



Independent observer
of the Global Fund

Global Fund Observer

NEWSLETTER

Issue 276: 24 November 2015

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1. NEWS: [Discussion, but no decisions yet on changes to the allocation methodology for 2017-2019](#)

The Strategy, Investment and Impact Committee, the Technical Review Panel, and the Technical Evaluation Reference Group shared their views on the allocations methodology at the Board meeting on 16-17 November. The SIIC will recommend a methodology at its meeting in February 2016, which the Board will be asked to approve in April 2016. Meanwhile, a number of organizations from Eastern Europe and Central Asia sent an open letter to the Board requesting more communication and consultation concerning any planned changes to the allocations methodology.

2. NEWS AND ANALYSIS: [Survey finds African key populations still largely excluded from decision-making, despite NFM promises](#)

Participation by key populations in the applications process is weak, according to a survey conducted by African Men for Sexual Health and Rights, and it is diminishing as countries advance through the different stages.

3. NEWS: [New strategy will allow the Global Fund to play a more active role in shaping markets](#)

The aim of the new market-shaping strategy adopted by the Board is to allow the Fund to play a more active role in shaping market dynamics to increase access to health products. The strategy includes a section on preparing for when countries transition away from Fund support. It also explicitly supports efforts by countries to keep the costs of medicines low, including through generic competition.

4. COMMENTARY: [A policy and a strategy on transitions are urgently required](#)

Countries are transitioning away from the Global Fund, voluntarily or otherwise, in the absence of guidance from the Fund on how the process should unfold. It's time, David Garmaise says, for the Fund to develop a transitions policy and strategy.

5. NEWS: [The challenges of CCM reform in the DRC](#)

A reform of the country coordinating mechanism is taking place in the Democratic Republic of Congo to comply with Global Fund requirements. Among the main achievements of this reform: the size of the CCM was reduced by half, conflict of interest regulations were written, and a system of rotation of members was put in place to prevent them from staying too long in their positions.

6. NEWS: [Progress in assurance and risk management too slow: OIG](#)

According to the Office of the Inspector General, the roll out of the Global Fund's new assurance model requires more buy-in and a bigger push from senior management. In addition, the OIG said that the Fund has failed to tailor its grant implementation arrangements in countries where health services have been devolved to lower levels of government.

7. NEWS: [OIG investigations in 2015 show that misuse of funds occurs most often in procurement, construction and training](#)

In its semi-annual progress report, the Office of the Inspector General said that although putting in place corrective actions on a case-by-case basis has been effective, when funds have been misappropriated, a more systematic approach is needed to prevent similar misconduct in other grants that may have similar vulnerabilities. The progress report includes plans for audits in 2016.

8. NEWS: [Recoveries backlog is being gradually reduced](#)

At 30 June 2015, the amount still to be recovered stemming from fraud or improper use of grant monies identified by the Office of the Inspector General was \$55.1 million, down from \$64.1 million at the end of December 2014.

ARTICLES:

1. NEWS: Discussion, but no decisions yet on changes to the allocation methodology for 2017-2019

Proposed methodology will be developed at the SIIC meeting in February 2016

EECA organizations ask for more communications and consultations

David Garmaise

23 November 2015

The allocation methodology for 2017-2019 was much discussed at the Board meeting on 16-17 November. There were two slots on the agenda devoted to this topic, but the Board was not asked to make any decisions.

Under the rules that enables Aidsplan to attend Board meetings as observers, we are not allowed to report on what is said around the Board table. However, we can report on the contents of the paper on allocation methodology that was provided to the Board for its discussion. The paper, which was called *Allocation Methodology Framework*, was not really a framework, but rather (a) a summary of lessons learned from the methodology that was used for the 2014-2016 allocations; and (b) a description of some of the changes the Strategy, Investment and Impact Committee is considering to the methodology for 2017-2019.

At its meeting in February 2016, the SIIC will recommend an allocation methodology which the Board will be asked to approve at its next meeting on 27-28 April 2016.

Lessons learned

Most of the lessons learned had been identified previously. What follows is a summary of what the paper said about some of these lessons.

- **Country bands.** The way funding was allocated to the bands prevented the Secretariat from re-allocating funding between countries in different bands. This limited the ability to optimize allocations across the portfolio to account, for example, for cases where base funding was insufficient to scale up or even maintain current levels of service coverage. As a result, 11% of the components in Band 1 (i.e. the countries with highest disease burden and lowest economic capacity) had to resort to shortening the duration of their grants in order to maintain or allow for modest increase of services. At the same time, \$162 million that became available during qualitative adjustments were “locked into” Bands 2 and 4, and could not be reallocated to support scale-up in Bands 1 and 3.
- **Adjustment for minimum required level (MRL).** An MRL adjustment was necessary to ensure “a paced reduction” in country components which had previously received higher funding than their “formula-derived amounts” (i.e. the amounts the

allocation formula said they should have received). However, in order to maintain higher-than-formula amounts for some country components, other country components that had previously received less than their formula-derived amounts were not able to fully scale up to their formula-derived amounts. The MRL adjustment resulted in the biggest shift of resources across the portfolio during the allocation process.

The impact was felt disproportionately in 6-10 above- and below-formula countries. The top six above-formula countries (representing nine components) resulted in the movement of approximately \$1 billion across the portfolio away from high burden, below-formula countries.

Despite this, the Secretariat has successfully negotiated a greater than 25% reduction in the allocations for more than 30 above-formula country components, allowing for the reinvestment of these funds in below-formula countries. (The paper did not provide further details.)

- **Band 4 methodology.** Having a separate methodology for Band 4 countries ended up shifting funds away from countries in Bands 1-3. Also, the separate methodology didn't meet the needs of key populations in many of the Band 4 countries. Nor did the approach advance efforts to support sustainability and transition. (The discussion in the paper was far more technical than what we have summarized here, but that's the nature of the allocation methodology – it is exceedingly technical.)
- **Incentive funding, regional programs and special initiatives.** None of these approaches are fully meeting their initial aims. The availability of incentive funding increased expression of demand in some instances, and stimulated some innovative approaches. However, shortfalls in the amount of base funding available for core elements of national program responses often resulted in countries using incentive funding to fund basic services. Feedback received from many countries, and from the Technical Evaluation Reference Group and the Technical Review Panel, indicated that having an incentive funding stream created an overly-burdensome application process, and did not facilitate the predictability of funding. The \$1.2 billion demand for funding for regional programs vastly exceeded the \$200 million set aside for these programs.

Discussions re possible changes and next steps

One section of the paper described some of what the SIIC has been discussing concerning possible changes to the methodology.

Global disease split. The majority of SIIC members do not believe that it is necessary to revise the global disease split that was used for the 2014-2016 allocations (50% HIV, 32% malaria and 18% TB). The discussion at the SIIC focused primarily on the importance of countries having the flexibility to determine the split at a country level; what factors countries should consider; and whether the allocations should be communicated to countries under a single country envelope (as opposed to being broken out by disease or component).

Country bands. So far, there has been no consensus among SIIC members concerning whether country bands should remain part of the allocation methodology. However, there is broad agreement on the need for more flexibility to move funds across the full portfolio during qualitative adjustments.

Indicators for the formula. The SIIC agreed with the recommendations of the technical partners that the HIV indicator remain the same (updated with latest available data); and that the TB indicator be updated to reflect a higher co-efficient for MDR-TB. The paper noted that the malaria burden indicator is still being refined with the technical partners. Finally, the paper noted that the outcomes of the Equitable Access Initiative may be considered if they are available in time. (The Global Fund believes that the allocation methodology must be finalized by the time of the Board meeting on 27-28 April 2016 to ensure that countries are informed of their allocations by November 2016.)

Band 4 methodology. The SIIC discussed several possible approaches, including the possibility that the needs of key populations in higher income countries could be addressed through an approach separate from country allocations.

MRL. The SIIC believes that the goals of the MRL might be met by emphasizing the existing flexibility to negotiate reductions on a country-by-country basis rather than applying a one-size-fits-all formula across the portfolio. In addition, the committee said, the 2014-2016 allocations might be a better benchmark for the MRL calculations than recent disbursement data.

Qualitative adjustments. Discussions at the SIIC have centered around putting more emphasis on impact and utilization of funds as qualitative adjustments.

Incentive funding, regional programs and special initiatives. In its discussions, SIIC members expressed concern regarding any potential increase in top-down initiatives from the Secretariat and warned against “initiativitis.” Some committee members believe that cross-border, multi-country approaches might be the best way to make progress on specific strategic issues. There was also discussion about whether these three approaches could be more strategically addressed through a single “flexible funding” modality driven by country-level needs.

Most people GFO talked to at the Board meeting believed that the most contentious issues to be resolved with respect to the allocation methodology for 2017-2019 are incentive funding, regional funding, the MRL, country bands, and the Band 4 methodology.

Reflections from the TRP and the TERG

In a separate Board paper, the TRP and the TERG provided reflections on the allocations methodology. Both entities said that the methodology used for the 2014-2016 was a big improvement over the approach taken under the rounds-based system and that it should not be radically altered for 2017-2019. However, they identified several aspects of the methodology that could be improved.

In terms of lessons learned, the TRP and the TERG said that the varying quality of national strategic plans made for cumbersome concept notes and a cumbersome review process. They recommended that consideration be given to using multi-component concept notes, and that more use be made of differentiated approaches not just for the applications process but throughout the grant life cycle.

Both the TRP and the TERG believe that incentive funding is not serving its intended purpose and should be revisited. In addition, both entities were of the opinion that a disproportionate amount of time was spent on access to funding compared to grant implementation.

The TRP said that while the concept notes reflected a growing focus on non-discrimination and inclusion of key populations, they did not always contain activities to make this happen and they rarely included monitoring plans. The TRP said that there should be more attention paid in concept notes to expanding advocacy efforts to create an enabling environment for key populations.

The TRP noted that that proposed program split is rarely critically reviewed in counties and seldom includes HSS. It also noted that while there are now many joint TB/HIV concept notes being submitted, the programs are still structurally separate.

For its part, the TERG said that although there have been improvements in data systems, they remain weak and limited in most countries. The TERG recommended that the Global Fund invest now in program reviews, national strategic plan development, and joint assessment of NSPs. It also suggested that the Fund move towards NSP-based grants.

Open letter from EECA countries

Prior to the Board meeting, a number of organizations in Eastern Europe and Central Asia sent an [open letter](#) to Board members that included a section on the allocation methodology. In their letter, the organizations stated that the discussions already underway concerning the resources that will be available for higher-income and lower-disease-burden countries, and the availability of funding through the incentive funding stream, special initiatives and regional programs, “would drastically shift the manner in which the Global Fund allocates its investments.”

The letter said,

“We are very concerned about whether all these significant changes to allocation methodology are being driven by evidence or by politics. It is essential that any modifications of the allocation methodology be made in response to actual gaps and challenges experienced during the first phases of implementation. We don’t think there has been enough time to analyze the challenges, results and lessons learned from NFM implementation to make informed decisions about its re-structuring.”

The letter pointed out that civil society organizations have provided extensive input on these issues during a number of meetings, including the partnership forums. “But we do not know whether and how our recommendations are being reflected in the current decision-making

process,” the letter stated. “We believe that we have a right to know what is being considered and demand involvement in this decision-making process.”

The letter went on to say,

“We ask the Global Fund delegations and Secretariat to become more open about the options being considered for the allocation methodology for the period 2017-2019, to improve communication with civil society partners on that issue, and to organize a public consultative process regarding this issue.”

The Allocation Methodology Framework, Board Document GF-B34-12, should be available shortly at www.theglobalfund.org/en/board/meetings/34. The TERG and TRP Reflections, Board Document GF-B34-09, should be available shortly at the same site.

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2. NEWS AND ANALYSIS: Survey finds African key populations still largely excluded from decision-making, despite NFM promises

Participation diminishes as countries move through the stages of the application process

Gemma Oberth

23 November 2015

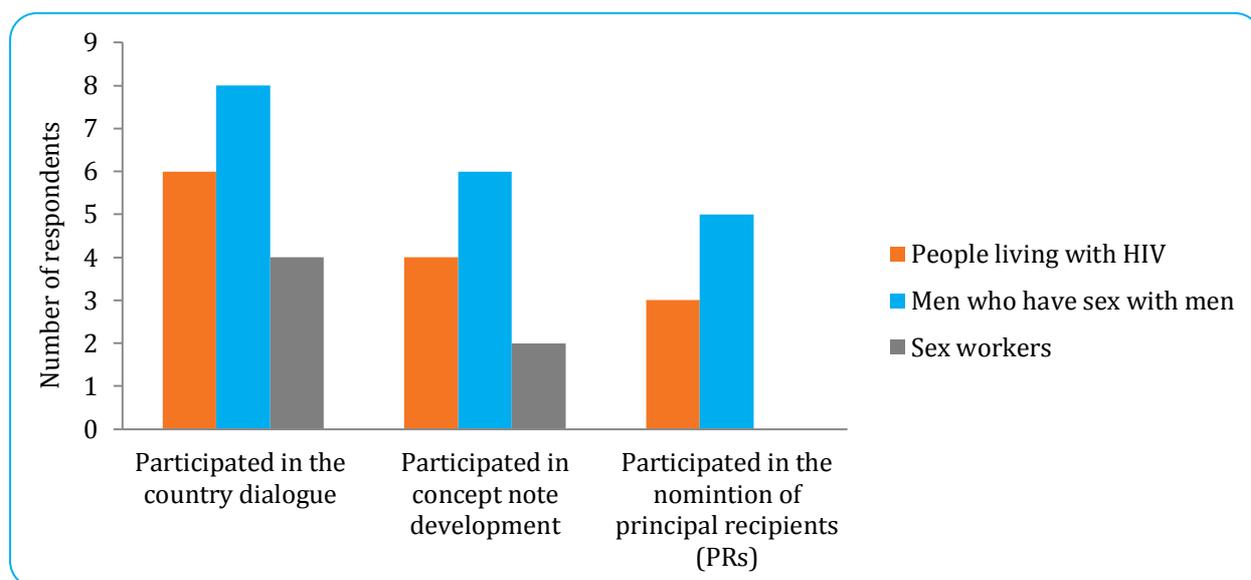
According to a [new report](#), cornerstone principals of the new funding model, such as inclusive country dialogue and meaningful participation, have not translated in practice for key populations in sub-Saharan Africa. Released by [African Men for Sexual Health and Rights](#) (AMSHeR), the report highlights the results of an online survey, profiling the experiences of organizations working with people living with HIV, men who have sex with men, and sex workers in 13 African countries.

The survey asked questions along the continuum of the NFM timeline, interrogating how key populations were able (or unable) to participate in the review of national strategic plans, national priorities setting during country dialogue, concept note development and the selection of principal recipients. Thirty respondents completed the survey.

The findings paint a rather disappointing picture. While [recent research](#) conducted by AidsSpan found that key population representation on African country coordinating mechanisms was improving, AMSHeR’s survey indicates that significant barriers still exist for those sitting outside Global Fund structures.

The results reveal something of a “participation cascade,” where key populations are involved less and less as the country moves through the NFM process. From Figure 1, it is clear that all three key populations are increasingly excluded as the country gets closer to grant implementation.

Figure 1: The participation cascade of key populations through stages of the NFM



A fair number of respondents (60%) indicated that key population organizations had participated in national consultations leading up to concept note development. In some countries, such as Cameroon and Nigeria, groups were able to hold sub-national focus groups for key populations, feeding into national priorities setting. In East Africa, the International HIV/AIDS Alliance supported key populations in Tanzania, Zanzibar, and Uganda to hold similar “pre-meetings” ahead of their national dialogues.

For those who did not participate it was not for lack of knowledge. Almost all (90%) respondents said they knew about Global Fund and NFM processes, with 47% saying that their knowledge was either good or in-depth. But awareness was not enough.

“It took more than just having knowledge to be able to engage with a mechanism that is very complex, that is power imbalanced, and that requires a particular kind of civil society organizing,” said Kene Esom, AMSHeR’s Executive Director. “They thought if they knew what the model was about and they knew what was supposed to go on, that they could march into those spaces and make things happen. They weren’t prepared for the political process and the power imbalance against them.”

Along with being ill-prepared, the main reason given by respondents to explain non-participation in national dialogue was the lack of CCM and government consideration to include them in this conversation. Some respondents indicated that this might be a result of organizations not being legally registered.

While participation in consultations was relatively high, the involvement of key populations in the actual concept note development was significantly less – just 40% of respondents indicated that key population organizations participated in this facet. This may help to explain why 33% of respondents believed that concept notes met very few key populations needs, with 10% indicating they met none at all. This dissatisfaction was proportionally higher for PLHIV groups, with 57% of these respondents expressing that concept notes met few or none of their needs.

One survey respondent, representing a sex worker organization in Tanzania, said that “few key population representatives participated and their number was not enough to be able to argue. So their presence could not result in any change that would meet our needs. It’s rather what had been suggested by the government which was presented at the end.”

The process for PR nomination was the least inclusive aspect of the NFM (so far), according to the report. The majority of respondents believed that the voices of key populations did not count at all (40%) or counted only a little (37%) in nominating PRs. It remains to be seen to what extent key populations will be able to play a watchdog role during grant implementation, or hold implementers and CCMs accountable for results. As AMSHeR’s survey is a preliminary one, they intend to follow-up the results with more in-depth research into key populations’ ability to perform community monitoring of Global Fund activities.

“The NFM delivered hope. There were expectations,” said Esom. To see that it was not as inclusive and open for key populations as it had promised was a big disappointment, he told GFO. So what can be done? “Our sense is that for groups that have been perennially disenfranchised, you don’t just throw them into the mix,” Esom concluded. “You have to take further steps to ensure that the quality that was promised in the process is realized.”

Based on these research findings, AMSHeR is currently in discussion with Global Fund and other partners to explore options for ensuring that key population constituencies are better equipped to engage with the more political dynamics of the process.

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3. NEWS: New strategy will allow the Global Fund to play a more active role in shaping markets

Strategy covers countries transitioning away from Fund support

Supports efforts by countries to keep the costs of medicines low, including by promoting generic competition

David Garmaise

19 November 2015

The Global Fund’s new market-shaping strategy is designed to allow the Fund to play a more active role in shaping market dynamics to increase access to health products. The new strategy, which was adopted by the Board at its meeting on 16-17 November, includes a section on preparing for when countries transition away from Fund support.

According to a paper presented to the Board, past market shaping efforts by the Global Fund and others have had significant impact, particularly in promoting greater availability and affordability for a core set of health products. However, the paper said, there are still market factors that prevent access to affordable, quality-assured products or the introduction and adoption of needed new products. Hence, the need for a new strategy to replace the one adopted in 2011.

The new strategy contains six objectives, as follows:

- to ensure continued availability and affordability of health products;
- to promote consistent quality standards;
- to support efforts to stimulate innovations;
- to accelerate adoption of new and/or cost-effective products;
- to prepare for country transition and long-term market viability; and
- to strengthen key foundational elements for market shaping.

The last objective refers to building the Secretariat's data systems and strengthening partnerships to improve the Fund's ability to shape markets.

The objective on preparing for country transition is new. The Global Fund recognizes that it has a responsibility to ensure that transitioning countries retain access to affordable, quality-assured health products.

The new strategy was developed following a consultative process undertaken by the Secretariat with over 30 technical and development partner organizations, civil society, donors and the private sector, as well as Board constituencies and committees.

According to the paper, in 2013 approximately 45% of the \$3.9 billion disbursed by the Global Fund was used to finance the procurement of health products such as antiretroviral medicines, artemisinin-based combination therapies, long-lasting insecticidal nets, tuberculosis medicines, and diagnostic products.

The strategy will continue to focus on these products where the Global Fund finances large volumes of procurements. However, market-shaping efforts may also include products for which the Fund does not currently finance a significant volume of procurements but where it could be catalytic in bringing a product to scale. This could include, for example, new anti-malarial medicines or vector control products.

The strategy states that the Global Fund supports countries in obtaining products at the lowest cost, including through the use of TRIPS flexibilities, in compliance with national laws and international obligations to protect public health. (TRIPS is an international agreement on trade-related aspects of intellectual property rights.) The strategy also states that the Fund supports efforts to promote generic competition to help reduce costs.

The market-shaping strategy states that the Global Fund will deploy seven tools to help resolve market shortcomings: (a) the price and quality reporting mechanism (PQR); (b) existing quality assurance policies; (c) its pooled procurement mechanism; (d) its revolving fund to support new product introduction; (e) the guidance contained in the Fund's *Guide to Procurement and Supply Management Policies* (including guidance on the legal obligations that apply to health products financed by the Fund); (f) guidance provided to grant recipients by the health product management specialists in the Secretariat; and (g) cost-effectiveness analyses.

The market-shaping strategy includes an implementation plan and a monitoring and evaluation plan.

To implement the strategy, the Secretariat said that it needs incremental resources in the form of six full-time-equivalent positions and a budget of \$3.9 million over six years. This investment will support engagement with in-country stakeholders, an initial procurement capacity-building effort, and studies on market dynamics and country transition; forecasting and data systems; and cost effectiveness analysis and health technology assessment. In approving the strategy, the Global Fund said the necessary funds will be included in each year's operating budget.

In addition, the Secretariat said that a one-time investment of \$10 million is required to continue the existing revolving fund beyond 2016. The Board said that the source for this investment will be confirmed by the Finance and Operational Performance Committee prior to the next allocation period.

A \$2 million revolving fund was approved in 2014. It allows the Secretariat to commit to the purchase of large volumes of new products (to keep the price as low as possible) without the need to tie these orders immediately to grant commitments. The idea is that as orders for these products came in from principal recipients or procurement agents, any monies committed by the revolving fund for these products are "reimbursed." It appears from the Board decision point that the \$2 million revolving fund will be replaced by a \$10 million revolving fund after 2016.

The \$10 million for the revolving fund is not included in the Global Fund's operating budget.

The Market Shaping Strategy, Board Document GF-B34-17 (which includes Annex 1 as a separate paper and Annexes 2-9 as another separate paper) should be available shortly at www.theglobalfund.org/en/board/meetings/34.

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4. COMMENTARY: A policy and a strategy on transitions are urgently required

David Garmaise

24 November 2015

There was no agenda item on transition at the Board meeting on 16-17 November, but the topic was much discussed at the Board table and in the corridors. There were calls for clear strategies on transition, for the development of a transition road map, and for transition to be moved up to the top of the Board agenda. It was noted that there is no key performance indicator on transition.

In his report to the Board, Executive Director Mark Dybul said that "in development work, including global health, there have been a lot exits but not many successful transitions."

It's not as if nothing is happening on transition. Thailand has declared that it will voluntarily transition away from Global Fund support by the end of 2016. Other countries have been

involuntarily transitioning because they became ineligible for Global Fund support as they moved up the income ladder or as the Fund tightened its eligibility criteria.

GFO has learned that when they were given their allocations for 2014-2016, several countries were told that their grants were “transition grants” and so they should plan accordingly.

What’s missing in all this is a policy and a strategy on transitions from the Global Fund. What is the Fund’s role in transition planning? What is the role of the technical partners? How will country stakeholders, including civil society organizations, be involved? When should the planning start? Who should coordinate the process? How much time is required?

What has to happen to ensure that key affected populations, particularly those that are marginalized or even criminalized, aren’t left behind when the Global Fund pulls out of a country? Is the Fund prepared to fund NGOs directly to provide services to KAPs that the government is not providing or refuses to provide? Will the Fund do so even in countries where it is no longer providing any funding to governments?

Will the strategy include persuading governments to fund NGOs directly to provide services to KAPs? What role will the Global Fund play– both before and after the countries become ineligible for Fund support – in advocating for changes in laws that criminalize certain populations?

Aidspan was told that the Secretariat can’t answer these questions yet because it is waiting for guidance on the Fund’s role in transitions from the new 2017-2022 Strategy. The Strategy won’t be approved until the next in-person Board meeting on 27-28 April 2016. Well, everybody knows that transitions will figure prominently in the new Strategy. If you have any doubt about that: “Support sustainable responses for epidemic control and successful transitions” is one of the broad activities in the Strategy Framework adopted at the Board meeting on 16-17 November.

The Secretariat and the Strategy, Investment and Impact Committee should be working on a transition policy and strategy in parallel with the work they are doing on the new Strategy. That way, we can at least have a draft transition policy and strategy ready for the next Board meeting. Extensive consultations should start now.

David Garmaise is the Editor of GFO.

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5. NEWS: The challenges of CCM reform in the DRC

The CCM will be integrated into a national steering committee for health

Stéphanie Braquehais

24 November 2015

In the Democratic Republic of Congo, a reform of the country coordinating mechanism is underway to make it comply with Global Fund requirements and to integrate it into a national steering committee for health, the *Comité National de Pilotage du Secteur de la Santé*.

This reform has been ongoing since the beginning of 2015 and is being implemented by an ad hoc committee consisting of 10 people (including six who have been elected to the new CCM), with the support of an international consultant from France Expertise International.

Conflict of interest

In 2014, a CCM evaluation revealed poor results, a lack of conflict of interest regulations, the inefficiency of the CCM's oversight committee, and problems related to representation. According to the report of the evaluation, out of the 50 people on the CCM, four represented principal recipients, nine sub-recipients, and four sub-SRs.

“Some people had been members of the CCM for more than ten years. They changed the CCM into a small mafia,” a former member of the oversight committee told GFO. “It was far from a health democracy. People were constantly maneuvering to keep their positions.”

First, the reform focused on replacing the Permanent Secretary of the CCM secretariat who was suspected of misappropriation. Even though the Global Fund had already identified the amount of unjustified expenditures, the CCM requested an independent audit not only of the CCM's Global Fund account, but also of the counterpart financing accounts, to determine the amount of unjustified expenditures. According to various sources, the departure of the Permanent Secretary was obtained after arduous negotiations.

Another important achievement of this reform, according to the the Global Fund's fund portfolio manager for the DRC, Nicolas Farcy, was that “the Minister of Health set a good example by deciding to leave his position as the chair of the CCM in order to avoid being in conflict of interest since his programs receive Global Fund grants.” The minister was replaced by a respected personality, the director of the School of Public Health, Dr Emile Okitolonda Wemakoy.

Renewing and downsizing the CCM

Renewing the membership of the CCM, whose numbers were excessive, proved to be a long and delicate process. Its size was reduced by half after the election that was held on 31 July. The CCM went from 50 members to 27 (10 from the public sector, 11 from civil society, four from donors and technical partners, and two from the private sector).

“The elections took place according to the rules. We requested the presence of judicial officers and security forces to prevent any disruption,” said Juma Kariburyo, the consultant

from France Expertise International. “Once the results were announced, we realized that some of the members who had been in the CCM for ten years were still there.”

So, a system of automatic renewal was put in place. After each three-year term, one third of the oldest members are required to leave the CCM. “This one-third renewal maintains institutional memory and at the same time guarantees ‘new blood’,” said Dr Pamphile Lubamba, president of the ad hoc committee.

A system of rotation among the stakeholders enables all sub-sectors to participate in the CCM. Some members will have a permanent seat, such as the Ministry of Health and key donors (U.S. and France). The chair of the CCM will rotate among the public sector, civil society, the private sector, and international partners. At the beginning of each year, a conflict of interest statement will be signed by all CCM members.

Progress... and criticisms

“We now have to evaluate the operational capacity of this new CCM by – among other measures – assessing whether it holds regular general meetings, recruits a new Permanent Secretary, develops a new clear and well defined action plan, undertakes regular field visits (through its oversight committee) and initiates requests for new disbursements,” Juma Kariburyo said.

Nicolas Farcy said that the new CCM has already shown enthusiasm by establishing a new technical committee for the preparation of concept notes. “Thanks to the committee, the CCM can now identify savings in programs and is able to reallocate these resources to where they are most needed.”

In spite of this progress, some people from civil society who are part of the CCM remain skeptical. “The Global Fund has the will to make changes but the political pressure is huge. The long-time members still have a big influence and many CCM members are what we call ‘Yes men’,” one of them said.

The next step of the reform will consist of the integration of the CCM into the *Comité de Pilotage du Secteur de la Santé*. However even this committee has a lot of shortcomings and will have to be reformed first. Among those reforms, observers said, it will be necessary to create an institutional structure to make it function efficiently.

“The reform of the CCM can serve as a model for the *Comité de pilotage*. The integration could happen during the first quarter of 2016,” Juma Kariburyo said.

According to Nicolas Farcy, the priority will be to guarantee that the CCM remains operational and responsive within this larger body and to ensure that key populations and civil society maintain their representation.

6. NEWS: Progress in assurance and risk management too slow: OIG

The OIG says the roll out of new assurance model requires more buy-in and more support from the top

David Garmaise

19 November 2015

According to the Office of the Inspector General, insufficient progress has been made in assurance and risk management.

In its semi-annual progress report to the Board, the OIG said that its audit work has revealed that despite Global Fund investments in this area, assurance measures have had limited effectiveness and are still not being tailored to the country context.

The OIG said that despite having been identified as a corporate priority, the Risk and Assurance Project has not made significant progress. This initiative includes developing assurance plans at the grant level based on risk and capacity assessments; increased reliance on implementer assurance mechanisms; and differentiating the scope and depth of assurance activities based on risk and significance.

The OIG said that pilots initiated to test the new assurance approach in a number of countries have yet to show tangible progress. The OIG believes that progress in this area – including the roll out of the Fund’s new assurance model – depends on several factors: (a) a clear formulation of the vision; (b) strong buy-in and accountability from all key stakeholders (including both the Chief Risk Office and the risk owners); (c) strong project management; and (d) a strong push from the executive level.

(“Risk owners” refers to the staff in the Secretariat that have been given responsibility for managing the different risks.)

The OIG said that the recent country audits in [South Sudan](#), [Ghana](#) and Indonesia have uncovered issues around how risks are identified, assessed, and mitigated by the Secretariat. Although risk management tools have been put in place, the OIG said, more work is required to embed risk management in grant decision-making and, in particular, to identify and record risks consistently to allow country teams to more proactively mitigate portfolio-level risks.

According to the OIG, the application by the Secretariat of the Global Fund operational risk management framework (QUART) for Ghana has had limited effectiveness in identifying strategic risks beyond the core functional areas – particularly funding gaps or sustainability risks. The South Sudan audit found that even for high risk countries (such as those subject to the additional safeguards policy), the QUART risk assessment was not being prepared consistently.

In addition, the OIG said that in countries where health services have been devolved to lower levels of government, its reviews have highlighted a number of weaknesses in grant implementation arrangements that pose unmitigated risks to program effectiveness. In Kenya, where health services have been devolved to the county level, and in Pakistan, where they

have been devolved to the provinces, the OIG found that failure to tailor implementation arrangements gave rise to issues of accountability, sustainability, oversight, and impact.

The OIG's progress report, Board Document GF-B34-06, should be available shortly at www.theglobalfund.org/en/board/meetings/34.

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7. NEWS: OIG investigations in 2015 show that misuse of funds occurs most often in procurement, construction and training

OIG calls for a more systematic approach to prevent misconduct

David Garmaise

19 November 2015

According to the Office of the Inspector General, the main source of misconduct identified this year through its investigations has been activities related to procurement. “Non-competitive tenders, fictitious invoicing and collusion between suppliers and procurement or finance managers have frequently led to fraud,” the OIG said.

This information was contained in the semi-annual progress report prepared by the OIG for the Board.

The OIG said that another source of misconduct concerned building and renovation projects, where collusion between implementers and suppliers resulted in payments being diverted for individual gain. A third source of misconduct involved expense and per diem fraud in training and other events.

The OIG said that although putting in place corrective actions on a case-by-case basis has been effective, a more systematic approach is needed to prevent similar misconduct in other grants that may have similar vulnerabilities.

The OIG reported that to date in 2015, nine allegations have been received related to human rights violations. Three will be investigated further by the OIG; the other six were assessed as not having met the criteria. As a safeguard, the Human Rights Advisory Group now reviews screening outcomes for all human rights-related allegations. In addition, all of the staff of the Investigations Unit and a selection of auditors have received specialist training – provided by Canadian HIV/AIDS Legal Network – to assess and investigate human rights violations.

The OIG has launched a “Speak Out” pilot communications campaign to improve the quality of the information it receives. The target audiences are Secretariat staff and selected external communities. (Over a third of the Secretariat staff asked for more information on what it should report to the OIG.)

In the first phase of the campaign, training for Secretariat staff will be conducted in November and December on different types of fraud and abuse, using real case studies from the OIG archives.

The second phase of the campaign involves reaching out to targeted communities in Ukraine and Côte d'Ivoire (late 2015) and Malawi (early 2016), to promote anti-corruption messages. In Ukraine, the focus will be on disrupting bribes that injecting drug users have to pay to get into harm reduction programs. In Côte d'Ivoire, it will be on interrupting supply chain leakages that lead to free tuberculosis drugs being sold in street markets. In Malawi, it will be on preventing free malaria drugs from being diverted and resold for a profit.

Progress on audits

Of the 10 country audits planned for 2015, three have been finalized with reports published: [Ghana](#), [Pakistan](#) and [South Sudan](#). (The links are to GFO articles. The full reports can be found [here](#).)

By the end of 2015, fieldwork on all audits will be complete and reports will be in their final stages. Other audits in the works are Honduras, Indonesia, Uzbekistan, Tanzania, Nigeria, and Uganda. The audit planned for Chad was cancelled due to heightened security concerns that would significantly limit the OIG's ability to conduct an effective in-country review. The resources freed up by this cancellation were reallocated to the Nigeria review which, based on preliminary planning work performed, the OIG said will require more in-depth analysis.

Of the six internal audits planned for 2015, one has been finalized and a report published: Methodology for the Allocation of Funds (available [here](#).) Additional audits are in the works on grant-making, strategy and impact, country coordinating mechanisms, key performance indicators, and internal controls.

For 2016, audits are planned for eight countries: Cameroon, Côte d'Ivoire, Democratic Republic of Congo, Haiti, India, Malawi, Mozambique, and Zimbabwe. The OIG said that two of the audits would be "high intensity," four "medium intensity," and two "lower intensity." The progress report did not identify which country audits would be in each category.

Five internal audits are planned for 2016. Three are labeled "strategic": risk management, grant management in high-risk environments, and in-country supply chains. Two are labeled "operational": integrity due diligence, and treasury. The audit on integrity due diligence will review the processes and systems by which the Global Fund determines which entities and individuals it does business with and how it this information is used to take critical decisions. The audit on treasury will assess the adequacy, effectiveness and efficiency of the treasury function.

Progress on investigations

As of 31 August, out of the 71 investigations planned for 2015, 32 have been closed and 39 remain active. Twenty-six investigations were closed with closure memos and seven with

published reports: [Egypt](#), [Kazakhstan](#), Yemen, Guinea, Tajikistan, Nigeria and [Ukraine](#). (The links are to GFO articles. The OIG reports for all seven investigations can be found [here](#).)

In addition, the OIG has published reports on [Timor Leste](#) and [Burkina Faso](#), from investigations initiated prior to 2015. (The full reports can be found [here](#).) Before the end of the year, additional reports are scheduled to be published on investigations in Angola and Panama, two investigations in Guyana and a second investigation in Nigeria.

To date in 2015, it has taken on average 461 days to complete an investigation with a closure memo and 486 days for an investigation resulting in a published report. The OIG plans to reduce these times for its 2016 investigations.

As of 31 August 2015, the OIG had received 125 reports of fraud and abuse through its whistle-blowing channels: an increase of 28% compared with the same period in 2014. After screening, the OIG decided to open 51 new investigations. There have been 12 field missions, with five more planned to start before the end of this year.

For 2016, the workload of the Investigations Unit will be based on investigations carried over from 2015 and new allegations received and screened in.

Other items

The OIG said that assurance and risk management have not received sufficient attention (see separate article in this issue. The OIG also said that the recoveries process has been very slow. See separate article on recoveries in this issue for more information.

In its progress report, the OIG said that it has substantially reduced its backlog of pending agreed management actions (AMAs) reported as implemented and awaiting OIG validation and closure. However, it added, progress on the Secretariat side has slowed down after the headway made in the Spring. (See [GFO article](#) on AMAs.)

Finally, the OIG reported on the results of a “customer satisfaction” survey it conducted. While most people say they are generally satisfied with the OIG reports, there has been criticism about (a) lack of specificity in some instances and (b) the over-use of jargon and technical terms.

The OIG’s progress report, Board Document GF-B34-06, should be available shortly at www.theglobalfund.org/en/board/meetings/34.

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8. NEWS: Recoveries backlog is being gradually reduced

Amount still to be recovered as of 30 June was \$55.1 million

David Garmaise

19 November 2015

The Global Fund continues to make progress – slowly – in recovering amounts owing due to fraud or improper use of grant monies based on reports by the Office of the Inspector General. From the inception of the Fund to 30 June 2015, \$39.9 million has been recovered, compared to \$34.4 million six months ago and \$29.2 million a year ago. As of 30 June 2015, the amount still to be recovered was \$55.1 million, down from \$64.1 million at the end of December 2014.

This information was contained in the recoveries report for the six-month period ending 30 June 2015 prepared by the Secretariat and presented to the Board at its meeting on 16-17 November.

During this period, for the first time, two cases were resolved by reducing allocations. (In January 2015, the Secretariat's Management Executive Committee approved a reduction of the country allocation by a factor of 2:1 as a "last-resort" approach to the resolution of difficult cases.)

The allocation for Bangladesh was reduced by \$4.2 million, twice the amount deemed recoverable following a 2012 investigation by the OIG into misappropriation of funds by a sub-recipient for an HIV grant. The Secretariat said that its country team for Bangladesh and senior management had engaged in extensive negotiations with the government of Bangladesh attempting to recover the amount, but that none of the efforts produced any results. The \$4.2 million cut in the allocation will be returned to a general pool for potential reinvestment in other countries.

Similarly, the allocation for Guatemala was reduced by \$3.2 million, twice the amount deemed recoverable following a March 2013 audit into that country's grants, after all other recovery efforts failed. The \$3.2 million will also be returned to the general pool.

Since 30 June 2015, the end of the period covered by the recoveries report, the Global Fund has reduced the allocation in a third country: Nigeria, by \$5.3 million (see [GFO article](#)).

Since the OIG began reporting losses, there have been 62 cases, of which 24 have been fully resolved. The number of open cases as of 30 June stood at 38, down four from the previous period. During the period covered by this report, five new cases based on OIG reports were added while nine cases were fully resolved and closed.

The table below, based on information in the recoveries report, provides an overview of all OIG-related recoveries.

Table: Status of OIG-related recoveries as of 30 June 2015 (\$ 000s)

		Cases still open (38)	Cases fully resolved (24)	Total
OIG-reported figures	Misappropriated	27,540	3,250	30,790
	Unsupported	31,918	19,794	51,712
	Ineligible	21,837	16,210	38,047
	Other	3,315	3,028	6,343
	Total	84,610	42,282	126,892
Management adjustments		(14,885)	(9,544)	(24,429)
Gross amount deemed recoverable		69,725	32,738	102,463
Written off		(9)	(3,738)	(3,747)
Allocation reduction		(207)	(3,477)	(3,684)
Recovered		(14,383)	(25,523)	(39,906)
Amount still to recover		55,126	0	55,126
Commitment to repay		(10,848)	0	(10,848)
Balance outstanding		44,278	0	44,278

According to the recoveries report, there are very few “legacy” (i.e. pre-2014) cases remaining. The legacy cases are very time-consuming. Cases reported since 1 January 2014 are moving much more quickly thanks to the new process adopted in 2014 for determining recoverable amounts and pursuing the actual recoveries. (The report includes a description of this process.)

Further progress is expected in the period ending 31 December 2015 thanks to several steps that have been taken, including the hiring of a full-time recoveries officer in the Secretariat, and the development of action plans and targets for each case in 2015.

According to this recoveries report, the next report (covering the six months ending 31 December 2015) will include recoveries identified in the normal course of grant management (i.e. not originating from OIG audits and investigations). The next report will also contain a definition of “financial loss” which is something the OIG suggested the Recoveries Committee develop.

In its semi-annual progress report, also presented to the Board at its meeting on 16-17 November, the OIG noted that the recovery process has been slow, and that the processes to operationalize the methodology regarding recoverable amounts identified by the Secretariat itself are still being developed.

The Recoveries Report for the Period Ending 30 June 2015, Board Document GF-B34-20, should be available shortly at www.theglobalfund.org/en/board/meetings/34. The OIG’s progress report, Board Document GF-B34-06, should also be available shortly on the same site.

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