Global Fund pressures Democratic Republic of Congo, facing an Ebola epidemic, to fulfill its co-financing commitment

The Global Fund has requested the Democratic Republic of Congo to prove that the country has fulfilled its co-financing commitment, or in other words, that the State had spent about $44.6 million on health during the year 2018 as part of a commitment to spend about 98.9 million during this grant cycle, as agreed during grant signing; otherwise the DRC risks losing up to $80 million, representing 15% of the value of the grants. This warning is included in a letter addressed to the then Minister of Health of DRC, dated 16 July 2019, and signed by the Fund Portfolio Manager, extracts of which have been making the rounds on social media.

The Global Fund Observer has obtained that letter and three previous ones from sources who wish to remain anonymous because they are not allowed to speak on behalf of the government of DRC. The three previous letters, dated July 2017, March 2017, and October 2016 contain reminders sent by the Global Fund's Fund Portfolio Manager to successive Ministers of Health requesting that the DRC offer proof of public expenditures on health or lose part of its allocation. GFO also interviewed Nicolas Farcy, the current Global Fund Portfolio Manager for DRC.

DRC: high-impact, fragile state, Challenging Operating Environment

The DRC is a high-impact country for the Global Fund owing to its large population (81 million), and the fact that about 10% of malaria deaths worldwide occur in the country, according to the Office of the Inspector General (OIG) follow-up audit on Global Fund grants to DRC in 2019. The DRC is the third-largest portfolio in the Global Fund (after Nigeria and Tanzania). The total amount signed for its currently active grants is $557,134,547.36. (More details on DRC and the grants are available from the Global Fund website data explorer and in the article on the OIG 2019 audit report published in the GFO).

The DRC is among the ten most fragile states in the world, characterized by weak public services, demographic pressures, the long-standing presence of refugees and internally displaced persons, and weak security. The country is recovering from two decades of intermittent civil war and pockets of instability remain on its Eastern side.

The DRC is a Challenging Operating Environment (COE) where Global Fund grants are under the Additional Safeguard Policy (ASP). The COE policy applies to countries with "weak governance, poor access to health services, and manmade or natural crises." The policy offers flexibilities in the management of the grants, including in emergency situations. The ASP applies to portfolios where a high risk exists that Global Fund monies could be lost "without the use of additional measures" to safeguard them.

Since August 2018, the DRC has faced an Ebola epidemic, which the World Health Organization declared a public health emergency of international concern in July 2019. The epidemic has so far killed more than 2,000 people. The DRC has had to find additional resources to fight Ebola while trying to make good on its previous financial commitments, including those to the Global Fund.

In line with the application of the Global Fund Sustainability, Transition and Co-financing (STC) policy, the DRC has to prove that the State spends on health, from domestic resources, an amount equivalent to at least 5% of the funds received from the Global Fund during the grant implementation cycle (2018-2020); and that 20% of that commitment went towards the three diseases. The GFO has described the uneven application of the co-financing policy, with some countries having more burdensome requirements than others in the same low-income category.

DRC has fully met its co-financing commitment in the previous grant cycle (2015-2017)

For the current and the last Global Fund cycles, the DRC committed most its co-financing to building, renovating and equipping health facilities. A reminder letter dated 26 July 2017 and signed by the Global Fund's portfolio manager stated that the country had documented an expenditure of $7.3 million, representing 26% of its co-financing commitment for the 2015-17 cycle. The portfolio manager, Nicolas Farcy, affirmed that the DRC had fully met its commitment by the end of the grant cycle.

For this current grant, the DRC committed to spending $44.6 million in 2018, distributed as follows: 12% on salaries and hazard allowances to health workers, 7% on general budget support that covers facility running costs, 70% on capital expenditures (medical equipment and other rehabilitation of health facilities facilitated by UNICEF, among others), and 11% on other strategic purchases by the government. The letter from the DRC portfolio manager letter from July 2019 stated that the Global Fund has received no information concerning those commitments.

The Global Fund penalizes countries that do not fulfill their commitment, in part or totally, for "no justifiable reasons." Those countries can lose up to 15% in their current or next funding allocation. When practical, during the current cycle, the co-financing amount can be withheld or future disbursement tied to proof that the country met the requirement. Otherwise, the co-financing incentives are deducted from the next grant cycle.

In 2018, Nigeria lost $170 million of its current allocation for failing to meet its co-financing commitment during the previous cycle (2015-17). Such penalties offer a financial impetus for countries to meet the requirement – though only if countries are spending their funding effectively. Practically, the penalties that reduce the funds needed for activities may be effective only for countries with an absorption rate of 85% or above. But the effectiveness of these penalties may be questionable in countries with lower absorption.

In DRC, the grant was higher than 90% during the 2015-2017 cycle according to the portfolio manager. Assuming the same level of absorption during this cycle, a penalty reducing the grant by 15% may affect health activities funded by the Global Fund in DRC.

Health Accounts can document co-financing on Health

According to the DRC portfolio manager, the Global Fund uses several mechanisms to track co-financing in countries. Those mechanisms are:

1. Disbursement/expenditure against earmarked budget allocations;
2. Funds released for procurement orders;
3. Funds released to implementing agencies;
4. Estimates of expenditure approved by appropriate authorities (Ministry of Finance/ Finance Department of Ministry of Health) along with supporting evidence;
5. Outputs of routine expenditure tracking exercises such as National Health Accounts, National AIDS Spending Assessment, Public Expenditure Review, etc.
6. Evidence of absorption of specified human resources on government payroll;
7. Evidence of implementation of provisions of an agreed sustainability plan;
8. Evidence of implementation of agreed-upon activity such as distribution of drugs, harm reduction interventions, scale up of services, scale up of health infrastructure, conduct of special surveys or training.

In the implementation of the STC policy in DRC, both the country and the Global Fund Secretariat exercised caution by agreeing to direct the country's co-financing towards RSSH. In contrast, in Guinea, even in the aftermath of the Ebola epidemic that destroyed an already weak health system, the country's co-financing portion of its Global Fund grants was designated to buy health commodities during the 2015-2017 cycle. The country failed to procure ARVs in a timely manner, resulting in stock-outs of HIV medications for patients.

In DRC, some recurrent State expenses like health workers' salaries and hazard allowance, and some of the running costs of health facilities count towards its co-financing commitment. (Hazard allowance is compensation received by staff members who work in dangerous conditions and face higher medical risk than other workers). The DRC uses its Health Accounts developed by a department in the Ministry of Health and published annually to document the level, the sources and the beneficiaries of health expenditures in the country. These Health Accounts, produced following the System of Health Accounts 2011 approved by the World Health Organization (WHO), document public expenditures on health both on recurrent elements—e.g. salary of health professionals, maintenance of health facilities— as well as capital expenditure—e.g. equipment for health facilities. The Global Fund's letters addressed to the Ministers of Health refer to the single most important category of expenses, which is the Program for health facility equipment or “ Programme d’Equipement des Structures de Santé (PESS)” in French. Public funds under this program pay for construction and rehabilitation of health facilities and the purchase of small equipment.

Will DRC meet its co-financing commitment during this cycle?

Before the Ebola epidemic, the DRC met its co-financing commitment. While managing the Ebola crisis, it may be that DRC will have difficulties meeting its commitment during this cycle. Our sources in DRC affirmed that the country is finalizing a report that will show that the country met its co-financing commitments in 2018, and is on track for 2019 and 2020, provided that some expenses related to the Ebola epidemic response count towards its co-financing.

It is important to acknowledge that the country faces an array of challenges; which call for the application of the flexibilities envisioned in the STC and COE policies.

Further Reading

- The Global Fund Sustainability, Transition and Co-financing Policy GF/B35/04 – Revision 1 Board Decision
- The Challenging Operating Environments Policy GF/B35/03 Board Decision
- Audit report Global Fund Grants to the Democratic Republic of the Congo (GF-OIG-16-022 2) September 2016 Geneva

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