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of the Global Fund

## DESPITE SERIOUS CONCERNS ABOUT RISK, GLOBAL FUND APPROVES \$316 MILLION IN NEW FUNDING FOR TB/HIV GRANTS TO NIGERIA

Despite serious concerns about operational and systems weaknesses and risks, the Board has approved five TB/HIV grants to Nigeria totaling \$510 million, of which \$316 million is new funding. Board members, alternates and communication focal points were informed of the decision on 14 December. In approving the grants, the Board was acting on the recommendations of its Grant Approval Committee (GAC). Included in the \$510 million award is \$26 million in incentive funding. Additional initiatives valued at \$127 million were placed on the register of unfunded quality demand. See the table for details.

Longstanding weaknesses in the areas of financial, supply-chain, non-health product procurement and grant management have led to fraud and misappropriation of grant funds in the past. Nevertheless, the Fund decided that because of the size of the country, its high disease burden, and the importance of the Nigeria grants in the overall portfolio – Nigeria received the largest allocation of any country (\$1.1 billion) – not to approve the grants, in the words of the GAC, is “not a preferred option at this stage if the Global Fund is to fulfill its mission.”

Table: Funding for Nigeria TB/HIV grants approved by the Global Fund, December 2015 (\$ million)

Grant name	Principal recipient	Approved Funding			Of which, incentive funding
		Existing	New	Total	

NGA-H-SFHNG	Society for Family Health Nigeria	20.3 m	18.3 m		
NGA-H-NACA	National Agency for Control of AIDS	128.0 m	162.8 m		
NGA-H-ARFH	Association of Reproductive and Family Health	8.0 m	NIL	509.7 m	26.3 m
NGA-T-ARFH	Association of Reproductive and Family Health	18.6 m	81.8 m		
NGA-T-IHVN	Institute of Human Virology Nigeria	18.9 m	53.1 m		
Totals		193.8 m	316.0	509.7 m	26.3 m

Discrepancies in totals due to rounding.

The board's decision came with conditions. The Secretariat must recover all outstanding amounts related to a 2011 audit conducted by the Office of the Inspector General. It must also continue to enforce risk-mitigation measures currently in force and enhanced measures planned for the new grants. The last part was a reference to the fact that interim findings from another audit currently being conducted on Nigeria's grants by the OIG have identified additional weaknesses and concerns. The OIG is also investigating allegations of fraud and misappropriation of grant funds by a government sub-recipient.

The Board held back part of Nigeria's TB/HIV allocation so as to preserve flexibility "to address uncertainties and potential needs associated with a differentiated approach" (see below) and additional OIG findings. The Nigeria country coordinating mechanism had applied for the full TB/HIV allocation of \$321 million in new funding. The Board signaled that it may in future recommend further funding from the allocation.

As well, the Board decided that the Secretariat can redistribute among the four principal recipients some of the funding that was awarded. The Technical Review Panel, however, would have to approve redistributions that involve "material change" from the program.

The incentive funding award of \$26 million was conditional on Nigeria matching this amount through domestic contributions at federal or state level. The release of the incentive funds is being held up because no government ministers were in place for the Secretariat to engage with until almost mid-November.

### Risks and challenges in Nigeria

Historically, grants to Nigeria have faced substantial systematic and operational risks and challenges. Key risks identified by the Secretariat include the following:

- grants not achieving targets, including for key indicators such as antiretroviral therapy and TB diagnosis;
- fiduciary risks, including government PRs struggling to oversee countrywide disease responses;
- insufficient capacity to ensure that basic health services are in line with guidance and national standards;
- inadequate monitoring and evaluation, poor data quality, and poor quality of electronic health information systems; and
- systematic weaknesses and risks in procurement and supply chain management systems.

## The OIG's current audit and investigation

It appears that the Secretariat was briefed on the preliminary findings of the current OIG audit and investigation while Nigeria's concept note was in the grant-making stage. The concept note remained in grant-making for a full year, well above the norm.

The Secretariat has frozen all disbursements to the SR under investigation. According to the GAC, the Global Fund will provide no further funding to the affected SR "unless and until actions to establish controls and assure no recurrences are confirmed, including structural changes and robust risk mitigation measures to address the underlying root causes are in place."

Measures already taken in 2015 to respond to the OIG's initial findings include the installation of a fiscal agent to ensure that program funds are spent in strict compliance with Global Fund policies and in line with work plans and budgets; and initiatives to build the financial capacity of the PRs. Additional measures to be implemented in the near future include adjusting the implementation arrangements of supply chain management for the government PRs; and increasing the role of the local fund agent. The Secretariat is also considering fully outsourcing of non-health procurement management.

In its report, the GAC said that "the preliminary OIG findings will have profound ramifications for how the Global Fund works in Nigeria." While the financial management risk is being substantially mitigated by the appointment of a fiscal agent, the GAC said, "more work will be required in understanding the root causes of the identified systemic risks and their resulting effects on the programs and achieving the mission of the Global Fund in Nigeria."

The GAC said that the federal government will need to be persuaded to take action to ensure that its grants are more effectively managed. Recognizing that a standard approach to risk mitigation will not be adequate for Nigeria, the Secretariat and OIG will work with the government and development partners to develop a strategic risk management framework tailored to Nigeria's particular needs. The framework will include laying out a roadmap and milestones for the medium and long term.

Other measures to be implemented in the short term involve adjustments to the implementation arrangements for the grants, including the approach to supply chain management; and the inclusion of strong conditions in the grant agreements (usually referred to as "grant confirmation forms" under the NFM).

The GAC also stressed the need for strengthened safeguards with early warning mechanisms so that the OIG audit is not the only time that the full scale of major risk issues are discussed.

## The epidemiology

The grants will be implemented in Africa's largest country whose 170 million culturally diverse people, half of who live in urban areas, are disproportionately made up of young persons. Nigeria has high burdens of HIV and TB, including multi-drug-resistant TB. Inadequate coverage of both diseases remain a challenge, as do high levels of stigma.

Figures from 2013 cited in the report, show a generalized epidemic that remains high despite a decline in HIV prevalence. ART and prevention of mother-to-child transmission coverage remain low. The country's TB rates remain of concern. The GAC report explained that "given the high prevalence rates of HIV and TB, as well as a growing population, the success of the Nigeria TB/HIV program is essential for global efforts to fight these diseases."

## The new grants

Given the challenges in implementing grants in Nigeria, and the fact that Nigeria is a large federal state, the Global Fund is planning to implement a differentiated approach to grant management processes, one that would see more direct engagement between Fund officers and state level officials. The Secretariat said that the recruitment of state-level fund portfolio managers within the Secretariat was being finalized and Secretariat resources have been strengthened.

The objectives of the program are to reduce new cases of HIV; to improve the quality of life of people infected with and affected by HIV; to improve access to prevention, diagnosis and treatment services for HIV and TB, including drug-resistant TB; and to help restore public confidence in primary health care services.

Among other things, the program will provide HIV prevention services to key populations; scale up prevention of mother-to-child transmission services; and implement activities targeting young women and girls. The GAC said that the new grants will:

- ensure continuity of services for patients on life-saving treatment including ARVs, TB medicines and critical health products for opportunistic infections, and laboratory reagents for clinical monitoring;
- scale up services in high burden states;
- establish new treatment sites and upgrade and strengthen diagnostic centers, including procurement of GeneXpert machines and other laboratory equipment;
- improve early infant diagnosis; and
- invest in building resilient systems for health.

Ambitious TB notification targets have been established to respond to a threefold increase in the estimated disease burden as reported in the 2012 TB prevalence survey.

During the protracted grant-making process, the Secretariat worked with the TB and HIV PRs to incorporate into the program measures to address the historic risks and challenges cited earlier in this article.

Dr Dauda Suleiman Dauda, Acting Chair of the CCM told GFO that the condition attached to the grant regarding the recovery of funds owing from the 2011 audit would be met. Some of the funds have been recovered, he said, and the CCM has approached the federal government to recover the rest using its anti-graft agencies. "We cannot just allow some individuals make the entire country suffer," he said.

Information for this article comes from the December 2015 report of the Secretariat's Grant Approvals Committee to the Board (GF-B34-ER01). This document is not available on the Fund's website.

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