



Independent observer
of the Global Fund

DELAYED DISBURSEMENTS RELATED TO GLOBAL FUND GRANT THREATEN FUTURE OF SOUTH AFRICA'S TREATMENT ACTION CAMPAIGN

Other implementers are similarly affected

The Treatment Action Campaign (TAC), a sub-recipient (SR) for a Round 6 HIV grant in South Africa, has experienced significant delays in receiving disbursements. TAC says that because of these delays, the organisation is perilously close to having to shut its doors. TAC is known world-wide for its pioneering advocacy work in South Africa on HIV treatment.

The South Africa National Department of Health (NDOH) is the principal recipient (PR) for the HIV grant. Under its contract with the NDOH, TAC was due to receive 6.5 million rand (about \$833,000 at current exchange rates) by the start of July 2011 to cover expenses between then and the end of 2011. TAC has still not received any of this funding.

On 1 January 2012, TAC was due to receive a further disbursement of 2.7 million rand (about \$346,000) to cover expenses for January to March 2012. That funding has also not yet been received, increasing the shortfall to 9.2 million rand (about \$1.2 million).

On 23 November 2011, TAC issued a [statement](#) in which it said that the organisation faced possible closure in January 2012 because of the lack of funds. The statement said that TAC depended on the Global Fund grant for a large portion of its work. TAC said that if the funds were not received by the first week of January, the organisation would be in an unsustainable deficit position by February. "As a grant-

funded organisation we just cannot afford to run a deficit,” TAC said. It added that the delays were primarily due to poor administration by the NDOH.

In response to the TAC statement, the NDOH said that TAC was not in compliance with its contractual obligations. On 25 November 2011, TAC received an email from the NDOH, describing several administrative items that it said TAC had to address before funds could be released. TAC told GFO that that this was the first indication from the NDOH that these administrative issues were holding up the disbursement process; and, further, that TAC understood that all of these issues had been resolved in previous communication with the NDOH. In January 2012, TAC re-confirmed to GFO that all outstanding issues with the NDOH had indeed been resolved, but said that there had been further delays affecting disbursements from the Global Fund to the NDOH.

The situation is complicated (or potentially complicated) by several factors. First, the South Africa CCM submitted an HIV proposal in Round 10, for which the NDOH was nominated as PR. The proposal was approved. In the proposal, the CCM (of which TAC is a member) indicated that it wished to consolidate its Round 10 proposal with its Round 6 grant and its Round 9 grant, both of which were being managed by the NDOH. As a result, a single-stream-of-funding (SSF) agreement was negotiated between the NDOH and the Global Fund. These negotiations took longer than expected; the SSF agreement was not signed until 15 December 2011.

Second, in December 2010, TAC had been the victim of fraud by one of its employees. About \$40,000 of Global Fund money was stolen. TAC was able to recover the stolen funds. The employee was dismissed and accounting procedures were tightened. TAC informed the NDOH, the South African police and the Global Fund of the incident, and also issued a public statement. (See [GFO article](#).)

Third, the Office of the Inspector General conducted a diagnostic review of South African grants in August 2011. However, no findings have yet been published, so we do not know if the diagnostic review was a factor in the delayed disbursements.

While the disbursements were being held up, the NDOH provided TAC with “bridge funding” in the amount of 500,000 rand (about \$64,000). TAC said that this was not enough to keep the organisation from going into a deficit position.

In January 2012, as a result of a contribution received in late 2011 from another donor, TAC said that it had sufficient funds to keep the organisation going until the end of February 2012, but not beyond. In an email to the Global Fund Secretariat sent on 18 January 2012, Nathan Geffen, Treasurer of TAC, said:

“I have dealt with funders for 12 years. The Global Fund has been the most difficult I have had to work with. In our history, no other donor has defaulted on a payment to us. The GF has consistently defaulted its tranches to our Principal Recipient and our current tranche is now in default for more than half-a-year. This is not the way to run an organisation of such profound importance.”

Mr Geffen went on to say that despite promises and offers of assistance from the Global Fund to resolve this situation, TAC has not seen any results. “No doubt you will respond by saying the fault lies with the Principal Recipient or that our contract is with the PR not the GF, but this no longer washes,” Geffen said. “You have implemented an impossibly complicated system that neither you nor your principal recipients are capable of implementing effectively.”

Mr Geffen said that he hoped that the Global Fund would proceed to rectify this situation urgently. “The consequences of failing to do so will be dire for both the South African and global response to AIDS.”

Several times during the last few months, staff from the Global Fund Secretariat have told TAC that disbursements to the NDOH for the newly consolidated SSF agreement were imminent, but, according to

TAC, the disbursements never materialised.

TAC is not the only SR affected by the delays in disbursements. In early February 2012, a group of South African SRs sent a letter to the South African Minister of Health, Dr Aaron Motsoaledi, pleading with him to intervene. In addition to TAC, the signatories of the letter were Community Media Trust, Humana People to People, Mindset, Redpeg, Society for Family Health and Soul City.

In the letter, as [reported](#) in the newspaper The Star, the group told the Minister that the HIV grant funds life-saving programmes that the SRs implement. The group added:

“These payments are late. Some of us have continued to implement our Global Fund-sponsored programmes using reserve funds and other income, but we can no longer continue to do this. The consequence is that our programmes will have to close and many people will have to be retrenched... Each of us has made a great effort to meet the demands of the principal recipient and the Global Fund. It is unfortunate that the Global Fund has failed to make contingency plans and defaulted its payment. The situation is now dire.”

On 7 February, Eyewitness News, a South African news agency, [reported](#) that TAC had already started to lay off staff because of the funding delays. A day later, Eyewitness News [reported](#) that the NDOH said that the delays in funding were “out of its control.” The news agency quoted NDOH spokesperson Fidel Hadebe as saying that the Department was taking the matter very seriously, but that much of the blame lay with the Global Fund Secretariat in Geneva.

As we went to press, GFO learned that NDOH has just received its first Global Fund disbursement since March 2011. TAC informed us that SRs have been told that they may receive some of that money this week. It appears that only about 2.4 million rand (about \$300,000 will go to TAC; this represents 25% of the \$1.2 million that TAC was owed as of the start of 2012. This money is designed to cover human resource costs only; various technical issues are holding up disbursements for programme costs. TAC estimates that it will be at least April 2012 before it receives a disbursement for programme costs.

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