



Independent observer  
of the Global Fund

## GLOBAL FUND SUSPENDS ALL UGANDA GRANTS

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

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

Brad Herbert, the Fund’s Chief of Operations, told GFO that the lengthy report by PWC on its investigation in Uganda convinced him that firm actions had to be taken immediately to “protect the assets of the Fund” while alternative arrangements are worked out with the Ugandan government. He said “I’m very hopeful that new arrangements can be put in place in under a month.”

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

The Ugandan government, however, said that the Fund’s action was, in the words of a source close to the

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

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

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

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

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

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

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

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

The head of a large Ugandan NGO said “I would not want my organization to be a Principal Recipient. Being responsible for disbursing money to a hundred NGOs – when many hundreds want it – is very hard, particularly when most of the NGOs are small and are unable to handle the reporting requirements imposed by the Fund or the PMU, and when capacity-building to overcome these weaknesses is not part of the grant.”

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

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

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

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

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

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

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