

Archive PDF

Message from the Executive Director - High-Risk Environments

23 January 2017

Many of the world's high-risk environments suffer devastatingly high levels of disease and poverty, and it is critically important for the Global Fund to support prevention and treatment programs to protect families from AIDS, tuberculosis and malaria, where millions of lives are at stake.

High-risk environments, by definition, are challenging places to deliver health services. Yet the health imperatives in these countries mean that the greatest risk is failing to deliver essential services, and that has to be carefully managed with other financial risks. The Global Fund employs strict financial and procurement controls and monitoring, with mechanisms specifically suited to working in high-risk countries and challenging operating environments, to support health services despite all obstacles. We do not have the option of backing away. We have to engage.

In high-risk environments, strict measures to mitigate financial risk - like installing a fiscal agent - requires additional cost and processes. Other factors contribute to additional costs as well, such as paying the salaries of health care providers, a necessary expense for program delivery in high-risk countries. While technically counted as "overhead," which may make it sound optional, those costs are absolutely essential. The Ebola crisis and other disease outbreaks have highlighted how critical it is to build health care worker capacity in high-risk environments.

This audit reviewed the adequacy and effectiveness of measures instituted by the Global Fund to manage grants in 47 high-risk countries, and it points to significant progress in recent years that has saved millions of lives. In these high-risk countries, programs supported by the Global Fund have provided 5 million people with antiretroviral therapy for HIV, over 400 million mosquito nets to protect families from malaria, and have tested and treated 8 million people for tuberculosis.

Much of that progress comes from improvements suggested by the Board of the Global Fund on managing risk, including guidance to strengthen fiduciary controls, as well as this year's Prioritized Action Plan to Accelerate Management for Impact.

Progress has also come from suggestions in audits and investigations by the Office of the Inspector General, an integral and important part of risk management and controls, to complement the Global Fund's active risk management and controls. Findings and recommendations from audits and investigations have been used to strengthen Global Fund mechanisms to improve the effectiveness and accountability of the Global Fund's work.

The audit also includes concerns about limitations in existing systems and tools to enable proactive identification and assessment of emerging threats. The cost effectiveness of grants in high-risk environments, and the quality of fiduciary services in high-risk environments, are issues that merit continued scrutiny and consideration. Costs are more significant in high-risk environments, and implementing an Additional Safeguard Policy, or installing Fiscal Agents and Procurement Agents, all increase costs.

The audit points to five countries where aggregate staff costs, staff costs, overheads, planning and administration climbed to 57 percent of their grants. However, factoring in improvements that have been already made to better measure and manage costs under the latest grants, the cost for those countries is now estimated based on budgeted amounts to decrease to only 23 percent of grant funds for the period ending in 2019.

In all cases, the Global Fund has zero tolerance for corruption or fraud, and conducts robust audits and investigations. When an investigation identifies misspent funds, the Global Fund pursues recovery, so that no donor money is lost. The publication of all OIG reports demonstrates the Global Fund's strong commitment to transparency and accountability.

The Global Fund is constantly strengthening its systems to improve the effectiveness and accountability of our work. In addition to regular risk assessments, and in response to the recommendations from this audit report, the Global Fund is implementing additional measures to mitigate risk and improve effectiveness in high-risk environments, such as:

- The Global Fund is implementing a new Challenging Operating Environment Policy, which focuses more sharply on fragile states and regions and calls for more stringent risk assessments and controls and more rigorous risk assessments to identify emerging threats. The Global Fund issued a related Operational Policy Note to support grant management activities in those environments; and guidance for contingency planning for countries facing crisis and emergencies.
- The Global Fund is developing a system to track countries under the Additional Safeguard Policy through our Grant Operational System, and to update the

Operational Policy Note on Additional Safeguard Policy to clarify the processes for regular monitoring and review of countries under the policy.

- The Global Fund is formalizing financial risk management guidelines to outline financial risk management tools and the roles of the fiscal agent; triggers for use of fiscal agents and the process for appointment and removal of fiscal agents; processes for management of conflict of interest in the roles of the fiscal agents; metrics to measure performance of the agents; and centralization of annual performance assessments for fiscal agents.

We value the recommendations on this matter made by the OIG, which further improve our risk management. Thank you for the opportunity to provide context to address the important issues outlined in the OIG report.