoint an Inspector General. The role of the office of the inspector general will be to assess whether the Global Fund and its grant recipients are using the money in the ways intended. Inspections, both announced and unannounced, will be conducted of the Global Fund, PRs, Sub-Recipients, CCMs and LFAs in an attempt to find out if there has been fraud, abuse, misappropriation, corruption or mismanagement.

10. NON-BOARD NEWS

In other news:

- Aidspan’s web site (www.aidspan.org), which is normally visited by about 500 people per day, was visited by 2,000 people the day after GFO announced a week ago that the site now provides an "early-warning" system showing for every Global Fund grant how well that grant is performing against its own goals and in relation to other Global Fund grants.

- In the course of Monday April 25, Aidspan will publish at www.aidspan.org/guides the second edition of "The Aidspan Guide to Round 5 Applications to the Global Fund," with additional text discussing how to use the belatedly-released PDF version of the application form.

- On 19 April, "Friends of the Global Fund Europe" was launched in Paris to mobilize European institutions, public opinion and private companies in support of The Global Fund. This represents the third "Friends" organization to have been set up. The other two are "Friends of the Global Fight - U.S." and "Friends of The Global Fund – Japan."

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