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## CHAZ to Replace ZNAN as PR for HIV Grants in Zambia; ZNAN No Longer Solvent

Long freeze in disbursements has caused serious problems for CSOs implementing programmes

Former ZNAN staff say they are owed money, appeal to Global Fund Board for help

The Churches Health Association of Zambia (CHAZ) is slated to take over from the Zambia National AIDS Network (ZNAN) as PR for two HIV grants, one from Round 8 and one from Round 10. The change was proposed by the Zambia CCM. Meanwhile, ZNAN is insolvent and has ceased operations.

Disbursements for the Round 8 grant have been frozen for over a year, which means that the sub-recipients (SRs) and others that were implementing programmes under this grant have had to put those programmes on hold. To make matters worse, the transfer to CHAZ may be held up because of the solvency problems at ZNAN.

In this article, we report on (a) the decision to transfer responsibility for the HIV grants from ZNAN to CHAZ; (b) a protest march and petition organised by people living with HIV to express their concerns about the freeze in disbursements; and (c) the solvency problems at ZNAN.

Decision to transfer

ZNAN was one of four PRs criticised by the Global Fund's Office of the Inspector General (OIG) following

an audit of Global Fund grants in Zambia conducted in 2009. The report of the audit was released in October 2010. The audit identified several instances of fraud or misappropriation at the sub-recipient (SR) level in the grants managed by ZNAN, amounting to about \$1.7 million. Of the 21 ZNAN SRs visited by the OIG, six were victims of fraud (by sub-sub-recipients) or had themselves misused grant monies. (See [GFO article](#).)

The other three PRs named in the OIG audit were the Ministry of Health (MOH), the Ministry of Finance and National Planning (MOFNP) and CHAZ. The OIG said that the MOH and the MOFNP were not fit to be PRs. With respect to CHAZ, while the OIG questioned some of CHAZ's management practices and accounting procedures, it did not identify any instances of fraud or misappropriated funds.

At the time of the audit, ZNAN was PR for HIV grants from Rounds 4 and 8, and for a Round 7 TB grant. The Round 4 HIV grant ended shortly after the report of the audit was released. The Round 8 HIV grant and the Round 7 TB grant were not formally suspended by the Global Fund. However, the Fund refused to make any further disbursements for these grants until ZNAN submitted a repayment plan for the \$1.7 million and reimbursed a significant portion of the money.

Subsequent to the audit, two things happened. First, the Global Fund approved a Round 10 HIV grant for which ZNAN was the nominated PR. However, the Fund was not prepared to sign a grant agreement with ZNAN for Round 10 unless the same conditions were met as described above in connection with the disbursements for the Round 8 grant. Second, the Zambia CCM's request for Phase 2 funding for the Round 7 TB grant was rejected by the Global Fund, so that grant was terminated.

The Global Fund Secretariat informed GFO that several country missions took place to resolve the situation with respect to the Rounds 8 and 10 HIV grants. The last such mission was from 3-7 September. At that time, the CCM recommended that CHAZ take over from ZNAN the management of both grants.

The Global Fund Secretariat said that it is now working closely with the CCM and the two PRs to arrange the transfer of responsibility as quickly and as smoothly as possible. Some of the SRs that had been working with ZNAN will be able to sign new agreements with CHAZ, but only if they were not among the SRs where the OIG found that fraud had been committed.

The last disbursement to ZNAN was in December 2010 under a Round 4 HIV grant. There have been no disbursements under the Round 8 HIV grant in over a year – except for some disbursements for life-saving medicines that have been made through another PR.

#### Protest march and petition

It was this long delay in disbursements that prompted a group of 260 people living with HIV to hold a protest march in Lusaka, Zambia on 29 July 2011. The march was organised by several groups, led by the Treatment Advocacy and Literacy Campaign Zambia (TALC Zambia).

The protestors said that the freeze in disbursements had resulted in the collapse of many support groups for persons living with HIV, and of community-based organisations that, as SRs, were dependent on ZNAN money for their project implementation (including peer educators whose allowances were mostly being funded through ZNAN grants).

The protesters presented a petition to the Chair of the CCM and the Director General of the National AIDS Council. The petition said that in order to get funds flowing again, the CCM should persuade the government to bail out ZNAN by paying back the money the OIG said had been misused. (The petition said that the government should deal with ZNAN later to recover the money. It suggested that the government seize all of ZNAN's assets and those of the SRs mentioned in the audit report in order to recoup the repaid funds.)

The petition pointed out that the government had already bailed out the MOH, another of the PRs where the OIG had identified fraud. Finally, the petition said that, in future, the CCM's PR nominations process should be more systematic; and that the CCM should consider mechanisms to strengthen its role and legalise its legitimacy as a body with oversight over grant implementation.

When they presented their petition, the protesters were told about the CCM's attempts to have CHAZ replace ZNAN as PR.

### Solvency problems at ZNAN

GFO has learned that because the Global Fund and other donors have pulled their funding, ZNAN is unable to continue operating. On 31 August 2011, the ZNAN Board terminated all staff contracts. A caretaker team was appointed to oversee the winding down of activities. Because there is no funding, the caretaker team is offering its services on a voluntary basis, and is even paying for its own expenses (e.g., travel, internet).

Although the Global Fund has started the process of closing the ZNAN grants, there appear to be several unresolved issues, including whether the Global Fund and other donors should pay some or all of ZNAN's liabilities related to its grants.

As a result, some creditors have seized vehicles not fully paid for, and former ZNAN staff have gone to court in an effort to secure termination benefits. There are concerns that the court case may delay the process of transferring responsibility for the HIV grants to CHAZ.

In a letter to the NGO and communities delegations on the Global Fund Board dated 22 October 2011, former ZNAN staff said that they have become victims of an impasse between ZNAN and the Global Fund Secretariat. They said,

“From January 2011, no gratuity has been paid to ZNAN staff. Employees stopped receiving their salaries in March 2011 and in cases where these salaries were paid, they were only half salaries... This situation has had a drastic impact on staff as we have lost our source of income and this has affected our livelihood. Some people have been evicted from their homes because of failure to pay rent. Our children have been sent away from school due to non-payment of school fees. Some among us are People living with HIV and AIDS who can no longer afford medication [or] proper nutrition to support our conditions... Management has not given us any assurance on whether and when we will get the money that we have worked for over the years.”

In the letter, the former ZNAN staff asked the delegations to bring their case to the attention of the full Board.

Information for this article was taken from "[PLHIV calls on CCM to appoint new PR for Global Funds in Zambia,](#)" by Dennis Chibuye, 2 August 2011; from "[PLHIV demand for CCM to take action on disbursement of funds to civil society,](#)" by Michael Gwaba, 2 August 2011; from a letter from Charity Siame (on behalf of former ZNAN staff) to the NGO and communities delegations on the Global Fund Board, 22 October 2011 (on file with the author); and from communications with the Global Fund Secretariat. GFO wishes to thank Felix Mwanza of TALC Zambia and Barnabas Chiboboka of ZNAN for their assistance in gathering information for this article.

Editor's Note: The Global Fund Secretariat told GFO that it is seeking full recovery of all funds deemed by the OIG to have been lost in the Zambian grants. Up to 28 September 2011, the Government of Zambia had refunded \$5,635,489 in relation to the grants managed by the MOH and the MOFNP. A further payment of \$1,422,698 with respect to these same grants is expected to be made to the Global Fund shortly. Concerning the grants managed by ZNAN, GFO understands that only minimal amounts have been repaid from SRs to ZNAN, and that none of this money has been returned to the Global Fund.

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