



Independent observer  
of the Global Fund

# Global Fund Observer

NEWSLETTER

Issue 307: 15 March 2017

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### 1. NEWS: What went wrong with the selection process for a new executive director?

*Everyone agrees that the process was too rushed*

David Garmaise

13 March 2017

Not surprisingly, opinions concerning what went wrong with the Global Fund's executive director selection process vary, depending on who you ask. Many of the people we spoke to in preparation for this article – including Board delegations – were reluctant to comment at all, let alone publicly. Therefore, this article reflects our own observations, those of stakeholders that either spoke publicly or submitted comments to the Board, and those of journalists and other commentators.

The Global Fund Board was expected to choose a new E. D. at its retreat on 27-28 February. Its Executive Director Nomination Committee (EDNC) had submitted a final report listing and ranking three names, in the follow order:

1. Dr Muhammad Ali Pate, a visiting scholar at Harvard's Chan School of Public health, a former World Bank health specialist, and a former health minister of Nigeria;
2. Subhanu Saxena, a drug executive who in August 2016 stepped down as chief executive of Cipla, a major Indian pharmaceutical company; and
3. Helen Clark, Administrator of the United Nations Development Programme (UNDP) and a former prime minister of New Zealand.

As everyone knows by now, the Board did not select anyone and decided instead to re-launch its search process.

So, what went wrong?

One thing everyone seems to agree on is that the process was too rushed. The selection process was approved by the Board on 16 November 2017. (The process is described on the Fund's website [here](#).) The goal was to have the new E.D. selected by 1 March. That's 105 days or three-and-a-half months (including the year-end holidays). In comparison, in 2012, the process that resulted in the selection of Mark Dybul as E.D. took 187 days, or just over six months.

Given that Dr Dybul informed the Board two years ago that he would be leaving at the end of his term (on 31 May 2017), why did it take so long for the Board to launch a process to find a new executive director?

In a [post](#) on the website of Humanosphere, an independent non-profit news organization, on 2 March, Tom Murphy referred to the selection process as a "train wreck." He identified three main causes: leaks; questions of conflicts of interest; and a generally disappointed response to the finalists. Let's look at each one in turn.

### **Leaks**

There definitely were leaks. Scores of people appear to have had a copy of the extremely confidential final report of the EDNC almost as soon as it was delivered to Board members and alternates on 13 February. One of those people was Donald McNeil, veteran New York Times reporter. McNeil revealed the names of the three finalists in an [article](#) on 15 February. He said that all three candidates might not be palatable, for different reasons, to the U.S., which is by far the Fund's largest donor. A number of media outlets picked up on McNeil's story. Some of them added to it as more information became available, primarily through other leaks.

Writing in [ScienceInsider](#) on 27 February, Jon Cohen quoted one person familiar with the Board's deliberations as saying that "there were real concerns that because of the leaks, the process wasn't fair."

The leak of the final report of the EDNC certainly appeared to destabilize the process. Shortly after the report was leaked, Helen Clark, who was ranked third by the EDNC, withdrew her name from the race. She stated it was because she had concerns about the process. Some observers speculated that it was because she had been ranked in last place.

Whether or not the leak of the final report was responsible for Ms Clark pulling out of the race, it did not paint the Global Fund in a good light. A process that was intended to be done very much in private had now become public, without the safeguards that presumably would have accompanied a public process, had a public process been intended.

### **Conflicts of interest**

Various conflicts of interest were alleged. In his article, Murphy said that Subhanu Saxena's ties to the pharmaceutical industry posed a potential conflict of interest because the Global Fund works with governments and drug-makers to set favorable prices to purchase life-saving drugs. (Mr Saxena was, until recently, CEO of Cipla, a large pharmaceutical company for whom the Global Fund has been a major customer.)

An anonymous email sent to the board said that Mohammed Pate had a possible conflict of interest because he serves on the advisory board of Merck for Mothers; and because the current executive director, Mark Dybul sits on the board of Pate's Big Win Philanthropy Foundation.

There was an implication in the allegations that the EDNC had failed to identify or consider these conflicts of interest. However, in a memo to Board members sent on 18 February, Jan Paehler, Chair of the EDNC, refuted the allegations. With regards to Saxena, Paehler said that it was inaccurate to assert that the EDNC did not consider his past role as CEO of Cipla. Paehler said that the committee "carefully considered and discussed" this factor. "Having a prior role as a private sector supplier to the Global Fund does not represent a current or future conflict of interest..."

Paehler added that the role of Dr Pate serving on the advisory board of Merck for Mothers "was in fact disclosed and carefully evaluated and discussed by the Committee, with guidance from the Ethics Officer. To assert otherwise is inaccurate." Finally, concerning Dr Dybul, Paehler said that the committee was also made aware that he served on the board of Pate's Foundation and that "to assert otherwise is inaccurate."

### **Response to the finalists**

The third cause of what Tom Murphy called the "train wreck" was "a generally disappointed response to the finalists."

Various commentators echoed the concerns raised in Donald McNeil's New York Times article that all three finalists might be unpalatable to the U.S. In addition, in a [post](#) on *Devex*, a media platform for the global development community, on 24 February, Michael Igoe said that *Devex* had spoken to several "well-placed" global health and development leaders about their impressions of the finalists. "Each expressed mixed feelings and some disappointment

that the selection process had not generated candidates known for visionary global health leadership.”

### **Other concerns about the process**

“The board is committed to a process that adheres to the highest possible standards, and is fair, transparent, merit-based, and conducted with due diligence and professionalism,” Board Chair Norbert Hauser said in a [news release](#).

However, the process was far from transparent, as Tom Murphy pointed out in his article. Information about the status of the candidates came to light through leaks, not official releases by the Global Fund. Clark’s withdrawal was in part due to the way the process unfolded, Mr Murphy said.

In a letter to Mr Hauser, believed to have been sent on 14 February, Ms. Clark said:

“I have had concerns for some time now that the appointment of a senior strategic leader, as envisaged in the terms of reference for the position that were approved by the Fund’s Board, was not likely to be the outcome of the manner in which the process of selection has been undertaken to date.

“The report of the Nomination Committee to the Board, which I have seen today, bears out my concern. I do not believe the process undertaken has prioritized the broad skill set envisaged in the TOR. The due diligence process undertaken to date has contributed to the failure to which I refer. It has concentrated on superficialities rather than having had regard to relevant and publicly available information on, for example, the performance, values, and social media history of candidates.”

The most thorough analysis of what went wrong came from John Zarocostas, writing on 7 March in an [article](#) in *The Lancet*.

Mr Zarocostas cited the head of a major Geneva-based U.N. agency as saying “given the process was tainted, the Global Fund Board had no alternative but to restart the proceedings.”

According to Mr Zarocostas, a health aid executive tracking the Board developments said that an anonymous email to the Board criticizing the shortlisting of Pate and Saxena and the poor due diligence of the process, plus a leak of the selection committee report to the *New York Times*, were to blame for poisoning the proceedings.

Mr Zarocostas reported that several diplomats and executives of health advocacy groups underscored that “due diligence had not been done thoroughly,” in what he said was a veiled criticism of Russell Reynolds Associates (RRA), the executive search firm commissioned to assist the Nomination Committee.

In addition, Mr Zarocostas cited a source close to the Board as saying that “there was wide agreement across the board [that] the selection process had been too speedy, there had been an inability to do due diligence, and new information had come to light.” As a result, the source said that there was a strong sense the board felt the process had “not given them full

confidence to proceed.” The withdrawal of one candidate, the source said, contributed to the board’s impasse.

Mr Zarocostas quoted a global health consultant as saying that the outcome indicates each of the finalists faced a “blocking minority” and that a consensus could not be reached. (Under the Board’s rules, candidates need to secure a two-thirds majority from both the implementer and donor constituencies.)

Finally, Mr Zarocostas quotes Ellen ‘t Hoen, a researcher in the Global Health Unit, University Medical Center, Groningen University, Netherlands, as saying: “I think considering the financial support for the Global Fund depends on public support, the more transparency the better.” She noted that the World Health Organization’s selection process for its Director-General “used to be opaque” but “now you can follow developments, and get an idea of the candidates.” She said that the process to select a new leader for the Global Fund should be the same.

On 20 February, Allan Maleche and Natlya Nizova, respectively Chair and Vice-Chair of the Board’s Implementer Group (ImG), sent a letter to the Board leadership in which they said that the implementer constituencies “expressed grave concern” about the process because “key facts” about candidates were missed.

“It is difficult to assess how much was missed, “the ImG said, “because the due diligence outlined in the Executive Director Selection Process information note was not included or even referenced in the EDNC final report.”

(The information note said that in the EDNC’s final report, the due diligence process would be described in detail. The process included steps such as interviews with the candidates conducted by the search firm, RRA; the referencing done by RRA; and psychometric testing carried out by an independent expert on the three finalists.)

“The decision to keep the names of the short-listed candidates out of the public eye, always a challenge for the Fund, then led to media attention and stakeholder questions that have also not enhanced the institution’s reputation,” the ImG said.

In its letter, the ImG recommended that a new search be undertaken and that a much more open process be used. The letter said that the public should be more engaged with the process, and that this could be achieved by announcing publicly the names of the short-listed candidates; holding a public Q&A session with the candidates; holding a town hall for Secretariat staff; and providing regular updates on the selection and nomination process.

(The ImG letter has not been made public. However, in his second [article](#) on the E.D. selection, Donald McNeil of the New York Times cited parts of the ImG letter.)

In an earlier article in [The Lancet](#) (on 22 February), Mr Zarocostas said that “the opaque nature of the Global Fund’s selection procedure has come under criticism by both major donor members and health community advocates.”

Writing in the Center for Global Development’s Global Health Policy [blog](#), Amanda Glassman said that “although the Global Fund is lawfully a private Swiss Foundation, its Board should not act as such. Advocates exert strong influence over the Global Fund through the media and big donors have veto – so its E.D. selection process should acknowledge the *realpolitik* and vet candidates broadly and in the public domain, while giving due consideration to candidates’ capacity to navigate difficult political and financial headwinds.”

A person familiar with the deliberations of the Board said that concerns were expressed about the short list being too short. In its final report, the EDNC submitted only three names (from a pool of more than 140 candidates). The committee had been mandated to submit up to four names. During the deliberations, there were suggestions that when the new search process is launched, the nomination committee should be mandated to submit five names.

This person said that concerns were expressed about the fact that the short-listed candidates were ranked in the EDNC’s final report. It was felt that this may have contributed to the decision by the third-ranked candidate, Helen Clark, to withdraw from the race. The EDNC had not been asked to rank the candidates.

In a [statement](#) released on 29 February, the Communities Delegation to the Board said that as the Board reopens the search process, it will be “closely monitoring” the situation to ensure that the process engages a more diverse group of stakeholders, including communities and civil society, when reference checks are done; and to ensure that the process includes information on the candidates’ history of working in human rights, gender equality and community systems strengthening.

In John Decostas’ 7 March article in *The Lancet*, an executive from a major European advocacy group fighting AIDS, speaking on the condition of non-attribution, is quoted as saying, “We are looking for a candidate with a broad global health background, strong managerial experience, and an ability to raise funds.”

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## **2. NEWS: Marijke Winjroks appointed Interim E.D.**

*Appointment takes effect on 1 June*

David Garmaise

13 March 2017

The Global Fund Board has appointed Marijke Wijnroks as Interim Executive Director effective 1 June 2017. The four-year term of the current executive director, Mark Dybul, expires on 31 May. Dr Wijnroks will serve until a new executive director is selected by the Board and is able to begin.

The announcement was made in a [news release](#) issued by the Global Fund on 3 March.

Dr Wijnroks is currently Chief of Staff, a position which in effect makes her second in command to Dr Dybul.

“Dr Wijnroks brings an incisive degree of knowledge about internal operations at the Global Fund, where she oversees day-to-day work,” the Board said. Dr Wijnroks chairs decision-making groups such as the Management Executive Committee and Policy Committee when Dr Dybul is unavailable, and chairs the Grant Approvals Committee on a regular basis. She frequently represents the Global Fund at external events.

“Marijke is a highly effective leader and manager who can get things done,” said Dr Dybul. “She knows the Global Fund better than anyone and can steer our exceptional staff until a new executive director starts.”

According to the news release, in early 2017 Dr Wijnroks supervised the preparation of “transition memos” by each member of the Management Executive Committee, in anticipation of the hiring of a new executive director. She will continue those preparations until the Board makes a new selection.

Prior to joining the Global Fund, Dr Wijnroks served in the Ministry of Foreign Affairs in The Netherlands as Ambassador for HIV/AIDS, and also Deputy Director of the Social Development Department. She has more than 30 years of experience in global health and development work, serving in government, at the U.N. and in civil society, and working in Africa, Asia, Latin America and Europe. She served on the Board of the Global Fund for several terms.

“Dr Wijnroks has deep experience in human rights, gender issues and reaching key populations. She is known as a passionate advocate and an irrepressible optimist, with a results-oriented mindset,” the news release stated.

Earlier in her career, Dr Wijnroks served as a medical coordinator for Médecins Sans Frontières in Uganda and as a doctor in South Sudan. She also spent five years in El Salvador as a technical advisor for PAHO/WHO, developing local health systems, and two years as a project manager in Bangladesh, focusing on maternal and child health.

Dr Wijnroks earned a medical degree from Maastricht University in The Netherlands and a degree in tropical health and medicine from the Institute of Tropical Medicine in Antwerp, Belgium.

With respect to the new search for a permanent E.D., Seth Faison, Director of Communications at the Fund, told Aidspan that “the Board of the Global Fund is continuing its search for a new executive director, and will decide on all aspects of the process including a timeline.”

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### **3. NEWS: Global Fund-supported programs suspended amid Tanzanian government crackdown on LGBT community**

*As the government revises guidelines for services to key populations, HIV prevention and treatment programming for MSM put on hold*

Andrew Green

14 March 2017

The Tanzanian government's decision to revise guidelines for HIV services to key and vulnerable populations has forced a Global Fund principal recipient (PR), Save the Children, to suspend two prevention and treatment programs for people from those communities, according to a Fund official. The revision of the guidelines is seen as part of a broader crackdown on the country's LGBT community that began with a ban on lubricants and has included threats to suspend an organization over allegations that it promoted homosexuality, and arrests of people from the LGBT community.

Health activists are concerned the crackdown will undermine the country's HIV response. They view the suspended Global Fund programs as an example of how this is already happening.

Tanzania's Ministry of Health announced it was revising the guidelines in October 2016. In [a statement](#) explaining the decision, Health Minister Umy Mwalimu said her department would continue to collaborate with international partners implementing HIV programming in line with internationally accepted recommendations, but cautioned that "these have to be adapted to the Tanzanian context through consultations with stakeholders to ensure that they are in accordance to the countries' laws, customs and traditions." That was read as a specific warning to providers offering services for men who have sex with men (MSM), one of the country's key populations.

The reasons for the crackdown are unclear, especially since the Ministry has supported efforts to reduce HIV transmission and provide services to key populations in the past, including MSM.

In the wake of Ms Mwalimu's announcement, though, Tatjana Peterson, the Fund Portfolio Manager for Tanzania, confirmed the suspension of the two programs in an email to Aidspace. The programs were part of a [\\$13 million grant](#) to scale up HIV and TB services in Tanzania, which became active in July 2015 and is scheduled to run through December 2017.

According to the grant agreement, the planned activities included HIV testing and counseling for MSM and transgender people, distributing condoms and lubricants, and diagnosing and treating sexually transmitted infections.

"The Global Fund is deeply concerned about any action that would reduce access to health services for people in need," Ms Peterson wrote. "We will need to continue to work with the government of Tanzania as we strive to see that access to health services for key populations affected by HIV is maintained."

Ms Peterson said the Global Fund has been in contact with the government on the issue and remains “hopeful that a solution to ensure continued access to health services for key populations affected by HIV will be found.”

Officials with Save the Children in Tanzania did not respond to a request for comment.

Aside from the grant to Save the Children, the Global Fund lists three additional active HIV grants in Tanzania. The country's Ministry of Finance is the principal recipient for two of them, totaling more than \$831 million. A third, run by Population Services International, is focused on condom procurement. Though still listed as active on the Global Fund website, Ms Peterson said grant-supported programs officially ended in December 2016.

The adult HIV prevalence rate in Tanzania is 4.7%, according to [UNAIDS](#), and an estimated 1.4 million people were living with the disease as of 2015. The rate is much higher among key populations, according to the most recent [government statistics](#). Prevalence among MSM is estimated to be 22.2%.

A key government policy document, the [Multi-Sectoral Strategic Framework for HIV and AIDS](#), acknowledged that HIV transmission rates among key populations “are not being adequately controlled” and said, “strong political and government commitment and leadership will also be needed to increase demand among Tanzania’s underserved and key populations.”

Instead, activists for health and LGBT rights said recent government activities are reducing HIV services for key populations and making it less likely members of those communities will access them where they do exist. UNAIDS officials in Tanzania told Aidspan that partners implementing programs for key populations have reported a “significant decrease” over the past several months in the number of people from those communities taking advantage of their outreach efforts or attending facility-based services.

Though Ms Mwalimu’s announcement is the most high-profile development, health activists said the first incident came in July 2016 when the Ministry of Health banned lubricants and threatened to de-register projects that continued to distribute them.

UNAIDS [has recommended](#) that to reduce transmission of HIV water- or silica-based lubricants should be made available along with condoms, and has particularly recommended they be used during anal intercourse. In Tanzania, the Multi-Sectoral Framework also calls for targeted and innovative strategies to increase access to water-based lubricants, alongside male and female condoms.

Ms Peterson said lubricants have been procured as part of Global Fund–supported programs in the past, including under the grant to Population Services International. She said procurement of lubricants has now been stopped.

Following the lubricant ban, the campaign against key populations and the organizations providing services to them became more overt. Community Health Education Services and

Advocacy, a local health service provider, was threatened with deregistration in August for promoting homosexuality, and then had its offices raided weeks later.

In December, the police shut down a meeting of reproductive health providers. Days later, 11 members of the LGBT community living in Zanzibar were arrested, according to reports from a group of health and LGBT rights activists that have been coordinating an emergency response to the government's actions.

And in February 2017, following a new statement from Ms Mwalimu that was supposed to clarify the October announcement, there were local reports that the government was closing 40 drop-in health centers for MSM. In a recent memo, the group of health and LGBT activists said the text, which has only been presented in Swahili, is unclear and they are still awaiting further guidance from the ministry.

The ministerial statement drew a rebuke from the U.S. government. Along with the Global Fund, the President's Emergency Plan for AIDS Relief (PEPFAR) is a leading funder of Tanzania's HIV response. In the 2015 fiscal year, the U.S. bilateral initiative invested \$290 million in HIV programs, according to [its website](#). In an [embassy statement](#), U.S. officials said they had not been consulted on any policy changes and warned that "data clearly shows that the delivery of services for the most at risk populations through community outreach, including drop in/resource centers, is an effective way to reach these populations and to reach other vulnerable and underserved populations."

Ms Peterson said the Global Fund is committed to continuing to work in the country and has already started a dialogue on how best to invest Tanzania's 2017-2019 allocation. The Fund remains "actively engaged with both the state and non-state actors in funding the most impactful interventions and supporting community and health systems," she wrote.

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#### **4. NEWS: Process launched for selection of new Board chair and vice-chair**

*Results will be announced at the Board meeting on 3-4 May*

David Garmaise

14 March 2017

On 1 March 2017, the Global Fund Board formally launched the process for selecting its next chair and vice-chair. The new board leadership is expected to be named at the next Board meeting on 3-4 May 2017, when the terms of current Chair, Norbert Hauser, and the current Vice-Chair, Aida Kurtovic, expire.

The deadline for nominations is 28 March. The nominations will come from the donor and implementer blocs on the Board. It is expected that the implementer bloc will nominate one person for the position of chair, and the donor bloc will nominate one person for the position of vice-chair. This is in keeping with the practice of having the positions alternate every two years between individuals who originate from, and bring the experience of, the implementer

and donor blocs. The current Chair, Mr Hauser, originates from the donor bloc. The current vice-chair, Ms Kurtovic, originates from the implementer bloc.

The implementer and donor blocs are each responsible for designing the process they will follow to come up with a nomination.

While the tradition has been for each bloc to nominate only one person, there is nothing in the terms of reference [TOR] for the positions, or in the instructions for completing the nomination form, that says that the blocs can't nominate more than one person. Each constituency has the right to put forward a name directly to the Ethics and Governance Committee as stipulated in the [Operating Procedures of the Board and Committees](#). If there is more than one nomination from either the implementer bloc or the donor bloc, or both, the Board will need to determine what process will be followed beyond that which is described in this article. That process will likely involve an enhanced role for the EGC.

Once appointed, the new chair and vice-chair act only in the best interest of the Global Fund as a whole. According to the TOR, the chair and vice-chair must not represent any particular bloc, constituency, Board voting group or other stakeholder.

The same date, 28 March, is also the deadline for nominees to provide an up-to-date Declaration of Interest form. This form is used to identify and address actual or potential conflicts of interest.

The additional steps in the selection process are as follows:

- On 28 March, the Office of Board Affairs will review the nominations to ensure that the forms are duly completed and all requested supporting documents have been provided.
- By 31 March, the Ethics and Governance Committee will review the nominated candidates and formally notify the outgoing Board chair and vice-chair.
- On 10 April, the outgoing Board leadership will submit an update on progress and next steps to the Board.
- On 3-4 May, at the Board meeting, the outgoing Board leadership will formally submit the nominated candidates to the Board; the election and appointment processes will be conducted; and the Global Fund will formally announce the appointment of the new chair and vice-chair.

The current selection process is the first time that the above steps are being applied.

Dates are then set for the formal handover from the outgoing to the incoming Board leadership.

The new chair and vice-chair will serve for a two-year term. They will serve in their personal capacities as non-voting members of the Board.

According to the TOR, at the beginning of their terms, the Board chair and vice-chair shall determine between themselves their shared and individual responsibilities to oversee the Board's performance.

The TORs state that the chair and vice-chair “bring to their respective roles broad perspective and accumulated wisdom and experience. As representatives of the Board as a whole, they collaborate with management to achieve the strategic vision of the organization, providing broad guidance and input into management's decision-making to assist in implementation of that vision.”

It may be a challenging two years for the new chair and vice-chair. Right at the start of their terms, they will need to oversee the process for selecting a new executive director. And they may need to deal with fallout from the threats of the U.S. administration to cut development aid.

The constituencies will need to nominate people with good experience and with the capacity to achieve consensus among multiple stakeholders. They will need to choose people who are able to focus on results and who have strong diplomatic skills in order to negotiate with governments – both donors and implementers – to increase resources for health. The new chair and vice-chair will have to start the new replenishment cycle in a challenging funding environment.

*The terms of reference for the Board chair and vice-chair, as adopted at the Board Retreat on 27-28 February 2017, will be posted on the Global Fund website shortly.*

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## **5. NEWS and ANALYSIS: Negotiations to assist Venezuelan NGOs to address humanitarian crisis slow down**

*There have been no public announcements by any of the parties*

Diego Postigo

13 March 2017

More than a month has passed since the exchange of letters between the Global Fund and the Venezuelan Network of Positive People (RVG+ in its Spanish acronym) concerning what Venezuelan civil society describe as “a humanitarian crisis.” Very little has happened in the interim, at least not that we can report publicly. Many of the persons and organizations in Latin America that Aidspan has talked to have been reluctant to comment, even off the record.

In its letter of 2 February to RVG+ (see [GFO article](#)), the Global Fund had offered to “consider any requests for assistance from partners who are leading in the response [i.e. PAHO and UNAIDS] for:

- access to competitive pricing for emergency procurement of commodities which could support a short-term to response with regards to essential commodities for HIV, TB and malaria;
- longer-term support through a multi-country malaria grant to provide support to address the regional consequences of Venezuela's increasing malaria rates; and
- other needs that the Global Fund can provide within our mandate and resources.”

The Global Fund letter seemed to acknowledge that Venezuelan people living with HIV, TB and malaria are in an exceptional situation, worthy of exceptional measures. However, in the period since the letter was sent, no public announcements have been made by any of the parties involved.

A spokesperson for the Global Fund Secretariat told Aidspace that the Fund is waiting for UNAIDS and PAHO to take the lead.

A spokesperson for ACCSI, a Venezuelan NGO, told Aidspace that the health crisis in that country includes a stock-out of over 80 essential medicines, both in public and private health facilities, ranging from the most basic prescriptions to treatment for opportunistic infections such as TB, cancer and others. An article in [The Guardian](#) described an appalling inside view of the health system late last year – hospitals lacking the most basic supplies, leading to patients having even simple treatment postponed or denied; and health indicators such as maternal and child mortality rising to levels unknown to the country for decades. Diphtheria has returned to Venezuela after the country was the first one to eradicate it in the region.

In Venezuela, antiretrovirals (ARVs) have been procured for the past four years through a joint-purchase mechanism provided by PAHO called the “Strategic Fund.” RVG+ told Aidspace that procurement for ARVs for 2017 started in a timely manner in December 2016 but that the process was halted by the newly appointed Minister of Health in January. Should this purchase not go ahead, the country could experience a massive ARV stock-out in the first half of this year.

According to ACCSI, the official explanation for halting the procurement process was a desire by the new Minister to review the legality and transparency of the process. However, there is speculation that macroeconomic considerations could be behind the decision. After oil prices plummeted, the country's economy shrunk dramatically in the last few years (by 5.7% in 2015 and by somewhere in the range of 8%-18.6% in 2016, according to figures allegedly leaked from the Central Bank). Inflation in 2016 was estimated at between 500% and 700%, according to several sources. The budget available for the purchase of medicines and other health commodities might have lost a significant proportion of its value in international currencies, making it impossible to proceed with the procurement process.

Aidspan understands that negotiations are taking place between the Venezuelan government and national and regional offices of UNAIDS and PAHO to determine how to make the best use of the existing mechanisms that the Global Fund offers. However, it appears that other solutions are also being explored. These solutions may involve the following:

- support for the improvement and optimization of treatment guidelines, to ensure a standardization of regimens that would allow the government to purchase the lowest-price quality treatment, reducing the number of different regimens and allowing for large-scale purchases at lower prices;
- the use of international purchase mechanisms provided by the Strategic Fund that could help to significantly reduce the price and increase the availability of treatment for HIV, TB and malaria, as well as other health commodities. These mechanisms should play an important role in a situation [officially declared](#) a “state of economic emergency”; and
- a greater involvement of civil society in the response to HIV, which could improve access to goods and services by people with HIV.

*This is the first GFO article written by Diego Postigo, our new correspondent for Latin America and the Caribbean. Diego can be reach at [diego.postigo@gmail.com](mailto:diego.postigo@gmail.com).*

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## **6. NEWS and ANALYSIS: Proposed cuts to U.S. foreign aid has the development community very worried**

*Will the Global Fund take a hit?*

David Garmaise

13 March 2017

President Donald Trump’s proposal to add \$54 billion to the budget for the military has a lot of people worried, not least the people who work for and care about the Global Fund to Fight AIDS, Tuberculosis and Malaria.

That’s because Mr Trump proposes to offset the increase with steep cuts to foreign assistance programs and the State Department. The U.S. currently spends about \$50 billion a year on these items, compared to about \$600 billion a year on defense. The U.S. contribution to the Global Fund is included in the \$50 billion, as are the budgets for the U.S. President’s Emergency Plan for AIDS Relief (PEPFAR) and the U.S. President’s Malaria Initiative (PMI). In many countries, the Global Fund, PEPFAR and PMI work closely together.

Mr Trump did not say precisely what level of cuts he was seeking in the foreign assistance and the State Department budgets, but officials in his administration said it would be between 30% and 37%. Some observers said that a cut of this magnitude would result in development assistance taking the biggest hit.

President Trump is not expected to send his full budget proposal to the U.S. Congress until May (a draft budget is expected to be released later this month). But his proposals have sent shockwaves through the development community. If there is any good news in this story, it is that Mr Trump's proposals are expected to meet with resistance in Congress.

During the most recent replenishment drive for the Global Fund, the U.S., under the Obama administration, pledged \$4.3 billion for 2017-2019, or \$1.43 billion a year. However, the pledge is subject to Congress approving the expenditure each year. It is an open question whether the President will seek, and whether Congress will approve, \$1.43 billion for the Fund in the fiscal 2018 budget (1 October 2017 to 30 September 2018). If a lesser amount is approved, it could cause severe headaches for the Global Fund.

It should be noted, however, that over the years, successive U.S. presidents and congresses have a tradition of fighting over the content of the budget. It is a given that the budget finally approved by Congress will look different than the one the President submits. In addition, as an [article](#) in *Politico* pointed out, "Ultimately, the budget is separate from the spending process that will fund the various departments and Congress is highly unlikely to go along with most of Trump's request when it is time to fund the government."

On 13 March, as we were preparing to go to press, *Politico* published another [article](#) which said that the State Department budget won't be getting cut as deeply as President Trump initially suggested.

"The budget blueprint expected later this week will still trim funding for both the State Department and the U.S. Agency for International Development next year," *Politico* said "but by less than the 37% initially floated in preliminary documents sent out by the White House in late February."

*Politico* reported that the budget revision is expected to include "staged cuts" spread out over several years, instead of the immediate hit, according to a senior administration official, who said that the White House is giving Secretary of State Rex Tillerson time "to do a deeper analysis on foreign aid."

Tillerson and his top aides are assessing how to restructure the State Department, another person with knowledge of the discussions is quoted as saying, and is willing to take a "significant" cut to the department's budget.

At the same time, *CNN* was [reporting](#) that the White House has instructed the State Department and the U.S. mission to the United Nations to cut their budgets for U.N. programs nearly in half, including U.S. peacekeeping and development assistance.

*CNN* said that the dramatic cuts reflect a desire by the Trump administration to reduce U.S. commitments to international organizations.

However, *CNN* said that Mr Tillerson is being granted some flexibility concerning where the State Department cuts are directed.

“He [Tillerson] said, ‘You give me a number and I will make the cuts,’ ” one senior administration official said. “He doesn't want to be told what to cut.”

## Reaction

Reaction to President Trump’s proposal from many different quarters was swift.

“It would be both foolish and mathematically impossible for President Trump to offset other spending increases by slashing State Department and development budgets, which represent just one percent of all federal spending,” Democratic Sen. Chris Coons of Delaware is quoted as saying in an [article](#) in *Foreign Policy*.

That same article quotes Peter Yeo, president of the Better World Campaign, a non-profit group that supports foreign aid, as saying that “the White House is essentially telling the State Department: Now you’re going to fit into a size 7 shoe, which toe would you like to cut off?”

A group of 120 former generals and other officers [wrote](#) to congressional leadership, as well as to people in the administration, warning that “elevating and strengthening diplomacy and development alongside defense are critical to keeping America safe.”

An [article](#) on the online forum, UN Dispatch, said, “The point is, a massive reduction in foreign aid in order to offset budget increases elsewhere is both numerically impossible and politically unfeasible.”

Writing in a [blog](#) on the Council of Foreign Relations website, Laurie Garrett said:

“For many years, I have warned that what we call global health – along with humanitarianism, climate change mitigation, development, and food programs – was in grave danger. Having hitched their wagons to globalization, broad humanitarian missions – chiefly financed by the U.S. and U.K. governments and U.S. private interests – were overly vulnerable to political change in the United States and United Kingdom.”

In an [article](#) in *The Lancet* on 11 March, Sam Loewenberg wrote that “although Congress is expected to soften Trump's far-reaching cuts, nobody knows by how much. Even small cuts to foreign aid as a percentage of total spending could have major effects because the U.S.A. is such a large contributor in raw dollars.”

Amanda Glassman was one of the few observers to comment specifically on the implications of President Trump’s proposal for the Global Fund. Writing in the global health policy blog on the Center for Global Development website, Ms Glassman said:

“The U.S. contribution – accounting for about one-third of the Global Fund’s resources – is now at risk. While the U.S. Congress may hold the line on some budget cuts, most programs, including PEPFAR, will likely take a haircut, and pressure is likely to build over time. How much will PEPFAR pass on the cuts to the Global Fund?”

Writing in [JAMA](#) on 21 February, Lawrence O. Gostin, said that broad bipartisan support exists for PEPFAR, and successive presidents have supported the Global Fund. “Trump has not signaled diminished support for these programs,” he said, “but international health assistance probably will be flat-lined, possibly reduced. This will maintain the U.S. support for antiretroviral treatment in Africa and elsewhere, but would do little to expand coverage.”

Since 2009, the Kaiser Family Foundation has [polled](#) Americans about how much of the federal budget goes to foreign aid. Though the correct answer is less than 1% – a figure that includes military aid to Israel and Egypt – the average respondent thinks it is about 25%.

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## **7. NEWS: Shadow reports on CCM performance flag issues of oversight and conflict of interest**

*Preliminary results reveal inconsistencies between performance assessments conducted by civil society and the Global Fund*

Gemma Oberth

7 March 2017

[Preliminary results](#) have been released from a civil society shadow reporting initiative on the performance of nine African country coordinating mechanisms (CCMs). The research is being led by the Regional Platform for Communication and Coordination for Anglophone Africa, hosted by the Eastern Africa National Networks of AIDS Service Organizations (EANNASO), in partnership with AIDS Accountability International (AAI) and the CCM Hub at the Global Fund Secretariat in Geneva.

A recent [CCM audit](#) released by the Office of the Inspector General (OIG) found significant weaknesses in how CCMs are managed, and how CCMs coordinate and oversee grants (see [GFO article](#)). In light of the OIG CCM audit, and the enhanced role of CCMs in the funding model, the shadow report initiative responds to the need for a wide range of stakeholders to be empowered to demand improved CCM performance.

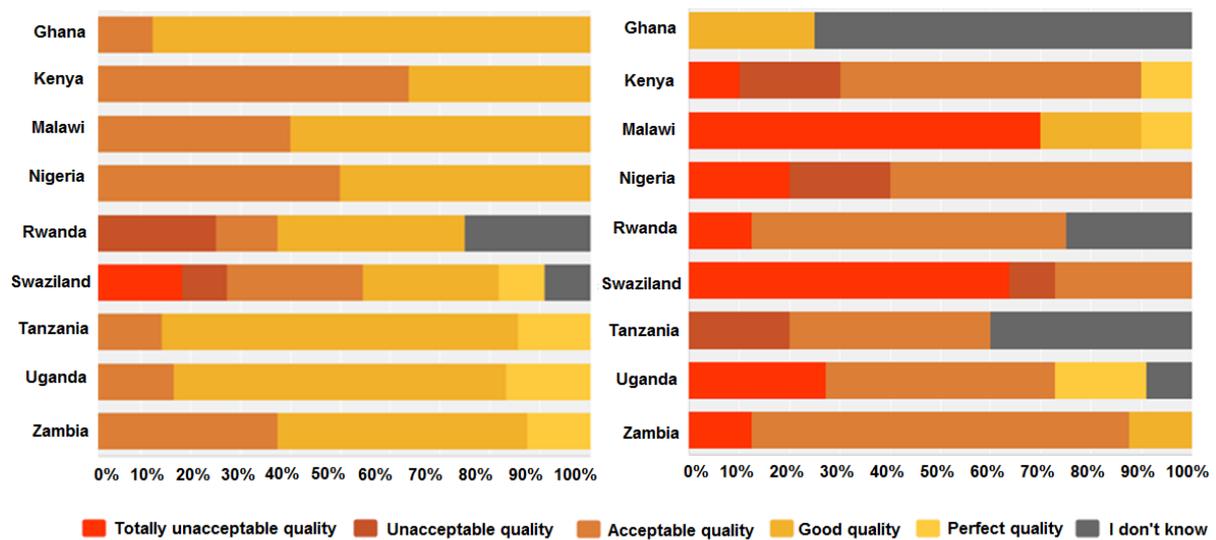
The research was conducted between December 2016 and January 2017 in nine countries: Ghana, Kenya, Malawi, Nigeria, Rwanda, Swaziland, Tanzania, Uganda and Zambia. Research teams made up of local civil society watchdogs developed and implemented a shadow CCM eligibility and performance assessment (EPA) tool, to compare findings with the EPAs conducted by the Global Fund Secretariat. The results will be synthesized into a CCM Scorecard.

[The Global Fund EPA](#) is based on six minimum requirements which all CCMs must meet in order to be eligible for funding: transparent and inclusive funding request development, open and transparent principal recipient selection, oversight planning and implementation, CCM membership of affected communities, processes for electing non-government CCM member and management of conflict of interest. The assessment is conducted through an external evaluation process, after which all CCMs must develop a performance improvement plan

based on the results. The civil society shadow EPA contains many of the same questions, with some additional elements around the quality of representation and participation.

The preliminary results from the shadow reports reveal several stark inconsistencies between civil society and the Global Fund assessments. “The biggest discrepancy was around oversight,” says Phillipa Tucker, Co-Founder and Research and Communications Director at AAI. “Geneva marks country coordinating mechanisms as compliant whereas civil society ranks them a lot lower. The watchdogs also rate CCMs much lower around issues of conflict of interest. Those are the big ones.” The figure below shows the shadow report results on these two issues.

**Figure: Watchdog ratings of oversight (left) and conflict of interest (right) on nine African CCMs**



According to the watchdogs, conflict of interest on the CCM is “dealt” with bureaucratically, but not in a practical sense. They report that good governance is required to manage these conflicts in an open and transparent manner, but in most cases these conflicts are rarely stated and almost never addressed.

But the watchdogs are not always the harsher critic. Tucker notes that when it comes to questions around civil society representation, participation, and accountability to constituencies, the watchdogs mark the CCMs more favourably than Geneva. “In Geneva, there’s an analysis of civil society that’s maybe not as respectful as it should be, or as accurate as it should be,” she said. “They’re quite hard on civil society, and maybe that’s coming through in their assessments.”

Tucker also told Aidspan that there was wide variation in how critical the local watchdogs were of their CCMs. For instance, in Tanzania, the watchdog reports never rated the CCM performance lower than Geneva did. Conversely, in Kenya, Swaziland and Zambia, the watchdogs rated their CCMs far lower than the Global Fund – across all indicators.

According to Prosper Byonanebye, part of the local watchdog team in Uganda, the participatory research design was a significant benefit. “What was supposed to be research

turned out to be a capacity building model,” he said. “Most of the people who are directly affected by the Global Fund resources – who have been kept out of the room – had an opportunity to get in the room and get to know what the Global Fund is all about.”

Olayide Akanni with the Nigerian shadow reporting team also credits the process with building local research capacity. “The research process was quite intensive,” says Akanni. “We had focus group discussions with CCM members, guided by a survey tool of more than 30 questions. Then, we had focus group discussions with non-CCM members, which was a further 28 questions.”

EANNASO, AAI and the CCM Hub have made the [raw data](#) from the shadow assessments public and free to access, encouraging interested parties to perform their own meta-analyses of the information under a creative commons license. The Global Fund’s EPAs are not made public, something which Aidspace has drawn attention to as a gap in the Fund’s commitment to transparency (see [GFO commentary](#)).

“The shadow reports aim to change the way that the analysis of the performance of CCMs is done,” says Tucker. “The Global Fund’s EPA is a rather top-down, box ticking analysis and it doesn’t actually reflect the subtleties and nuances people are experiencing at country level.” As a community monitoring initiative, the civil society shadow reports give depth and contour to the existing CCM performance data.

The final country reports and synthesis scorecard will be presented to the Global Fund in April 2017. “We definitely expect that there’s going to be buy-in into the results,” concludes Tucker.

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## **8. NEWS: Update on AMAs from 2016 audit on grants to Nigeria**

### *Six of seven AMAs completed*

David Garmaise

14 March 2017

A 2016 audit report on grants to Nigeria spelled out seven agreed management actions, or AMAs, which the Secretariat agreed to undertake to address the problems highlighted by the Office of the Inspector General (OIG). Recently, Aidspace received an update on the status of the AMAs from Mark Edington, Head of the Grant Management Division (GMD) and his colleagues.

Nigeria has the world’s largest malaria burden, the highest number of people living with HIV (after South Africa), and has the second highest number of active TB cases. Nigeria has been allocated more money from the Global Fund than any other country – \$1.1 billion in 2014-2016 (of which \$668 million was new funding) and \$661 million for 2017-2019.

In its report on the audit of grants to Nigeria, released on 3 May 2016, the OIG found that despite efforts made by the Secretariat, there were still major deficiencies in the Nigeria portfolio's internal controls, affecting procurement and supply chain management, financial management and program management. The OIG rated performance in all three areas as "ineffective," the lowest of five possible ratings. (See [GFO article](#).)

There was a lot of interest in this audit report. It had been scheduled to be released about four weeks earlier, but when it was circulated to Board members in late March, they had a lot of questions. The discussion continued in the corridors of the Board meeting on 26-27 April (see [GFO article](#)).

In the update on the status of AMAs provided to Aidspan, Mr Edington said that Nigeria "is a pivotal country for ending the three epidemics. Only with success in Nigeria, can the Global Fund hope to deliver on its 2017-2022 Strategy targets." Progress is being made with significant drops in deaths from malaria, HIV and TB since 2000, Mr Edington said. "However, Nigeria is lagging behind in many areas of health, including the three diseases."

Mr Edington's colleagues told Aidspan that the Global Fund has completed a comprehensive transformation of the implementation arrangements for its Nigeria portfolio. "The extent and speed of the changes were difficult, challenging and, as one can expect, created tensions," they said.

The GMD officials provided a summary of the main developments, as follows:

- The Nigeria country team has doubled in size to 19 people and so is now in a position to provide far greater support.
- The Global Fund has signed a grant with the State of Lagos. This is the first time the Fund has awarded a grant at the state level in Nigeria. (See [GFO article](#).) There are plans to use this approach with other high disease burden Nigerian states.
- The responsibilities of the existing principal recipients (PRs) – the National Agency for the Control of AIDS (NACA) and the National Malaria Elimination Program ((NMEP) – have been adjusted to allow them to focus more narrowly on their core mandates; and two new civil society PRs have been selected for the malaria and HIV grants. The new PRs are FHI 360 (a non-profit human development organization) for HIV, and Catholic Relief Services for malaria (the latter is pending Board approval of a grant). The new PRs were selected via a competitive international tender process.
- Supply chain management arrangements for warehousing and distribution have been out-sourced to Chemonics International, a private international development company, thus providing greater assurance with respect to the management of Global Fund-financed health products for malaria and HIV.
- The Risk and Assurance Framework for the grant portfolio has been updated, informed by comprehensive reviews that were completed across three internal control areas: procurement and supply chain management; financial and fiduciary management; and program management. In the process, the terms of reference (TOR) of the Fund's fiduciary agent have been expanded. They now cover the civil society

PRs; they call for enhanced expertise to work with PRs in the prevention, detection and response to potential mismanagement or fraud; and they require improved coordination and alignment between the work and roles of the external auditors, the LFA and the fiscal agent.

In addition, in September 2016, the Minister of Finance formally committed the Government of Nigeria to repay \$5,798,831 to the Global Fund. This is equal to the full recoverable amount determined by the Fund. The amount includes \$971,416 in recoverables identified in the OIG audit; the recoverable amount from a separate OIG investigation into a sub-recipient, the Department of Health Planning, Research & Statistics (report published May 2016; see [GFO article](#)); plus other outstanding amounts due.

Finally, the Global Fund and its partners have conducted joint advocacy with the President of Nigeria concerning the need to improve health outcomes, financing and leadership. There has been a change of leadership in five government agencies, one of which is NACA.

The GMD officials pointed out that the programmatic focus and the mix of interventions financed by the Global Fund in Nigeria were not questioned in the OIG audit. “The priority interventions to fight HIV, TB and malaria remain clear; our collective challenge remains how to optimize the interventions for effectiveness and impact.”

According to the GMD, of the seven AMAs, six have been certified as completed by the OIG. The seventh AMA should be certified complete once the Board approves a grant with the new malaria PR, Catholic Relief Services, expected in March or April of 2017.

In addition to providing a summary of main developments, the GMD provided an update on the implementation of each AMA. Below, we list two AMAs where the response from the GMD provides information that is not covered in the summary. (The AMAs and the responses from GMD have been edited for clarity or space reasons.)

**AMA #3** – The Secretariat (i.e. Grant Management in collaboration with Finance and Risk Management) will conduct a capacity assessment relating to the Government of Nigeria PRs.

**Response from the GMD:** In July 2016, the Secretariat performed a capacity assessment of the two Government of Nigeria PRs (NACA and NMEP). The assessment included the evaluation of the following functional areas: cross-functional structures and planning, coordination, sub-recipient oversight, financial capacity, procurement and supply chain, and M&E capacity.

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**AMA #5** – In conjunction with the Risk Management Department, the Grant Management Division will develop and implement a consolidated risk and assurance plan for the Nigeria portfolio. This plan will at a minimum (a) include a holistic view of the grant objectives and the associated risks to the achievement of those objectives, provide an analysis of the current controls in place, and evaluate the need for

additional controls; (b) detail the current and the desired level of assurance by the country team and outsourced assurance providers to monitor the risks; and (c) rank these risks in terms of materiality (qualitative and quantitative) against the grant objectives.

**Response from the GMD:** The country team completed a consolidated risk and assurance matrix in conjunction with the Risk Management Department. This document was approved by the relevant Secretariat risk owners. For each risk, the matrix shows: risk category; key risks; root cause; mitigation actions; responsible actor; timeline for action – plus assurance activities; responsible actor; and timeline for assurance. The risk matrixes are frequently discussed with implementers and key partners, but are not available online.

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## 9. NEWS: Regional program in EECA to pilot city service model

Tinatin Zardiashvili

13 March 2017

A regional program in Eastern Europe and Central Asia (EECA) will pilot an innovative city service model to combat HIV and TB, with a special focus on key affected populations (KAPs).

The city service model was implemented in Western Europe, the U.S. and Canada as far back as 1986 to address public health issues. The model is based on the assumption that municipalities have an obligation to mobilize resources to deal with high-burden epidemics.

Since 1986, when the city of Bern created safe injection rooms for people who inject drugs, different initiatives have been launched worldwide to emphasize the leadership role of cities in combating public health and social issues. These initiatives include Zero TB Cities, Healthy Cities, City Health International, and Fast-Track Cities.

The [Fast-Track Cities Initiative](#) was launched on World AIDS Day in 2014 in Paris by UNAIDS and other organizations. The initiative is led by mayors and city governments from more than 50 high HIV burden cities around the world, closely engaged with affected communities, civil society, city health officials, clinical and service providers, and other stakeholders. The initiative supports the UNAIDS 90-90-90 targets. The city mayors signed the [Paris Declaration](#) to End the AIDS Epidemic, agreeing to put their cities on a fast track to ending the AIDS epidemic through a number of commitments, including implementing innovative service delivery programs to address public health issues in areas such as TB, sexual and reproductive health, maternal and child health, gender-based violence and non-communicable diseases.

The regional program – entitled “Fast-Track HIV/TB Responses Among Key Populations in the Cities of Eastern Europe and Central Asia” – is funded by the Global Fund with a \$3.9 million grant. The principal recipient is the Alliance for Public Health (Ukraine).

Implementing partners are AFEW International, an international NGO based in The Netherlands; Contact Netz/Licit, an international NGO based in Switzerland; and the Stop TB Partnership. The partners will work under technical guidance of the UNAIDS EECA office. The program started in 2017 and will continue for three years.

For the pilot project, the regional program selected five cities – Almaty (Kazakhstan), Beltsi (Moldova), Odesa (Ukraine), Sofia (Bulgaria) and Tbilisi (Georgia) – based on disease burden; the potential and commitment of municipalities to contribute local resources; and the feasibility of effective implementation of the pilot project. The cities of Bern and Amsterdam, who have already developed city models, will serve as partner cities for the pilot project, sharing experiences with their EECA colleagues.

(The city models implemented by Bern and Amsterdam have focused on needle exchange, opioid substitution therapy, social support, and work with police to create an enabling environment.)

The pilot project aims to reduce AIDS and TB mortality in the targeted cities and to increase the allocation of municipal funding to HIV/TB interventions serving KAPs.

While the model will be tailored to the local context of each of the five cities, the main stages of the model are the same or similar for all five cities: a situational assessment; operational research on the most problematic areas of the response; and development of the city improvement plans. Both the partners and the KAPs will be involved in the assessment phase, and in the implementation of improvement plans. Project activities include advocating for resource allocation for KAPs from the local municipalities; and a proactive knowledge exchange between participating cities. The project has a target of increasing municipal budgets for KAPs by 20%.

Although the project is just rolling out, it has already shown results. On 28 February 2016, the Mayor of Odessa signed the Paris Declaration to End the AIDS Epidemic in the city. By the end of 2017, all five cities will have signed the declaration, explained Tetiana Deshko, Director of International Programs at the Alliance for Public Health (Ukraine).

The city service models are seen as contributing to the sustainability of the national responses to HIV and TB in the EECA. The models, as well as all tools developed by the project, will be fully replicable and adaptable. Therefore, they can be easily modified by other cities and countries. Ms. Deshko said that this is something the project will promote.

“HIV is quite urbanized so if solutions are found in several big cities in a country, we are actually talking about national epidemic control,” Ms Deshko said.

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## **10. NEWS: OIG audit of Mozambique grants reveals weaknesses in implementation and supply chain management**

### *Mozambique is a difficult operating environment*

David Garmaise

13 March 2017

An audit into grants to Mozambique undertaken by the Office of the Inspector General has concluded that both grant implementation arrangements and supply chain controls and assurance mechanisms “need significant improvement.”

“Needs significant improvement” is the second lowest rating in the OIG’s four tier rating scheme. The four tiers are effective; partially effective; needs significant improvement; and ineffective.

A [report](#) on the audit was made public on 10 March.

Mozambique is a difficult operating environment. A low income country, Mozambique ranked 180 out of 188 countries in the 2015 United Nations Development Program human development index report. Transparency International’s 2016 Corruption Perceptions Index ranked Mozambique at 142 out of 176 countries.

Mozambique is currently facing challenges with the depreciation of the local currency and with ongoing conflict in three provinces: Zambezia, Nampula and Sofala. Economic and social conditions have deteriorated. The International Monetary Fund and development partners suspended financial aid to Mozambique in April 2016 as a result of undisclosed debts.

Mozambique has six active grants with a value of \$529 million, of which \$222 million was disbursed to three principal recipients (PRs) as of September 2016. The Ministry of Health (MOH) is the public sector PR and there are two NGO PRs: Fundação para o Desenvolvimento da Comunidade (FDC) and World Vision.

The audit examined the HIV, TB, malaria and health systems strengthening grants administered by the MOH, and the HIV and TB grants administered by FDC, for the period January 2014 to June 2016. The audit did not cover the malaria grant managed by World Vision.

A previous audit of the portfolio in 2012 highlighted weaknesses in the capacity of the MOH and the need to improve the quality of service delivery, procurement efficiency and reliability of data for decision-making. The OIG stated that Mozambique has addressed some of the issues identified in the 2012 audit related to supply chain. However, it said, some capacity weaknesses at the MOH and quality of service delivery issues remain unresolved.

## Grant implementation arrangements

The grants to Mozambique have been successful at increasing coverage. The number of people on antiretroviral treatment increased by over 40% between 2014 and 2016. The TB case notification rate increased by 26% between 2013 and 2015. There is universal confirmation of uncomplicated malaria before treatment. And, finally, a District Health Information System has been rolled out to make data available at all levels.

However, the OIG said, there has not been a commensurate and consistent improvement in the quality of diagnosis and treatment of patients. The OIG attributed this to ineffective oversight, coordination and management.

(The OIG noted that the Secretariat has identified quality of service as a significant issue in the corporate risk register. The Global Fund is currently developing tools to proactively identify and address quality of service issues.)

The OIG said that proficiency testing revealed poor diagnosis of all three diseases. Some providers of HIV testing failed the proficiency testing, which increases the risk of incorrect diagnosis. This means that there is a risk that HIV-positive people may not get treatment and HIV-negative people may be put on treatment unnecessarily.

The OIG said that Mozambique continues to have low retention rates of patients on antiretrovirals and patients receiving multi-drug-resistant TB treatments. Mozambique's retention rates are the lowest in the region.

The OIG said that the country coordination mechanism (CCM) has been strengthened through technical assistance, and that it engages with stakeholders on the development of funding requests. However, the OIG said, the CCM "does not effectively oversee implementation of the grants." For example:

- actions discussed at CCM meetings are not followed up for implementation by the PRs;
- the CCM has not defined the minimum level of information required from the PRs to ensure effective oversight; and
- key members of the CCM, including the MOH, are not actively engaged in the oversight of the grants. The attendance rate by all members, including alternates, for the 12 meetings between 2015 and 2016, was 45%.

According to the OIG, the MOH's project management unit lacks the required technical expertise, managerial capacity and resources to ensure the effective implementation of the grants. The OIG said that this weak implementation capacity contributed to a very low absorption rate: The MOH has only spent 25% (\$3.4 million) of the funds disbursed by the Global Fund since 2013 (\$13.4 million).

The infrequent and inconsistent coordination of ten implementing agencies within the MOH has resulted in delays in key activities, the OIG found. There is also duplication of activities for key affected populations among the various donors.

## Supply chain

About 84% of the Global Fund grants to Mozambique are spent on procurement of medicines and other health products. The procurement of HIV and TB medicines is done, respectively, through the Fund's Pooled Procurement Mechanism and the Global Drug Facility.

The OIG said that the supply chain in Mozambique is able to distribute medicines but that gaps exist in storage, distribution and logistics management systems, which creates inefficiencies.

The OIG said that there is insufficient space in storage rooms, as well as inadequate measures to control the temperature in the rooms. All the warehouses it visited, the OIG said, were overfilled with products, exceeding recommended storage density several fold. The OIG said that the storage conditions would not be able to support planned scale ups, especially the introduction of "test and start" which is expected to increase the volumes of HIV medicines by more than 75%.

Mozambique has improved its logistics management information systems since the last audit, the OIG reported. However, the existing systems used to collect distribution and consumption data have not been effectively integrated to provide reliable information for supply planning. The OIG stated that Mozambique has consistently reported variances between the distribution and consumption data of medicines – variances which are yet to be resolved.

The OIG reported that there are limited in-country mechanisms to routinely monitor the quality of medicines across the supply chain. There are no qualified or certified laboratories in Mozambique to provide quality assurance of procured medicines, the OIG said. The Global Fund has earmarked resources to enable Mozambique to obtain services from qualified laboratories in other countries, but the procurement processes to allow this to happen have yet to be completed.

These quality assurance gaps contributed to stock-outs and expiries across the supply chain, the OIG said.

Accountability and ownership of the supply chain network are split across the administrative levels of the country, resulting in a lack of holistic oversight of the overall supply chain network, the audit found. A supply chain strategy developed by the Ministry of Health to address the above gaps has not been operationalized; activities in the strategy have not been prioritized and costed. Although the Global Fund earmarked \$7.6 million under the health systems strengthening grant to address some of the supply chain challenges, the OIG said, no activities related to this investment have been completed since 2013.

Mozambique experienced delays in the procurement of medicines, the OIG found. In January 2016, the delayed arrival of anti-malaria medicines resulted in a stock out that lasted over a month and a half. The TB program experienced a six-month delay in four shipments due to the lack of agreement between Mozambique and the Global Drug Facility to transport products in pallets.

The OIG said that during the period examined by the audit, the process to procure material non-health products spanned two years. This contributed to the low absorption rate noted above.

The MOH has been unable to effectively mitigate the recent foreign exchange rate risks affecting grant funds disbursed to the country. The Ministry converted \$8 million received from the Global Fund into local currency before grant activities started. Delays in the procurement processes coincided with foreign exchange movements that devalued these converted funds by approximately \$3.9 million.

The OIG found that although the country team at the Secretariat has increased engagement with in-country stakeholders, and although it spotted some of the issues identified in the audit, there was room for improvement in the team's management of agreed actions. The OIG stated that Mozambique has not met some of the agreed actions tied to disbursements, one of which has been outstanding since 2013.

One example of the problem: Mozambique was required to engage treatment adherence supporters to improve antiretroviral retention rates, but has not met this condition since 2015.

Another example: The country team reviews the terms of reference (TORs) developed by the PRs to engage consultants. These reviews go through many iterations since the implementers are unable to prepare the TORs in a way that is acceptable to the Secretariat. One set of TORs had at least six iterations before it was approved by the country team.

#### **Agreed management actions (AMAs)**

See the table for a list of the AMAs the Secretariat committed to as a result of the audit. All AMAs are the responsibility of the Grant Management Division.

**Table of AMAs**

<b>Category</b>	<b>Agreed management action</b>	<b>Target date</b>
Quality of health services	The Secretariat and partners will conduct a national sample-based follow-up study to track and determine the status of lost-to-follow-up cases of people on antiretroviral treatment in selected sites.	31 Dec 2018
	The Secretariat will work with the MOH to support development and implementation of a plan for decentralized and integrated supervision for the three diseases and Health Management Information System (HMIS). This will include direct financial flows to the provinces.	31 Dec 2017
Control and assurance over supply chain	The Secretariat will review the status of implementation of the HSS grant activities, and the status of conditions in disease grants together with the PRs and develop an implementation plan for the remaining duration of the grants.	30 Jun 2017
Implementation arrangements	The Secretariat will work with the CCM, government and partners to engage senior level involvement of government and partners in the CCM.	31 Dec 2017
	The Secretariat will support the MOH to: <ul style="list-style-type: none"> <li>• develop a plan to enhance oversight of grants by senior management;</li> <li>• restructure the PMU, including performance indicators and clear lines of authority; and</li> <li>• strengthen the existing coordination structures between the PRs of TB and HIV grants.</li> </ul>	31 Dec 2017

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## **11. NEWS: OIG investigation reveals small-scale fraud and nepotism involving a sub-recipient of a malaria grant to Cambodia**

David Garmaise

13 March 2017

An investigation by the Office of the Inspector General, initiated in October 2015, has found evidence of small-scale fraudulent payments of per diems as well as nepotism related to field missions billed by a sub-recipient (SR) of a malaria grant to Cambodia, the National Center for Parasitology, Entomology and Malaria Control (CNM). The investigators also found instances of systemic double-billing of donors, conflicts of interests, and inefficient controls to safeguard grant funds.

The investigation was launched following allegations made through the OIG’s reporting hotline and allegations referred by the Secretariat.

The OIG estimates that the fraud amounted to \$3,940. The OIG found that 197 days of per diem payments for training field missions were billed to the Global Fund and another donor simultaneously between 2014 and 2015. The payments involved 21 CNM staff members for

multiple field missions in different locations throughout Cambodia. Several CNM staff went on excessive field missions, sometimes exceeding the number of available days in a given month, and claimed fraudulent per diem payments, which were approved by CNM management.

The OIG found that several family members of CNM staff were recruited without a transparent or independent process. They participated in field missions following approval by the Director of CNM. An analysis of 654 mission orders revealed that between 2014 and 2015 nine out of the sixteen staff with family connections conducted more field missions than the average number conducted across all CNM staff. This provided opportunity for these members of staff to increase their financial gain through per diems associated with conducting field missions. The extent of the nepotism is shown in the table.

**Table: Field mission travel between 1 June 2014 and 30 June 2015 by CNM staff with family connections**

Position/Unit in CCM	Family connection	Total per diem claims	Per diem payments (\$US)
CNM Staff A, Assistant, Epidemiology Unit	Son of the Administration Bureau Chief	250	5,000
CNM Staff C, Chief of the Vector Control Unit	Brother-in-law of the Technical Bureau Chief	224	4,480
CNM Staff D, Deputy Director	Aunt of CNM Staff H and sister-in-law of CNM staff I	146	2,920
CNM Staff H, Assistant, Helminthiasis Unit	Niece of a CNM Deputy Director and daughter of CNM Staff J	142	2,840
CNM Staff B, Driver, Administration Unit	Brother of the Administration Bureau Chief	132	2,640
CNM Staff J, Malaria Specialist	Brother-in-law of a CNM Deputy Director and father of CNM Staff H	127	2,540
CNM Staff I, Officer, Laboratory Unit	Sister-in-law of a CNM Deputy Director	102	2,040
CNM Staff K, Driver, Administration Unit	Nephew of a CNM Deputy Director	96	1,920
The Administration Bureau Chief	Father of CNM Staff A and G, brother of CNM Staff B	95	1,900

In addition, the OIG found that the director of CNM did not effectively delegate financial responsibility, resulting in delays in the approval of expenditures and the subsequent delay or cancellation of some planned anti-malarial activities.

The OIG said that CNM did not implement any anti-malarial activities for five months from July to December 2015 while it delayed signing an SR agreement with the principal recipient (PR), the United Nations Office for Project Services (UNOPS). UNOPS replaced CNM as the PR of Global Fund malaria grants in Cambodia following the previous OIG investigation in 2013. That investigation had led to the suspension of two mosquito nets suppliers, who paid

kickbacks worth over \$400,000 to two CNM officials (the money has since been fully refunded). The five-month delay resulted from CNM's resistance to revised risk mitigation measures, including the verification of travel expenditures, demanded by the Global Fund following the 2013 OIG investigation.

The investigation noted that the Global Fund program experienced substantial delays in disbursing money to the 21 provinces. The failure to disburse funds has directly impacted the planned and budgeted anti-malarial activities and those living in the affected provinces.

The OIG found that the per diem fraud was the result of poor controls to safeguards funds and a lack of oversight. In 2014, UNOPS had limited oversight of CNM financial processes. From 2016 on, this risk was mitigated by the use of a fiscal agent, embedded within CNM, who reviewed, pre-approved and verified all transactions, including travel-related costs and per diems claimed by staff. This has resulted in a significant reduction of administrative staff conducting field missions and of overlapping field missions.

According to the OIG, the fiscal agent works closely with the local fund agent (LFA) to conduct unannounced spot checks of approved CNM field missions. The LFA performs additional verifications during its regular reviews of the Progress Update/Disbursement Request reports. In 2017, the Secretariat will strengthen the LFA's verification of field missions, with increased focus on the quality of training and supervision of field missions as well as attendance of scheduled travellers.

In addition, in mid-2016, the Secretariat began planning with UNOPS to increase its financial oversight of CNM. An improvement plan is under discussion which will allow UNOPS to have an embedded team at CNM to support financial management and accounting. The Secretariat will work closely with UNOPS to prioritize the reprogramming of activities for maximum impact to fight malaria throughout Cambodia.

### **Agreed management actions**

As a result of the OIG investigation, the Global Fund Secretariat will implement several agreed management actions. They include the following:

- the recovery of an appropriate amount based on the findings of the OIG investigation;
- the development of a conflict of interest policy and code of conduct applicable to CNM; and
- the design and implementation by UNOPS of a development plan to enhance oversight and supervision of CNM with respect to planning, controlling and executing training and travel activities; coordinating with major donors in tracking and documenting travel events funded by different donor sources; and facilitating the enhanced verification conducted by the LFA.

The OIG said that while the Secretariat agreed to the UNOPS development plan, "it could not make a commitment as to its actual implementation. Therefore, the OIG cannot be assured of the effectiveness of this plan."

A representative of the Secretariat told Aidspan that “given the low amount of non-compliant expenditures found, together with a reduced LFA budget, the Secretariat determined that it would be proportionate to verify the implementation of the development plan during the normal course of business, rather than through an independent, costly LFA verification.” The representative said that the OIG and the Secretariat have agreed that verification of implementation of the plan will be conducted by the OIG in the first quarter of 2018.

*Information for this article was taken from [GF-OIG-17-004](#), the report of the OIG’s investigation report into the activities of CNM, and from a [summary](#) of the report on the OIG pages of the Global Fund website.*

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## 12. ANNOUNCEMENT: New publications from Friends of the Global Fight

Aidspan staff

13 March 2017

Friends of the Global Fight has released two new publications designed to help make the case to policymakers for robust U.S. support of global health. They are as follows:

- [The Global Fund and U.S. Bilateral Programs: Partnerships with Lifesaving Impact](#), a one-pager that demonstrates how U.S. investment in the Global Fund is a vital element of the U.S. response to HIV, TB and malaria.
- [The Global Fund’s Commitment to Transparency and Risk Management](#), a one-pager that illustrates the ways in which the Global Fund works to be transparent and accountable, and how it manages risk.

Earlier, Friends of the Global Fight published an issues brief, [The Case for U.S. Investment in the Global Fund and Global Health](#), that highlights how the Global Fund is saving millions of lives, and producing economic, security and humanitarian gains for the U.S. in the process (see [GFO article](#)).

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