Pointed Lessons from a Regrettable Row

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Read More