



Independent observer  
of the Global Fund

## COUNTRIES SHOULD BE ABLE TO EXIT FROM THE GLOBAL FUND ADDITIONAL SAFEGUARD POLICY

The Global Fund to Fight AIDS, Tuberculosis, and Malaria gives grants to more than 100 countries. The Country Coordinating Mechanism (CCM), which comprises representatives of State, civil society, key populations, and other stakeholders usually select Principal Recipients (PRs) to administer these grants. The PRs are implementers, and are generally state institutions like the Ministry of Health or non-state actors like non-governmental organizations. These PRs must demonstrate good financial management and ensure good performance of these programs. However, according to the [Global Fund Operational manual](#), the Secretariat can invoke the Additional Safeguard Policy (ASP) to “address material issues that arise when program implementers (such as PRs and Sub-Recipients) have demonstrated a lack of capacity or failure to effectively deploy, implement and/or safeguard Global Fund grant funding and assets as a result of factors (such as civil unrest, an influx of displaced persons, governmental instability, and inadequate national program capacity) within and beyond the control of existing implementers in a particular country.” In particular, this policy grants the Global Fund Secretariat the authority to select the PRs and, at times, sub-recipients of the grant. These PRs are often United Nations (UN) agencies or international non-governmental organizations based in Europe or America.

Most of the time, the ASP improves the financial management of the grant. However, according to the Office of the Inspector General (OIG), it often does not strengthen the supply chain. In other words, the ASP is able to prevent staff theft of funds, but commodities from warehouses or health facilities are left vulnerable to theft. In countries where this policy is applied, government and non-state entities are often relegated to the position of sub-recipients of the international agencies chosen by the Secretariat. The local institutions are still in charge of doing the work on the ground like caring for patients, distributing medication, reaching out to key populations, but the PRs are the official decision-makers.

International institutions are not a panacea

In their roles as PRs, international organizations do not always meet the expectations of the Secretariat. In 2019, the OIG of the Global Fund documented embezzlement by [Population Services International \(PSI\) in the Democratic Republic of Congo](#). The OIG also documented breaches in [asset management by the United Nations Development Program](#), the PR in Sudan. In 2020, the Nepalese government accused the international organization and PR “Save the Children,” of overestimating the number of people living with AIDS in order to receive additional resources on their behalf. (These claims have not been independently verified by the Global Fund or any other institution). The OIG has also explained that ASPs are expensive. It calculated that in five countries 57% of the grants are spent on staff costs, overheads, planning and administration costs, leaving only a small proportion for other grant activities.

ASPs often (but not always) bring a sense of financial propriety. However, they do not enable countries to own Global Fund grants. This leads to indifference or even animosity from some stakeholders with regard to Global Fund grants. According to the OIG, these international PRs do not necessarily obtain better program performance.

Partnership and country ownership

In some countries, the Global Fund Secretariat or CCMs face difficulties in getting officials to timeously demonstrate co-financing expenditure or fiscal exemption, which is necessary for good grant performance.

These challenges sometimes occur as a result of the ASP because only a small proportion of the grant, in the form of activities and their funding, is evident in the country. The following calculations use rounded off figures from official documents and are based on the total allocation and not expenditures. The largest proportion of grants, at least 60%, is used to purchase commodities like antiretroviral (ARV) medication, mosquito nets, or other medical inputs through the pooled procurement mechanism (PPM) controlled by the Secretariat and are not disbursed to countries. The headquarters of the international organizations receive 7% of the grant as indirect costs, which leaves about 33% of the allocation for all other in-country activities. The human resources, and other operational costs of international organizations absorb about 40% of the remaining amount of the allocation they manage, which corresponds to 12.5% ( $33\% \times 40\%$ ). So roughly, in those countries, about 20.5% of the allocation is left for other activities like prevention, outreach to link people to care, and treatment and care of persons living with HIV or affected by tuberculosis or malaria. This percentage can be even lower if a higher share of the grant goes to commodities or if there are other contractors like fiscal, fiduciary or procurement agents also working on the grants.

Undeniably, the value of health commodities for the three diseases or 20.5% of an allocation that is a grant (and not a loan) is clear. However, many officials perceive this to be far less substantial than the allocation announced by the Secretariat. This makes it difficult to convince them of the importance of the Global Fund contribution and the need for the country to “own” these programs even when it does not manage them.

Exit from ASP

The invocation of the ASP must come with a clear exit strategy linked to a timeline. Several OIG reports have already recommended it: among them are the 2017 audit of the [Grant Management in High-Risk Environments](#) and the review of the grants in West and central Africa. Aidsplan argues that this policy should have a time limit and be lifted gradually. By the end of the cycle during which the ASP was invoked, and provided that conditions are met, the Secretariat should allow countries to choose their PR following a set of predetermined criteria. Both parties can agree on a capacity-building mechanism, other

risk mitigating measures such as the instatement of fiscal and fiduciary agents, as well as more frequent and detailed Local Fund Agent controls. With time, those countries will develop the expertise to manage their grants more effectively.

Currently, the international PRs, fiscal and fiduciary agents rarely build the capacity of local staff or institutions. The Secretariat creates an intrinsic conflict of interest when it contracts institutions to work as PRs, fiscal or fiduciary agents to mitigate risks and build the capacity of people and other institutions who will later take over their work. The capacity building component is then neglected.

The original Board decision adopting [the ASP in 2004](#) specified that these policies should be applied throughout the grant, and not indefinitely, which seems to be the Secretariat's current interpretation. (Aidspan has not found any amendments to the original Board decision).

The Global Fund was innovative in instituting CCMs that give key populations a voice even in countries where their activities are criminalized. The Secretariat should follow the same principle of inclusion and dialogue when working with national, state, and non-state institutions, which over time, should be empowered to manage their country's grants. According to the OIG report on high-risk countries, some countries have been under the ASP for more than a decade. Admittedly, some of these countries are at war and it is difficult and risky to work there; but not all countries under the ASP are at war. Despite their faults, most of those governments run their countries well enough for the international organization's personnel to live and work there.

Aidspan attended meetings where members of CCMs and government officials publicly said that ASP measures were worse than prison terms since unlike convicts, they did not know the length of the sentence or the conditions for early release if applicable. For the ASP, the length of the sentence is unknown. Some countries stated that even when the conditions for withdrawal have been met, the Secretariat is hesitant to lift the ASP.

[The Global Fund grants in Nigeria](#) were in the news recently due to the Secretariat's selection of an international organization other than the local one preferred by the Nigerian CCM. The country is under ASP, which makes such a move possible. The Nigerian civil society and CCM reacted strongly to this and escalated the discussion to the media and the Board. Such exposure to reputational risk could have been avoided if there was a clear exit strategy with a recommended time period that both parties could monitor.

For the sake of transparency, which is one of the principles of the Global Fund, the Global Fund must publish not only the invocation of this policy (as it currently does) but also the exit strategy, its performance indicators, and the time period for which it would apply. The Secretariat and the country must also agree on measures that would make lifting the ASP possible and prevent the recurrence of embezzlement and fraud issues that lead to the application of the ASP in the first place.

#### Further reading

- Board Decision: [Additional Safeguard Policy](#) (GF/B7/7 ) 2004
- Audit Report: [Global Fund Grant Management in High Risk Environments](#) (GF-OIG-17-002) January 2017 Geneva, Switzerland
- Audit report [Global Fund Grants in the Republic of Sudan](#) (GF-OIG-19-010) – 29 April 2019)

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