



Independent observer
of the Global Fund

GLOBAL FUND SUSPENDS GRANT TO UKRAINE

At the end of January, the Global Fund suspended payments on a Round 1 HIV grant to Ukraine that was worth \$25 million over the first two years. The Fund had concluded that the grant was poorly managed and far behind schedule. But the Fund also suspected that some of the grant money intended for drug procurement was likely to be inappropriately diverted.

This is the first time that the Fund has halted a grant, but the Fund warned that it will, if necessary, take similar action elsewhere if this is necessary in order to ensure that results promised in a grant agreement are achieved.

There were three Principal Recipients for the Ukraine grant – the Ministry of Health, a charitable organization called the Ukrainian Fund to Fight HIV Infection and AIDS, and the United Nations Development Program (UNDP). The Fund was dissatisfied with the performance of all three, and has just negotiated agreement that an international NGO, the International HIV/AIDS Alliance, a sub-recipient in the previous grant structure, will play the role of Principal Recipient for the next twelve months. The objective of this interim arrangement will be “to give Ukraine the opportunity to address concerns of slow implementation, management and governance issues,” according to the Fund.

“We do not believe the programs can be successful if we stay with the current structure” in Ukraine, said the Fund’s Dr. Feachem when the original arrangement was suspended. “Yet, we do not wish to stop Global Fund funds from flowing. The Ukraine needs the money and needs it now. The issue, therefore, is to secure operations in the short term to ensure that in the medium term we are able to get the program back on track.”

About \$7.5 million had been disbursed to Ukraine by the time the Fund took action at the end of January. Of this, under \$1 million had been spent. The Fund has asked for about \$6 million to be returned. One of

the objectives of the grant was to increase the number of people receiving AIDS treatment from less than 60 to 4,000 within two years.

It is understood that the Fund's staff, and PricewaterhouseCoopers, the Fund's Local Fund Agent (LFA) in Ukraine, had obtained some worrying evidence prior to the Fund's action, but that the significance of this was not appreciated sufficiently quickly by Secretariat staff. What precipitated the Fund's full analysis of this evidence and its rapid suspension of the grant was further information provided to the Fund by two external governmental sources.

The Fund is now evaluating how, in the future, to detect such problems more quickly, and to make them less likely in the first place. One possibility being considered is that reports from the LFA in each country will be sent direct to the Secretariat, and only later shared with the CCM and the Principal Recipient in summary form. Another is that the Secretariat will ask external forensic auditors to analyze data in cases where an initial review of the data suggests that there might be problems.

As pointed out by the Washington Post, "the Fund is in the difficult position of needing to ensure its donations are not wasted while at the same time responding urgently to the AIDS epidemic by getting money to treatment and prevention organizations, many of which are newly created and have no track record." The Fund's Anil Soni was quoted by the Post as saying that the Fund's action is evidence that the system is working as planned. "From Day One, our donors and we said we will have failures. it's the consequence of having a broad portfolio."

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