Advisory Report

Review of the Global Fund's Additional Safeguard Policy (ASP)

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THE GLOBAL FUND
Office of the Inspector General

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Acronyms

ACB	African Constituency Bureau
ASP	Additional Safeguard Policy
CAT	Capacity Assessment Tool
CCM	Country Coordinating Mechanism
COE	Challenging Operating Environments
CSO	Civil Society Organization
CT	Country Team
ED	Executive Director
EGMC	Executive Grant Management Committee
FPM	Fund Portfolio Manager
GC	Grant Cycle
GF	Global Fund
GMD	Grant Management Division
ICOE	Implementation and Challenging Operating Environments team
INGO	International Non-Governmental Organization
IRM	Integrated Risk Management
LFA	Local Fund Agent
MoH	Ministry of Health
NGO	Non-Governmental organization
OIG	Office of the Inspector General
OPN	Operational Policy Note
PPC	Portfolio Performance Committee
PPM	Pooled Procurement Mechanism
PR	Principal Recipient
PSM	Procurement and Supply Management
PUDR	Progress Update and Disbursement Request
RCP	Restricted Cash Policy
SR	Sub-Recipient
TA	Technical Assistance
UN	United Nations

Executive summary

Context & approach

The Global Fund Board[1] established the Additional Safeguard Policy (ASP) in 2004 as an approach for "alternative funding mechanisms where particular constraints exist about funding the proposed Principal Recipients and sub recipients". The introduction of the policy reflected a proactive approach to safeguarding donor funds and Global Fund grants through stringent oversight and risk mitigation measures.

The application of the ASP implies that the Global Fund can intervene in the selection of program implementers, namely Principal Recipients and sub-recipients, a process normally driven by the Country Coordinating Mechanism (CCM) and Principal Recipients respectively.

As at August 2024, 29 Global Fund portfolios were subject to the ASP.[2] These portfolios spanned five regions, with a greater concentration in Western Central Africa (WCA). In total, this represents over a third of Global Fund investments disbursed in Grant Cycle 6 (GC6).[3] Most countries where the ASP is applied operate in challenging economic and political settings.

In response to inquiries voiced by implementer countries over the last few years, a number of Board Constituencies called for a review of the application and implementation of the ASP.

In this context, the Global Fund's Grant Management Division (GMD) enlisted the support of the Office of the Inspector General (OIG) to conduct an advisory review to provide the Global Fund Secretariat with actionable recommendations to improve the application and implementation of the ASP on a forward-looking basis, enhancing its risk mitigation function while minimizing the potential challenges.

The findings and recommendations described within this advisory are supported by quantitative and qualitative analysis and reflect the voices of over 200 stakeholders interviewed at country and global levels. Seven portfolios (Burundi, Chad, Côte d'Ivoire,[4] Guinea, Nigeria, Pakistan, and South Sudan) were sampled for deep-dive analysis and stakeholder engagement. These portfolios reflect a diversity of regions, rationales for ASP invocation, time spent subject to the ASP and the nature of ASP measures applied.

1 ASP Policy approved by the Global Fund Board in 2004 (GF/B07/DP14)

2 List of portfolios subject to the ASP: Angola, Burkina Faso, Burundi, Central African Republic, Chad, Congo, Democratic Republic of Congo, Djibouti, Guinea, Guinea-Bissau, Haiti, Iran (Islamic Republic), Liberia, Mali, Mauritania, Nepal, Niger, Nigeria, Pakistan, Papua New Guinea, South Sudan, Sudan, Zimbabwe. In addition, 6 non-CCM portfolios are also subject to the ASP

3 Excluding multicountry grants

4 Portfolio no longer on ASP

5 23 CCM portfolios subject to the ASP (out of 29 portfolios in total)

6 Exit criteria have become a requirement as of the 2015 OPN revision, however their communication to countries has never been a requirement

7 For non-CCM portfolios, the communication of ASP exit criteria needs to be decided by the Secretariat on a case-by-case level

8 Board 7th meeting, GF/B7/7 Annex 4

Findings & recommendations

This advisory describes key findings and recommendations across the three principal phases in managing the ASP:

1. Invocation of the ASP status

The Global Fund Secretariat invokes the ASP based on a range of different triggers. Evidence of financial/fiduciary issues and weak capacity of national entities have historically been the most common ones. Flexibility during the process of invoking the ASP for a particular portfolio or disease component is required given that it is a "last resort" risk mitigation measure. The decision is nonetheless based on a comprehensive risk assessment and is made through a robust approval process. Country stakeholders are generally clear on the rationale provided by the Global Fund regarding the invocation of the ASP. However, they often lack an understanding of the implications and path forward. **As at August 2024, the Secretariat has not shared exit criteria with the countries in most cases: only 10 countries out of 23[5] have received exit criteria.[6]** While acknowledging that the communication of the exit criteria is not a requirement of the current version of the OPN, this limits the countries' ability to determine a roadmap to exit and address the most critical risks underlying invocation of the ASP. It also contributes to the perception that the ASP is a permanent measure and impedes an effective monitoring of progress.

Recommendations

- The Global Fund Secretariat should provide countries[7] subject to the ASP with exit criteria and means of verification at the time of invocation – or as soon as possible, if not yet completed at the time of this advisory. Exit criteria should be specific, measurable, and relevant. They should address the risks associated with the ASP rationale, and for factors that are within the control or sphere of influence of the CCM or Principal Recipients. The review of exit criteria and means of verification led by the Secretariat - on-going as at August 2024 - will take into account how the risk landscape has evolved since the initial ASP invocation.
- In line with the decision made by the Board in the Sixth meeting, the ASP should "reflect the humanitarian spirit of the Global Fund and the desire to direct funds quickly and accountably to affected populations".[8] In some cases, there are implementation risks brought by the challenges of structural barriers in countries impacting the ability to access key and vulnerable populations (e.g., presence of punitive laws, policies, and practices). In such contexts, the Secretariat could, when reviewing these risks, assess the effectiveness of the potential application of ASP as a last resort mitigation measure.

2. Implementation of ASP measures

The ASP provides the Global Fund with the ability to lead the selection of implementers. The Global Fund's intervention in the selection of Principal Recipients has varied across portfolios subject to the ASP, and over time for individual portfolios. In the portfolios analyzed, the selection of implementers was led by the Global Fund only at the time of ASP invocation and generally in consultation with the CCM and partner agencies. The CCM typically resumed responsibility for Principal Recipient selection thereafter for subsequent grant cycles.

As a result of changes in implementation arrangements following ASP invocation, in most portfolios, the responsibility to manage Global Fund grants is largely placed on international Principal Recipients. For ASP portfolios, only 29% of total grant expenditures are managed by the Ministry of Health or national entities, compared to 75% in other Global Fund portfolios.[9]

Previously, the ASP "toolkit" also included the application of other risk mitigation measures, particularly on financial management (Fiscal Agents, restricted cash policy).[10] These have been used extensively: 12 out of 29 ASP portfolios have a Fiscal or Fiduciary Agent in place as at June 2024, and a restricted cash policy was applied to, or maintained in, 12 portfolios at the time of ASP invocation.

Altogether, these measures have largely safeguarded Global Fund investments and helped to fulfill the Secretariat's accountability towards donors and beneficiaries in contexts of particularly high risk. The ASP has enabled the continuity of service delivery to program beneficiaries, thereby avoiding the potential disruption that the situations underlying ASP invocation could have caused on programmatic outcomes.

However, **the use of ASP has a cost in terms of national control over Global Fund grants, implementation efficiencies and operating expenses.** In particular, the deployment of international Principal Recipients entails higher indirect costs. In some cases, it also creates a dependency in terms of planning, prioritization, and implementation of program activities, as well as for the management of systems and engagement of local communities. When an international Principal Recipient is appointed, the obligation[11] of the Principal Recipient to cooperate with the CCM is not always met when it comes to regularly discussing plans, systematically sharing information regarding program performance, and communicating program-related matters. In such cases, the ability of the CCM to effectively monitor grant implementation may be affected.

On the financial/fiduciary aspect, the application of ASP-related measures has ensured **stronger financial controls and rigor,** which has translated into a lower level of recoverables. On the other hand, such measures have a direct cost (e.g., cost of additional risk mitigating measures in the form of external providers) and an indirect cost on the level and speed of some operational activities, given the added administrative burden and lengthier processes for approval of disbursements.

Finally, **capacity-building efforts - that could help address some of the challenges underlying the need for the ASP - have shown a more limited impact than envisaged.**

9 Based on expenditures between GC4 and GC6

10 While these financial risk mitigation measures have been dissociated from the ASP with the 2019 OPN revision, they have formed part of the ASP in the past and thus are considered in this review

11 As described in paragraph 32 of the Country Coordinating Mechanism Policy, approved by the Global Fund Board in 2018

Recommendations

The ASP is meant to be transitional. The application of the policy and related measures should remain in place until national implementers can ensure a responsible use of Global Fund financing and establish a clear accountability for it. In the Secretariat, some elements need to change to achieve a more proactive approach to supporting the progressive transfer towards national control of grants, where applicable:

- The Secretariat should support and endorse the country-led development of an ASP exit plan, measured against provided exit criteria. It should request and monitor a plan for the transfer of activities from international Principal Recipients to national entities over time.
- When a country builds requisite capacity and advances with the implementation of its exit plan, and where the risk levels and cost trade-offs allow it, the Global Fund should support the progressive removal of ASP-related measures. This would entail the gradual shift of responsibilities towards the CCM for the selection of implementation arrangements, and towards national entities for the management of grants, where appropriate. This is already happening in some cases, and good practices and lessons learned should be shared across portfolios.
- Capacity-building activities need to become a priority and be planned, implemented, and monitored more effectively. While the primary ownership of this lies with the country, the Secretariat can support countries in their efforts, as well as revise the provision of capacity-building when the current model has not provided the desired results. Robust monitoring of these capacity-building activities needs to be included as part of the ASP monitoring processes.
- The Country Teams should enable CCMs to effectively monitor grants that are subject to the ASP. This can be achieved by emphasizing the Principal Recipient's accountability towards the CCM, compensating for the lack of transparency if needed, and exploring options to ensure CCMs have the appropriate resources to take on additional ASP-related responsibilities.

Finally, the Secretariat should complement its ASP framework by developing guidance to clarify the process for the Global Fund's selection of implementers.

Executive summary

3. Monitoring and revocation of the ASP status and associated measures

The current OPN provides clear requirements, roles and responsibilities for ASP monitoring. ASP status and measures need to be reviewed yearly as part of the routine operational risk management functions. However, to this date, the **Global Fund does not implement monitoring effectively.** This is partly due to the lack of exit criteria that would provide a basis for measuring progress, but also to the limited internal control to enforce the OPN's monitoring requirements.

Suboptimal monitoring contributes to the limited dialogue between the Secretariat and country stakeholders on the progress achieved and key remaining gaps. It affects the ability to prepare, support and implement a portfolio's transition out of the policy.

Processes for revocation of the ASP are clearly laid out. So far, 3 portfolios have been removed from the ASP. Limited lessons learned are available from such examples, since in each case, specific circumstances led to invocation and revocation.

Recommendations

The Global Fund Secretariat should ensure that robust monitoring mechanisms are in place and complied with. Specifically:

- Country Teams should monitor the ASP more effectively. It is recommended that the Secretariat comply with existing requirements for the annual review, and that such review be replaced by a detailed assessment once every grant cycle. This should include an appraisal and update (if necessary) of a portfolio's ASP status, rationale and exit criteria, and be reviewed by senior management.
- Discussions with country stakeholders on the ASP should be regular, with an official review of the portfolio's status at least every grant cycle. A formal communication should be sent and discussed after the detailed review to specify the status of the portfolios and any changes to the rationale to apply ASP (including risk assessment) or to the exit criteria.

4. Cross-cutting issues

The OIG analysis has highlighted two elements that would need improvement across the ASP "lifecycle", from invocation to monitoring and exit.

The first one relates to the **amount and effectiveness of communication from the Secretariat to country stakeholders on the topic of the ASP.** There is a general stigma associated with a portfolio being subject to the ASP. Country stakeholders, as well as some teams from the Global Fund Secretariat, have referred to the ASP as a "blacklist", a "life sentence" or an "unnecessary penalty". While this can be partly attributed to the nature of the policy itself, there are some root causes that can be addressed by the Secretariat. Some of the issues previously described contribute to such a perception, e.g., lack of exit criteria definition and roadmap to transition. In addition, the use of certain expressions and stigmatizing language (e.g., referring to "ASP countries") and the focus on triggers of the ASP – versus underlying risks – in the official communications at the time of invocation, have been noted, despite the improvements observed in most recent communications.

The second element refers to the internal governance of the ASP in the Secretariat. The **ownership of the ASP processes is fragmented across teams in the Global Fund**. This, in addition to gaps in the guidance available on ASP processes (beyond the OPN), has often caused delays in the processes (e.g., to agree on exit criteria internally), inconsistencies and loss of institutional knowledge.

Recognizing such gaps, the Secretariat appointed a business owner – the Implementation and Challenging Operating Environments (ICOE) team – in late 2023. While efforts are proceeding in the right direction, the team's mandate sill requires clarification.

Recommendations

- It is suggested that the Secretariat pay attention to using simple, clear, and non-stigmatizing language on the topic of the ASP, particularly at the time of invocation.
- The ICOE team should be empowered as the owner of the processes and governance of the ASP in the Secretariat. A review of the OPN roles & responsibilities may be needed to clarify the ICOE team role. In addition, the ICOE team should prepare resources to support management of the ASP across Country Teams and other stakeholders involved. A list of potentially useful resources has been proposed as part of the advisory.

Way forward

The OIG recommends that the Global Fund Secretariat:

- **Complete the ongoing Secretariat-led review and communication of (updated) ASP exit criteria to all relevant countries**. This is a critical step in tackling some of the major issues raised, especially around the stigma associated with a portfolio's ASP status and the lack of a path forward to exit the ASP.
- **Consider and implement the recommendations.** The implementation of recommendations will likely be a phased process, with successful outcomes dependent upon contributions from, and engagement of, multiple stakeholders. Many recommendations remain the sole responsibility of the Global Fund Secretariat, whilst others require ownership and leadership by country stakeholders, supplemented by contributions from partner agencies and technical assistance providers. The Secretariat will have to decide on the extent and timing of implementation of the advisory recommendations, taking into account broader priorities and resource constraints.

1 Context, objectives, and scope of the advisory

1.1 Context

The Global Fund is a global partnership established in 2002 to defeat HIV, TB and malaria and ensure a healthier, safer, more equitable future for all. Governments, the private sector, and foundations pledge funds to support this mission. Countries where the Global Fund invests take the lead in determining where and how to best fight the three diseases. The guiding principle of country ownership allows them to tailor their own response, considering their epidemiological, political, and cultural contexts.

The Global Fund is tasked with the substantial responsibility of managing a spectrum of risks, whilst ensuring continued impact of grant-funded programs and accountability to its donors. The Additional Safeguard Policy (ASP) was established by Board mandate[12] in 2004 as an approach for "alternative funding mechanisms where particular constraints exist about funding the proposed Principal Recipients and sub recipients". The policy was approved to "reflect the humanitarian spirit of the Global Fund and the desire to direct funds quickly and accountably to affected populations". The introduction of the ASP equipped the Global Fund with enhanced grant oversight capabilities through the selection of implementing partners.

In response to inquiries voiced by implementer countries over the last few years, some Board Constituencies called for a review of the application and implementation of the ASP. In 2023, the Global Fund Secretariat acknowledged this request and launched an effort to define or review exit criteria for portfolios subject to the ASP. This initiative emphasizes proactive and transparent communication with countries regarding their status, rationale for ASP invocation, practical implications pertaining to the policy's application (i.e., implementation arrangements and governance), and the portfolio's path to exit.

In parallel, the Grant Management Division (GMD) enlisted the support of the Office of the Inspector General (OIG) to conduct an advisory review of the application and implementation of the ASP.

1.2 Objectives and scope of the advisory

The principal objective of the ASP Advisory is to **provide the Global Fund Secretariat with actionable recommendations to enhance the present and future application of the ASP, so as to ensure its risk mitigation objective while minimizing the potential challenges.**

This advisory does not provide any portfolio-specific recommendations. It does not offer perspectives on whether the policy is fit-for-purpose relative to a portfolio's context, nor does it assess the suitability of ASP-related measures applied on a portfolio-by-portfolio basis.

The assessment covers the key aspects of the ASP:

ASP invocation
- Process and guidelines
- Rationale and triggers

ASP implementation
- Selection of implementers
- Impact on risks, financial and programmatic performance
- Application and impact of complementary risk mitigation measures
- Effectiveness of capacity-building initiatives (when linked to the ASP rationale)

ASP monitoring and exit
- Process and guidelines

Cross-cutting elements
- Secretariat internal governance of the ASP
- Communication to countries

12 ASP Policy approved by the Global Fund Board in 2004 (GF/B07/DP14)

1 Context, objectives, and scope of the advisory

1.3 Methodology

Quantitative analyses

- Country and regional demographics, economic, and financial data
- Grant financial data (allocations, signed amounts, budgets, disbursements, expenditures)
- Risk ratings
- Grant performance ratings
- Grant implementation arrangements
- Disease (HIV, TB, malaria) indicators

Qualitative analyses

- Global Fund Policies and Procedures
- OIG Audits and Investigations
- Other relevant documentation (e.g., briefing notes, PUDRs, partner reports, capacity assessments, documented communications)

Stakeholder engagement at global level

- Global Fund Secretariat across relevant departments
- Other funding partners
- Technical Assistance Providers

Country stakeholder engagement

- Country Coordinating Mechanisms (CCM), including representatives from civil society organizations (CSOs), private sector and partner agencies
- Ministries of Health
- National Programs
- Principal Recipient organizations
- Financial and technical partners
- Local Fund Agents
- Fiscal/Fiduciary Agents

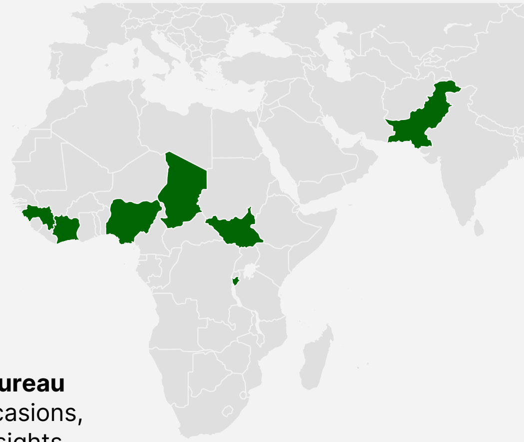
Seven portfolios subject to the ASP were prioritized for country stakeholder engagement. These were selected to ensure a varied representation of a) regions, b) rationales for ASP invocation, c) duration of time subject to the ASP, and d) the nature of ASP measures applied.

i) **South Asia**: Pakistan

ii) **Central Africa**: Burundi and Chad*

iii) **Northeastern Africa**: South Sudan

iv) **West Africa**: Côte d'Ivoire**, Guinea* and Nigeria*



* In-country missions
** ASP revoked/limited country stakeholder interviews

Additionally, the **African Constituency Bureau (ACB)** was engaged on two separate occasions, which allowed for gathering additional insights from African implementers.

2.1 Objectives of the policy

The ASP is defined as a **risk mitigation tool** to be invoked whenever *"existing systems to ensure the accountable use of Global Fund financing reveal conditions that suggest that **Global Fund monies could be placed in jeopardy without the use of additional measures**"*.[13] The policy aims to allow the Global Fund to fulfill its obligation towards its donors by ensuring funds are safeguarded while allowing for continuity of service delivery to beneficiaries in contexts of particularly high risk.

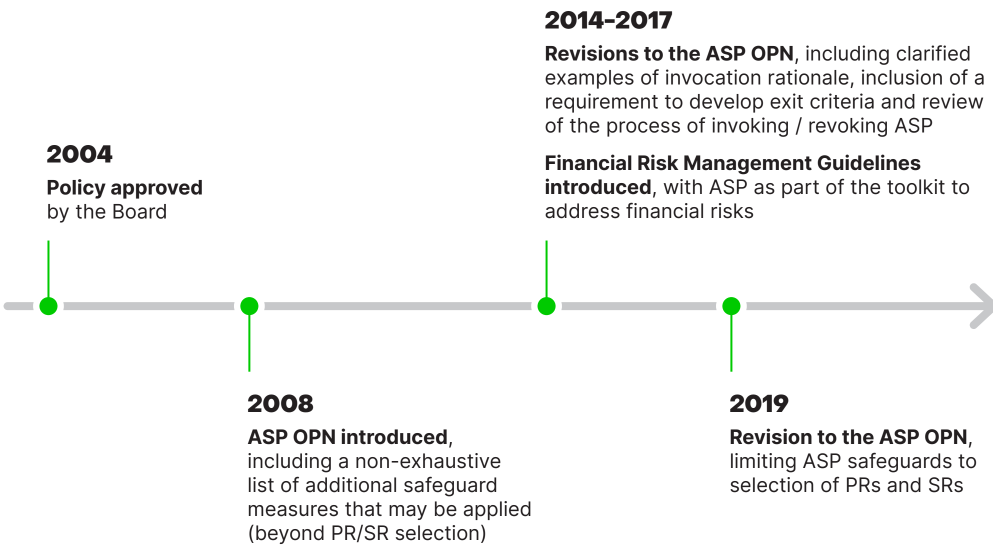
To address significant portfolio risks, the ASP allows the Global Fund to take the primary role in prescribing and deciding the implementation arrangements for a particular portfolio or disease component, such as to:[14]

- **Select the Principal Recipients**, whereby the process of nominating the Principal Recipients may be led directly by the Global Fund based on a PR assessment and in consultation with the CCM and other development partners.
- **Select the sub-recipients and other implementing partners**, whereby the Global Fund may select or make a final decision on the nominated sub-recipients and implementing entities, based on an assessment of risks.

The ASP safeguards described above are part of the overall risk management approach and can be complemented by other risk mitigating measures to address identified risks.

The operationalization of the ASP has evolved over time, particularly with revisions to the Operational Policy Note (OPN) in 2014 and 2019 (see Figure 1).

FIGURE 1
Evolution of the operationalization of the ASP over time



Source: ASP OPN (2008, 2014, 2019);
The Global Fund Guidelines of Financial Risk Management (2017)

13 ASP Policy approved by the Global Fund Board in 2004 (GF/B07/DP14)
14 ASP OPN, approved by Executive Grant Management Committee in 2019

2.2 ASP in the broader risk management framework and complementarity with the COE policy

ASP within the broader risk management framework

The ASP is part of a broader set of risk management tools that the Global Fund Secretariat has at its disposal (see Figure 2). The application of the ASP is intended to be a measure of **"last resort"** and applied on a **temporary** basis while the risks are being addressed.

FIGURE 2
ASP within the broader risk management framework

Risk type	Examples of controls, mitigating actions & assurances (non-exhaustive)		
Financial	• Fiscal agent • Fiduciary agent • Restricted cash policy • Use of mobile payment	• Training of Finance teams • Co-link initiative / capacity building interventions • LFA reviews & spotchecks	**"Last resort" mechanism** **ASP**
Supply operations	• Procurement through PPM (Wambo) or UN organization • Compulsory Price & Quality Reporting (PQR)	• Procurement service agent • Essential & enhanced IDD for PSAs • Review & approval of sourcing supplier status	
Programmatic monitoring	• Monitoring & oversight dashboards • Review of assurance providers ToRs	• Review of program strategy & design by GF • Quarterly reporting, disbursement & monitoring	

Source: Adaptation from Risk Review: Grant Fraud Risk Management.
20th Audit and Finance Committee Meeting. 12-14 October 2020 (GF/AFC20/10B)

Since the 2019 revision of the ASP OPN, other risk mitigating measures (such as Fiscal/ Fiduciary Agent, Procurement Agent, use of Pooled Procurement Mechanism (PPM), restricted cash policy (RCP), etc.) are no longer considered a result of the application of the ASP, but can be implemented to complement ASP safeguards. This implies that the application of the ASP will not necessarily result in the use of these additional risk mitigating measures. Likewise, ASP revocation will not, de facto, imply the removal of such measures where they are in place. However, there is a strong correlation between the ASP and other risk mitigating measures: as at June 2024, twelve out of 29 ASP portfolios have a Fiscal or Fiduciary Agent in place, and a restricted cash policy was applied to or maintained in 12 portfolios at the time of ASP invocation (see Figure 3).

Complementarity with the COE policy

The **Challenging Operating Environment (COE) policy allows a differentiated approach and flexibilities on how operations are conducted** in particularly challenging environments.[15] The policy intends to increase the impact of Global Fund investments in these countries by reducing the administrative burden for implementing partners and Country Teams and enhancing service delivery. Levers include, for example, access to the Emergency Fund,[16] eligibility for allocation, cross-funding (e.g., in situations of significant cross-border displacement), lighter review of compliance with the CCM requirements, and co-financing requirement waiver.

By contrast, **ASP is a risk mitigation tool that allows the Global Fund to select who implements Global Fund grants** (see Figure 4).

The objectives of the two policies are therefore distinct and complementary. They can be deployed simultaneously. As at June 2024, there is a significant overlap in portfolios in which both policies are applied: 21 out of 29 portfolios are subject to both ASP and the COE policy (see Figure 3).

15 COE OPN, approved by Executive Grant Management Committee in 2017

16 Use for funding beyond country allocations to support activities that cannot be funded through the reprogramming of existing grants during emergency situations

2.2 ASP in the broader risk management framework and complementarity with the COE policy

FIGURE 3
Portfolios subject to the ASP that overlap with the COE policy and/or other select risk mitigating measures

✓ Policy / measure in place ✗ Removed with PR change

Country	Fiscal / Fiduciary Agent	RCP (at time of invocation)	COE
Angola	✗	✓	
Burkina Faso	✓		✓
Burundi	✓	✓	✓
CAR	✗	✓	✓
Chad	✓		✓
Congo	✗		
DRC	✓		✓
Djibouti	✗		
Guinea	✓	✓	✓
Guinea-Bissau	✓	✓	✓
Haiti			✓
Iran			
Liberia	✓	✓	✓
Mali	✓	✓	✓
Mauritania	✓		
Nepal			
Niger	✓	✓	✓
Nigeria	✓		✓
Pakistan			✓
PNG			✓
South Sudan		✓	✓
Sudan	✓		✓
Zimbabwe			

Excludes 6 non-CCMs (not shown): 3 RCP (at time of invocation), 5 COEs

Source: internal ASP invocation memos, Global Fund Secretariat Fiscal Agent Model and Impact on Grant (2022); Finance list of Fiscal Agents and Fiduciary Agents (2023); Global Fund COE list

FIGURE 4
Summary of differences between the ASP and COE policy

	ASP	COE
Objectives	**Risk management tool** to safeguard Global Fund monies and in some cases ensure continuity of services to beneficiaries	**Differentiation approach** providing flexibilities for CTs to manage COE portfolios in an agile and timely manner
Rationale	Whenever "existing systems to ensure accountable use of Global Fund financing suggest that Global Fund monies could be placed in jeopardy without the use of additional measures", e.g.,: • Widespread lack of public accountability • Major concerns about corruption • Lack of a transparent process for identifying a broad range of implementing partners • Significant concerns about governance	• COEs are countries or unstable parts of countries or regions, characterized by weak governance, poor access to health services, limited capacity and fragility due to man-made or natural crises. • COEs may be experiencing either acute or chronic instability • COEs are classified mostly based on an External Risk Index
Implementation	• **Selection of PRs** • **Selection of SRs and other implementing partners**	**Flexibilities** in line with COE principles (flexibility, partnership, innovation) to reduce administrative burden and enhance service delivery

Source: COE OPN (2017), ASP OPN (2019)

2.3 Portfolios subject to the ASP

Background

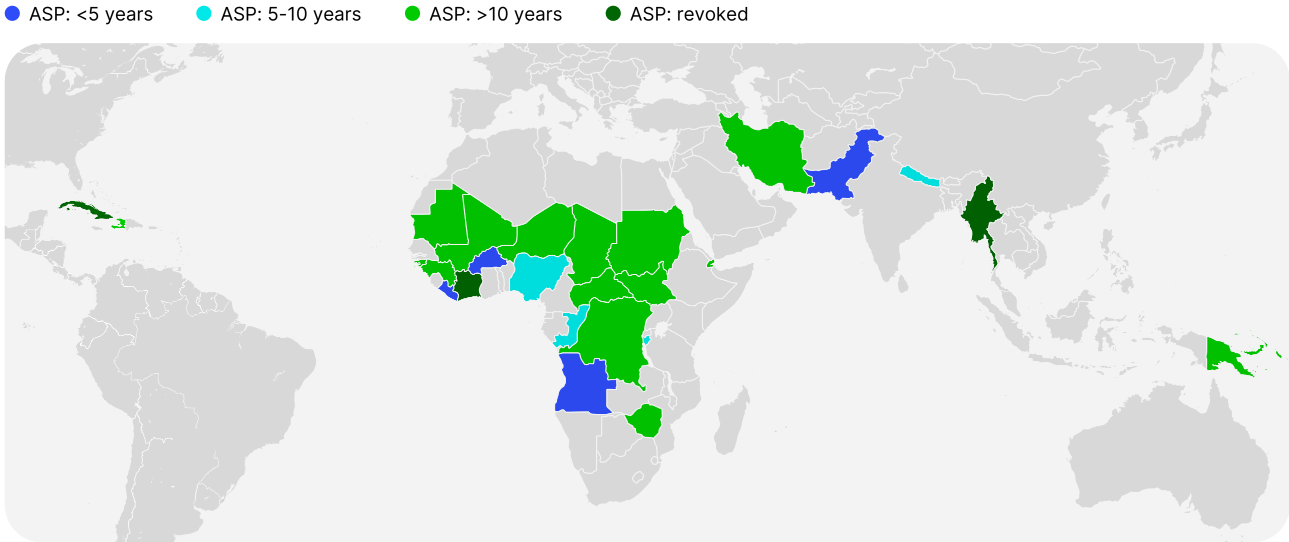
As at August 2024, ASP is applied to 29 Global Fund portfolios across 5 regions. Of these, 17 portfolios have been subject to the ASP for over 10 years whilst the ASP has been revoked in three portfolios (see Figure 5).

Most portfolios subject to the ASP are distributed between the Western Central African (WCA) region (12), Middle East and North Africa (MENA) (6) and Southeast Asia (6).

Collectively, these countries represent over 1.2 billion people.[17]

Six portfolios subject to the ASP are non-CCM portfolios[18] as at August 2024. Due to sensitivities and limited engagement of the national government, communication around the topic of the ASP is limited in these countries.

FIGURE 5
Overview of countries with Global Fund portfolios subject to the ASP



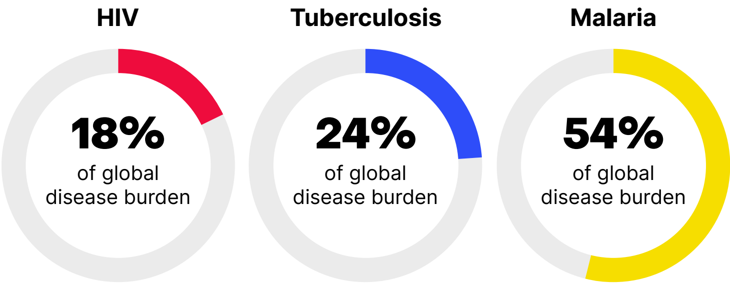
Source: The Global Fund eligibility countries (2003-2023); internal ASP invocation memos

Note: excludes 6 non-CCM portfolios subject to the ASP

List of portfolios subject to the ASP: ASP <5 years: Liberia, Burkina Faso, Pakistan, Angola; ASP 5-10 years: Congo, Burundi, Nigeria, Nepal; ASP >10 years: Central African Republic, Guinea, Guinea-Bissau, Niger, DRC, Djibouti, Haiti, Mali, Mauritania, Papua New Guinea, Chad, Zimbabwe, Iran (Islamic Republic of), South Sudan, Sudan; ASP revoked: Cuba, Myanmar, Côte d'Ivoire

Countries subject to the ASP account for **54% of the global malaria disease burden, 24% of the global TB disease burden**, and **18% of the global HIV disease burden** (see Figure 6).

FIGURE 6
Global disease burden across in countries with portfolios subject to the ASP



Source: The Global Fund Strategy and Policy Hub (SPH) Disease Burden Share GC7 allocation (2023)

Note: 29 portfolios subject to the ASP, 124 countries in total

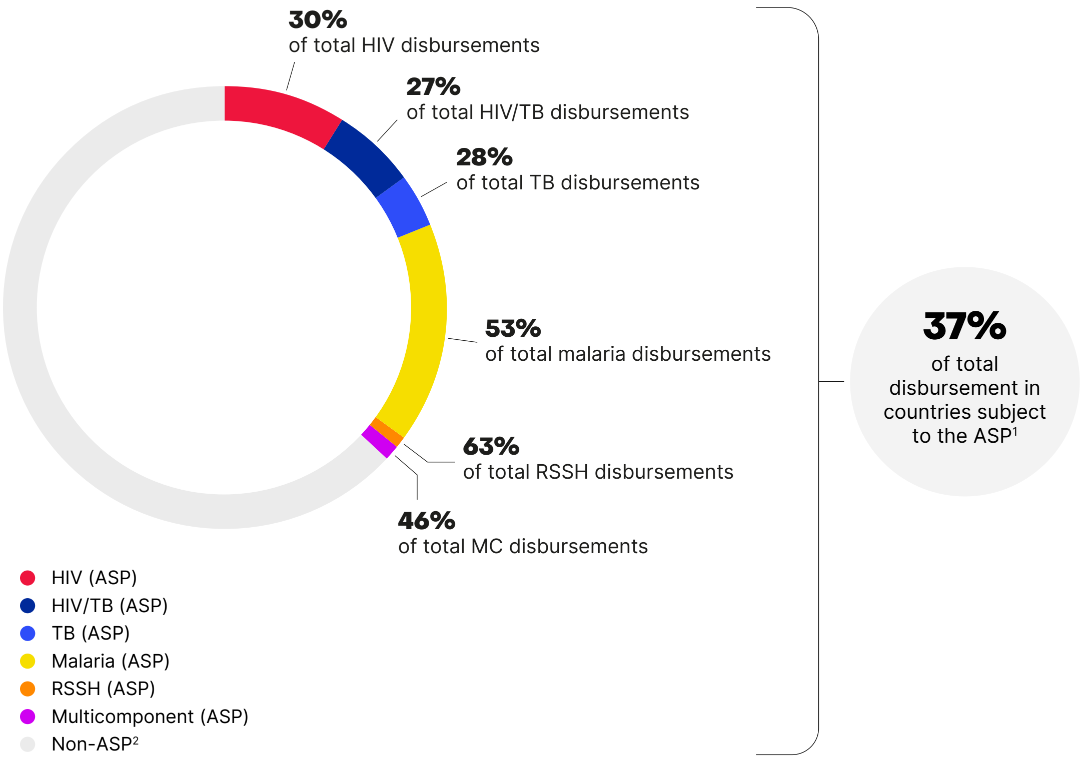
17 World Bank indicator SP.POP.TOTL (July 2023)

18 In exceptional situations, the CCM may not be in position to carry out its core functions. Such exceptional circumstances include countries without a legitimate government, countries in conflict, facing natural disasters or in complex emergency situations- or countries that suppress or that have not established partnerships with civil society and non-governmental organizations. For more information, refer to the CCM policy, approved by the Board in May 2018

2.3 Portfolios subject to the ASP

In GC6, **over one-third (37%) of Global Fund disbursements** were made to the 29 country portfolios subject to the ASP. This also represents over half of the total malaria and RSSH-specific investments for the period (see Figure 7).

FIGURE 7
Disbursement split across grant types (GC6)



1. Includes Multicountry Middle East MER grant.
2. Excludes multicountry grants;
Source: GF Tableau/CDW (25 June 2024)
Notes: currency: USD equivalent; C19RM 2021 is excluded, but C19RM 2020 is included in HTM grants; ASP categorization as of June 2024. GC6 disbursements as at June 2024.

Most countries subject to the ASP experience challenging economic and political environments. All 29 countries are categorized as either Low-Income or Lower-middle Income Countries,[19] with low healthcare spending. The average domestic health expenditure in countries subject to the ASP is 85% lower than in the other Global Fund-supported countries.[20]

With few exceptions, Global Fund-supported countries subject to the ASP rank in the bottom half of the Government Effectiveness score, Corruption Perception Index, and Fragile State Index[21] (compared to other Global Fund-supported countries) (see Figure 8).

The majority of country portfolios subject to the ASP experienced periods of conflict or crisis at the time of ASP invocation. Examples include coups d'état, political and/or social turmoil, or natural disasters.

19 Based on World Bank Group classification, 2022
20 WHO data indicators, 2017-2021
21 Based on World Bank's Government Effectiveness score (2022), Transparency International Corruption Perception Index (2023) and Fragile States Index from Fund For Peace (2023)

2.3 Portfolios subject to the ASP

FIGURE 8
Government effectiveness score, Corruption Perception Index, Fragile State Index - countries with portfolios subject to the ASP

Relative scoring compared to all Global Fund financed countries

● First quartile ● Second quartile ● Third quartile ● Fourth quartile

Country	Year ASP invoked	2023-2025 allocations (US$ Mn)	Government effectiveness score (2022)	Corruption Perception Index (2023)	Fragility Index (2023)
South Sudan	2005	142	0	13	109
Haiti	2010	111	1	17	103
Democratic Republic of the Congo	2011	701	3	20	107
Central African Republic	2013	140	4	24	106
Sudan	2005	151	5	20	106
Guinea Bissau	2012	57	7	22	90
Liberia	2023	87	8	25	89
Chad	2009	139	9	20	105
Congo	2017	71	9	22	91
Burundi	2016	124	10	20	94
Zimbabwe	2008	505	11	24	97
Mali	2010	180	11	28	100
Angola	2019	126	13	33	87
Nigeria	2016	933	14	25	98
Guinea	2013	145	16	26	99
Nepal	2015	60	16	35	80
Iran	2005	14	18	24	85
Burkina Faso	2022	243	21	41	94
Papua New Guinea	2010	77	22	29	78
Djibouti	2010	11	22	30	82
Mauritania	2010	21	26	30	87
Niger	2012	150	29	32	93
Pakistan	2020	282	29	29	90

Excludes 6 non-CCMs (not shown)

Source: World Bank Government Effectiveness (127 countries in total); Transparency International Corruption Perception Index (119 countries in total); The Fund For Peace Fragility Index (101 countries in total), ASP invocation memos, Global Fund GC7 allocations"

3.1 Invocation of the ASP status

Findings

Invoking the ASP on a portfolio requires a comprehensive risk assessment and the approval of senior management in the Secretariat. The current framework provides flexibility for the Secretariat when invoking the ASP, and rationales differ among portfolios – with financial/fiduciary issues and weak capacity of national entities being the most common underlying triggers.

The Secretariat generally respects the OPN requirements when invoking the ASP, and the rationale for invocation is communicated to countries. However, the communication of exit criteria is not a requirement of the current OPN, and in most cases the Secretariat did not share exit criteria with countries, or a detailed assessment of the risks underlying the rationale, at the time of ASP invocation. This limits these countries' ability to address those critical risks, and contributes to the perception that there is "no path to exit" the ASP status.

3.1.1

The OPN provides clear roles and responsibilities for ASP invocation, that have generally been complied with by the Global Fund Secretariat

According to the Global Fund ASP OPN,[22] the decision to invoke the ASP for a particular portfolio or specific disease component is taken by the Global Fund Executive Director based on the recommendation from the Head of Grant Management Division (GMD) and in consultation with the Portfolio Performance Committee (PPC[23]) (see Figure 9).

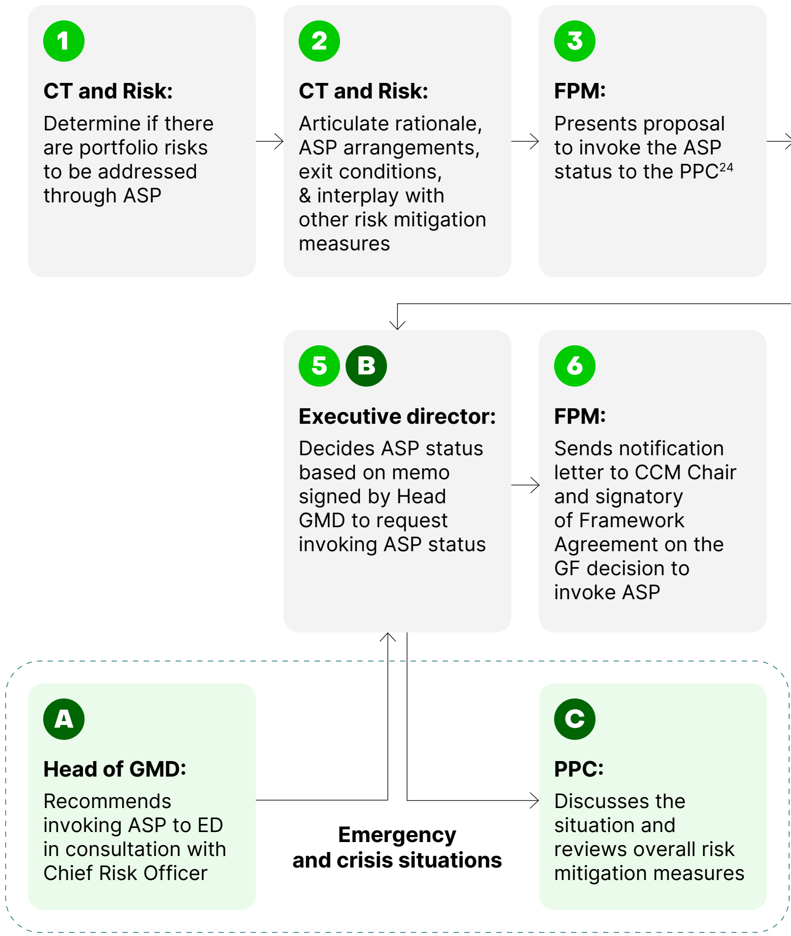
The proposal to invoke the ASP must derive from a comprehensive risk assessment by the Country Team, clearly articulating:

- The rationale for the proposed invocation and identification of the applicable risk factors;
- Proposed implementation arrangements that will be determined by the Global Fund;
- Any additional risk mitigation measures that are or will be applied; and
- Specific conditions to be met to revoke the ASP, including clear, time-bound, strategic actions to be implemented by the CCM and/or the Principal Recipients, for factors that are within their control.

A decision to invoke the ASP can be taken prior to or during the submission of a Funding Request for a particular funding cycle. Significant risks that arise during grant implementation may also justify subsequent invocation of the policy.

The Country Team should discuss the recommendations to invoke ASP with the CCM, as well as their implications for the portfolio. A notification letter on the Global Fund decision to invoke ASP should be sent to the CCM Chair.

FIGURE 9
Overview of the process for invoking the ASP



Source: Additional Safeguard Policy OPN 2019

22 ASP OPN, approved by Executive Grant Management Committee in 2019

23 The PPC is an internal forum for decision-making on country-level risk trade-offs, co-chaired by the Chief Risk Officer and Head, Grant Management Division (including senior representatives of other functions: Legal, Finance, Strategic Investment and Impact, Strategy and Policy, Supply/ Sourcing)

24 While not explicit in the ASP OPN, as part of the regular processes and prior to meeting with the PPC, the CT and the Business Risk Owners (including Finance, Risk, Legal, Supply/sourcing operations, ICOE and Operational Efficiency) typically meet to review portfolio performance, key prioritized risks, mitigation actions and assurance activities

3.1 Invocation of the ASP status

In case of emergency and/or crisis situations, the Head of GMD can recommend invoking ASP to the Executive Director in consultation with the Chief Risk Officer as PPC Co-Chairs. The decision is followed by a PPC Executive Session to review overall risk mitigation measures applied to the country portfolio.

The Secretariat has generally complied with required internal decision-making processes for ASP invocation. In particular, since the 2019 OPN revision, all invocations have complied with the requirements. Prior to 2019, apart from two non-CCM portfolios for which the documentation is missing, all invocation memos have been reviewed and approved according to the defined roles and responsibilities. While not part of the required process, recent invocation memos have also been put through an additional level of review by the Legal Department, which ensures alignment with the policy and OPN.

3.1.2

Prior to 2019, exit criteria have not been developed and communicated to countries in a timely and consistent way, thereby limiting countries' ability to address the risks associated with the ASP

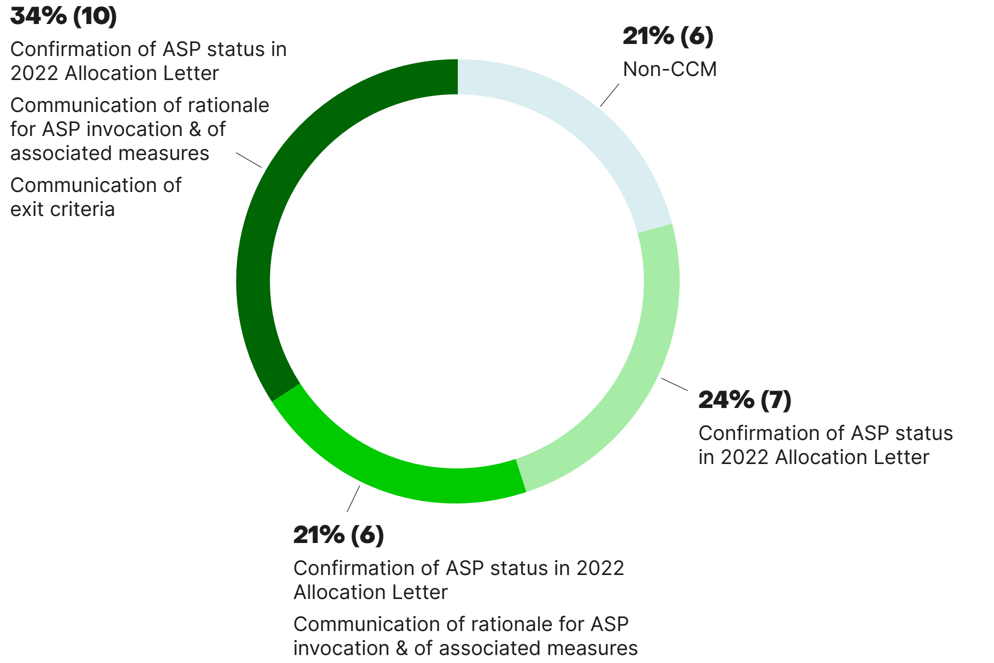
Exit criteria are required since the ASP OPN revision in 2015 and have been better described in the 2019 OPN as *"specific conditions to be met to revoke the ASP, including clear, time-bound, strategic actions to be implemented by the CCM and/or the PRs, for factors that are within their control"*.[25] The communication of exit criteria to the CCM is still not mandated by the current OPN.

Out of the 23[26] countries with portfolios subject to the ASP, exit criteria have been communicated to only 10 countries (see Figure 10), of which, in 6 cases, they were communicated at a later time (i.e., not at the time of invocation). Exit criteria have been established and shared with CCMs for the 4 CCM portfolios put on ASP from 2019 to date.[27]

In 2023, the Secretariat undertook an effort aimed at reviewing exit criteria and developing means of verification for all portfolios subject to the ASP. This review - on-going as at August 2024 - takes into account how the risk landscape has evolved since the initial ASP invocation. This however resulted in only 12 complete internal reviews having been conducted as at August 2024 due to internal process inefficiencies and competing priorities, particularly during the GC7 Grant Making period.

The absence of exit criteria and means of verification **limits the ability of countries to have a path forward for exiting the ASP**. Without a clear understanding of the root causes of the risks that need to be addressed and of the expectations of the Global Fund to be met to revoke the ASP, countries cannot manage the process in a meaningful way and are caught in the "status quo". This is likely a contributing factor to portfolios remaining subject to the ASP for extended periods of time. This perception is also shared by many country stakeholders who have referred to the policy as a "life sentence".

FIGURE 10
Status of communication to CCM (as of August 2024)



Source: Global Fund Secretariat communication tracker

25 ASP OPN, approved by Executive Grant Management Committee in 2019
26 Excluding six non-CCM portfolios
27 Excluding non-CCM portfolios

3.1 Invocation of the ASP status

In addition, there is a lack of established guidance for the development of exit criteria. This results in some inconsistencies across portfolios when exit criteria have been developed and communicated to the country. In some cases, exit criteria lack specificity, for example, "increased economic stability and increased domestic funding in the health sector", is not achievable in the timelines given to countries (e.g., one to two years) and the link to the ASP invocation rationale and associated risks is not always evident.

3.1.3

The decision to invoke the ASP requires a portfolio-specific analysis of the risks – however, the need to use the ASP as a last resort risk mitigation measure is not always clearly documented and communicated

The OPN requires that *"CTs should clearly state the rationale for proposed invocation of the ASP with a clear identification of the applicable risk factors"*.[28]

The policy[29] mentions a selection of examples of rationales that would justify the need for additional safeguard measures: *"significant concerns about governance; the lack of a transparent process for identifying a broad range of implementing partners; major concerns about corruption; or a widespread lack of public accountability"*.

Building on this, the 2019 ASP OPN provides examples of triggers that may prompt the application of the ASP. However, the overall process is built to grant the Secretariat flexibility when invoking the ASP. There is no defined framework or formula. The current ASP status is not designed to be triggered by specific risk thresholds or external risk indicators. The decision to invoke the ASP is instead meant to be supported by quantitative and qualitative risk factors, the country context, as well as the capacity of the implementers, on a portfolio-by-portfolio basis. In general, the ASP is perceived by the Global Fund Secretariat as a measure to apply when risks exceed acceptable thresholds, and a "last resort" mechanism is needed to safeguard grant assets. As such, two distinct portfolios cannot be compared on a like-for-like basis due to the unique variables impacting each portfolio.

A review of the current portfolios subject to the ASP revealed six primary triggers historically used to justify the invocation of the ASP:[30]

1. **Evidence of financial management irregularities and/or weaknesses at the Principal Recipient and/or sub-recipient level in terms of financial controls, processes, and assurances (72%)**. Examples of triggers include financial fraud, corruption, misuse of funds, theft, high levels of ineligible expenditures, financial irregularities and pending recoveries. These often emerge from OIG or external audit findings.
2. **Weak capacity of national entities to manage Global Fund grants as Principal Recipients (66%)**, e.g., weak monitoring and oversight of sub-recipients, absence of qualified human resources, inadequate internal controls or compliance with procedures, and delays in processes. These often emerge from capacity assessments conducted at the Principal Recipient level.
3. **Political instability, sanctions and/or security issues (59%)**, e.g., political unrest, coups d'état, condemnation from the international community, sanctions or freezing of external financing. In such cases, the ability of the Global Fund to perform the required monitoring (e.g., through Local Fund Agents) is often limited. This has been used as one of the triggers to invoke ASP in all non-CCM portfolios in which ASP has been applied.
4. **Weak CCM governance and/or capacity (59%)**, e.g., a CCM is undergoing structural reform, there is inadequate participation of civil society, CCM eligibility requirements are not met, issues are identified in the Principal Recipient selection process.
5. **Inadequate Procurement and Supply Chain Management (PSM) systems (28%)**, e.g., lack of effective procedures and controls over inventory and distribution.
6. **Lack of interest and/or commitment from the Ministry of Health (17%)**, e.g., lack of accountability, lack of commitment towards co-financing requirements, unresponsiveness, and lack of commitment to reimburse recoverable amounts.

- **Others (24%)** include macroeconomic volatility, natural disasters, and poor donor coordination.

In most cases, a combination of triggers is used to justify the decision to invoke the ASP. The most commonly noted invocation rationale includes irregularities in financial management and weakness in financial controls at the Principal Recipient and/or sub-recipient level, as well as weak capacity of the national entities responsible for management of Global Fund grants as Principal Recipients. In the context of increased human rights barriers at the country level, it has been noted that the resulting programmatic risks have historically not triggered the invocation of the ASP.

28 ASP OPN, approved by Executive Grant Management Committee in 2019

29 ASP Policy approved by the Global Fund Board in 2004 (GF/B07/DP14)

30 Percentages provided below reflect the number of portfolios (out of 29) for which a specific trigger was used as rationale to invoke the ASP. A combination of triggers is often used to justify the decision to invoke the ASP. As a result, the numbers will not add up to 100%. This is derived from a qualitative review of available internal invocation memos for each portfolio

3.1 Invocation of the ASP status

Country stakeholders interviewed were generally clear on the rationale for invocation of the ASP on their portfolios and agreed with the need for the Global Fund to intervene at that point in time. However, they were not always clear on the implications, the concrete objectives or the "next steps" in the application of the policy.

This OIG assessment noted that the level of details provided in the invocation rationale and communication of the risks being addressed are not consistent across ASP portfolios.

A review of internal ASP invocation memos showed an inconsistent level of detail in the description of the triggers for the application of the ASP between different portfolios. For example, as evidence of financial management irregularities, one internal invocation memo provides detailed supporting sources: *"This review found 239 ineligible transactions (48%) totaling US$ 4.8 million [...] an investigation report highlighted the poor accountability environment in the form of breaches of internal control mechanisms by the warehouse supervisors, unauthorized deletion/cancellation of data, dereliction of duty and breach of Standard Operating Procedures by staff"*. By comparison, the internal invocation memo of another portfolio provides less details: *"Attempts to recover ineligible amounts have so far been unsuccessful"*.

Inconsistency is also found in the communication of the applicable risk factors at the time of invocation. The Global Fund Secretariat does not always provide a clear risk assessment to support each of the triggers used for justifying an ASP status, failing to describe the root cause and implications for grant implementation and/or grant funds. For example, a portfolio's internal invocation memo might include the following trigger: *"the government has consistently demonstrated a serious lack of engagement or responsiveness"*, but fails to translate this into a robust risk assessment or evaluation of the actual or potential impact on the implementation of active grants. As a result, it is not always clear how the application of the ASP is necessary as a last-resort risk mitigation measure to address the identified set of risks, in relation to the broader risk management framework.

Most recent memos and notification letters to countries are more consistently clear, with a greater emphasis on the risks, likely due to the stronger process for invocation introduced with the 2019 OPN, including a review by the PPC.

3.1 Invocation of the ASP status

Providing the countries with a clear rationale for invocation, explanation of how the ASP mitigates the underlying risks, and exit criteria is a necessary step to build an exit path, and a pre-requisite to effective monitoring and follow-up.

3.1.A

The Global Fund Secretariat should provide countries subject to the ASP with exit criteria and means of verification at the time of invocation – or as soon as possible, if not yet completed.

- Develop and communicate **specific, measurable, achievable, and relevant exit criteria**. These should represent safeguards put in place to address the risks associated with the ASP rationale, and relate to factors within the control or sphere of influence of the CCM or Principal Recipients.[31] Exit criteria should be complemented by **measurable means of verification** (i.e., not "subject to the Global Fund's satisfaction").

  For risks and triggers that are beyond the control of the CCM or Principal Recipients, no exit criteria can be communicated, however the potential impact of the risk should still be discussed with the CCM, and monitored internally.

- Exit criteria and means of verification should be developed as part of the invocation decision, **validated by the PPC** and discussed with the CCM and the Principal Recipients.

- For **non-CCM portfolios**, the communication of ASP exit criteria needs to be decided by the Secretariat on a case-by-case level. Actions to address the risk factors underlying the decision to invoke or maintain the ASP may be communicated if within the control of the Principal Recipient or of the Ministry of Health. In other cases, exit criteria could be defined only for internal monitoring purposes.

- To support the above, **guidance** on exit criteria and means of verification should be developed, while acknowledging that exit criteria are specific to the risks that triggered the ASP invocation and to the country context.

3.1.B

In line with the decision made by the Board in the Sixth meeting the ASP should "reflect the humanitarian spirit of the Global Fund and the desire to direct funds quickly and accountably to affected populations".[32] In some cases, there are implementation risks brought by the challenges of structural barriers in countries impacting the ability to access key and vulnerable populations (e.g., presence of punitive laws, policies, and practices). **In such contexts, the Secretariat could, when reviewing these risks, assess the effectiveness of the potential application of ASP as a last resort mitigation measure.**

31 Any drivers of ASP status that cannot be addressed through actions from the CCM, Principal Recipients or local implementers should still be communicated to the country, but be highlighted as such explicitly

32 Board 7th meeting, GF/B7/7 Annex 4

3.2 Implementation of ASP measures

In most cases, the invocation of the ASP has resulted in a change of implementation arrangements, and a more extensive use of international Principal Recipients in portfolios subject to the ASP. Often, additional financial risk mitigation measures have been put in place (e.g., use of Fiscal Agents, RCP).[33]

Altogether, these measures have achieved the objective to safeguard Global Fund investments and fulfill the Secretariat's accountability towards donors and beneficiaries in contexts of particularly high risk. However, this has had cost implications in terms of national control over Global Fund grants, implementation efficiencies and indirect costs.

3.2.1

The ASP enables continuity of service delivery to program beneficiaries in high-risk operating environments

The Global Fund is accountable to its beneficiaries as well as to its donors, who trust the organization to ensure a reliable use of funds. In some challenging contexts, such as political instability or major breaches of the fiduciary responsibility by country stakeholders, the Global Fund could not have continued to disburse funds without the application of the ASP. By comparison, in similar contexts, it has been noted that international aid from other major donors was suspended or sanctions put in place by the international community (see country examples: Burundi and Côte d'Ivoire[34]). The Secretariat perceives the ASP as a way to provide the necessary reassurance to maintain the flow of funds, service delivery and therefore to continue achieving programmatic impact.

Country example:
Cote d'Ivoire

Between 2002-2012, Côte d'Ivoire was affected by significant political instability. The post-electoral crisis, which occurred between December 2010 and June 2011, resulted in UN and French armed forces intervening and included sweeping sanctions, the freezing of Côte d'Ivoire national accounts by the Central Bank of the States of West Africa (Banque Centrale des États de l'Afrique de l'Ouest (BCEAO)), and suspension of funding from the IMF and World Bank.[35] [Global Fund never suspended funds in the country and ASP was invoked at the end of 2010].

Country example:
Burundi

By 2016, the political, security and economic situation in Burundi remained volatile with increased humanitarian needs. The new regime was accompanied by a major currency crisis as well as the suspension of direct external aid by donors, restrictions on the registration of international organizations and restricted movement within the country. Due to the currency crisis, several austerity measures were taken by the government translating into a national decision to increase control over foreign exchange, forcing all governmental and non-governmental entities (including the Global Fund) to transfer currency accounts held by commercial banks to the national central bank. In 2016, the Global Fund and the World Bank remained the only agencies operating through national entities. All others, and notably the EU, had suspended direct financial support to the Burundian administration. The EU restored aid to Burundi in 2022.[36] By invoking the ASP on the Burundi portfolio in 2016, and subsequently appointing UNDP as Principal Recipient across all grants, the Global Fund was able to continue service delivery to program beneficiaries in a high-risk environment, when other donors were suspending their funds.

A comparison of the disbursement rates between portfolios subject to the ASP and other Global Fund portfolios confirms that disbursements can be maintained over time to portfolios subject to the ASP. Disbursement rates (calculated as disbursement amounts over budget for a given period) of portfolios subject to the ASP have increased between GC4 and GC6 at a slightly higher rate (+7 p.p.[37] on average) compared with other Global Fund portfolios (+2 p.p. on average) (see Figure 11). An analysis of five portfolios[38] shows that disbursement rates in the period following ASP invocation generally increased by more than both the average of ASP portfolios and of other Global Fund portfolios (for example, +22 p.p. for Nigeria between GC4 and GC6).

33 While these measures are no longer part of the ASP toolkit as per latest OPN, these are still considered since they have historically been associated with the application of the ASP

34 Portfolio no longer subject to the ASP

35 UN press release: 2011; France Diplomacy

36 EU press releases: 2022, 2016

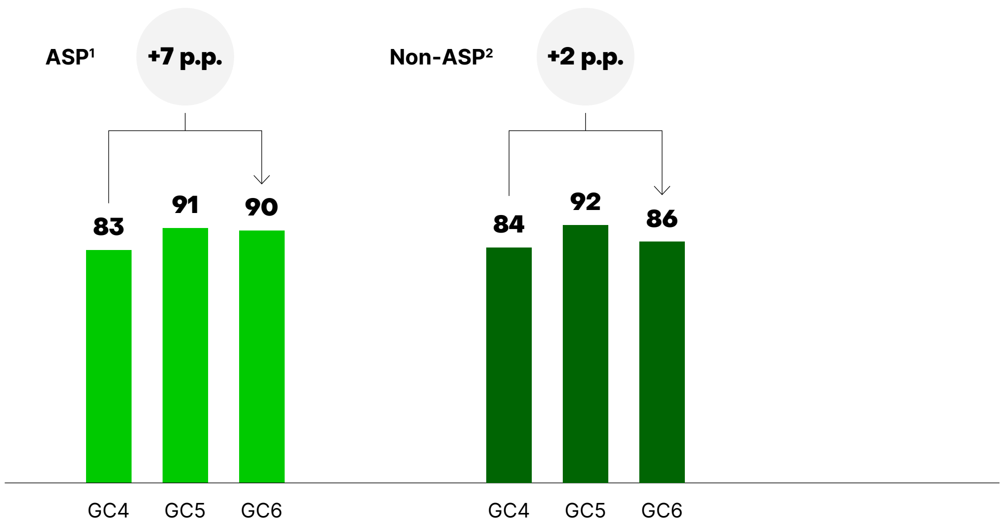
37 Percentage points are used to quantify the difference between rates

38 Angola, Burundi, Congo, Nigeria, Pakistan. This subset of portfolios subject to the ASP was selected for this analysis as they are the only portfolios with ASP status invoked between 2016 and 2020, and which therefore allows a direct comparison between GC4 and GC6

3.2 Implementation of ASP measures

Similar considerations can be applied to programmatic results. It is very difficult to correlate trends in disease programmatic indicators (e.g., ART coverage, TB treatment coverage and access to ITN for malaria protection) to the application of the ASP or change in implementation arrangements, given the multiple contributing factors. Increased programmatic performance has been observed in rare cases (e.g., Nigeria +31% p.a. between 2019 and 2022 in TB treatment coverage after a change in implementation arrangements).[39] It is, nonetheless, possible to conclude that **despite the disruption potential of the situations that triggered the invocation of the ASP, in most cases programmatic outcomes continued their trend without experiencing major decline.**

FIGURE 11
Disbursement rate over GC4 and GC6 for ASP and non-ASP portfolios (weighted average)



1. Includes Multicountry Middle East MER grant.
2. Excludes multicountry grants

Source: GF Tableau/CDW (25 June 2024)

Notes: currency: USD equivalent; C19RM 2021 is excluded, but C19RM 2020 is included in HTM grants; ASP categorization as of June 2024. GC6 disbursements as at June 2024.

39 Analysis conducted on 8 countries subject to the ASP, selected for each disease indicators where a) ASP was invoked between 2010 and 2019 to enable comparison before/after the application of the ASP, b) where data is available and c) are not focused portfolios

40 There are few special cases where the Global Fund may need to select implementation arrangements outside of the policy, for example when no eligible CCM body is in place

3.2.2

The flexibility granted by the ASP when the Global Fund intervenes in the selection of implementation arrangements is needed to adjust to different country contexts; but the lack of a specific framework contributes to inconsistencies in the management of the process and of relationships with countries

The ASP affords the Global Fund the ability to intervene in the selection of Principal Recipients and sub-recipients.[40] No instances of direct selection of sub-recipient were observed, although in some cases the use of a specific implementing partner or service provider was strongly encouraged.

The Global Fund Secretariat's **Principal Recipient selection process varies widely across portfolios**. A spectrum of options exists, from the CCM leading the end-to-end process to the Global Fund directly selecting or nominating the Principal Recipient.

While there is an existing practice to escalate the decision to the PPC, there is currently no defined guidance for Country Teams on the process to follow when deciding to intervene in the selection of implementation arrangements. This results in inconsistencies in the approach.

In the portfolios analyzed, the selection of implementers was led by the Global Fund only at the time of ASP invocation and generally in consultation with the CCM and partner agencies. The CCM typically resumed responsibility for implementer selection thereafter for subsequent grant cycles – a dynamic that should always be encouraged even if the portfolio is subject to the ASP. Examples where the Global Fund has historically intervened include issues with the CCM-run selection process (arising from allegations of procedural discrepancies or identified through a Local Fund Agent evaluation), or when the CCM-proposed Principal Recipient capacity was deemed insufficient (based on the Global Fund's Capacity Assessment Tool (CAT)).

In face of such substantial issues, **the ASP empowers the Global Fund Secretariat to take rapid action in the selection of implementing arrangements**. In that sense, the Secretariat perceives the ASP as a "safety net" to both mitigate risks in grant oversight and grant management processes, adding a layer of assurance for donor countries, whilst ensuring a fair, transparent selection process (inclusive of the civil society) during the Funding Request phase. It also enables the Secretariat to quickly respond to crises during grant implementation, for example because of a political crisis, environmental crisis or in instances of non-compliance with contractual agreements.

3.2 Implementation of ASP measures

> We have developed a relationship with the CCM, which has allowed us to afford them greater levels of responsibility to lead PR selection processes – however, given the prevalence of underlying risk, **ASP provides a safety net for the Country Team**.
>
> **FPM, portfolio subject to the ASP**

> ASP creates political tensions with the countries as well as issues for the relationship. It is perceived as "donor abuse". It is **difficult to communicate** to the highest levels of a government that the country is subject to the ASP.
>
> **FPM, portfolio subject to the ASP**

This aspect has been highlighted as well by some country stakeholders interviewed – particularly, members of national programs and program management units (PMUs) – who described the ASP as a mechanism of protection to ensure fair and unbiased processes in the selection of implementation arrangements.

On the other hand, while the ASP encourages the CCM to adhere to best practices in the selection of Principal Recipients, **it can also lead to tensions between country stakeholders and the Secretariat**. The intervention of the Global Fund in the process has been perceived, in some cases, as a lack of trust, a threat or an undeserved punishment. The communication with the countries - both in terms of timeliness and transparency - on the topic of selection of Principal Recipients varies across portfolios. While it is necessary that Country Teams adjust to the context when delivering the message, there has been varied results in terms of management of the relationship with the CCM.

3.2.3

The deployment of international Principal Recipients entails higher indirect costs and, in some cases, creates dependency for national entities for program implementation and difficulties for the CCM to monitor grants

In most portfolios subject to the ASP, the responsibility to manage grants is largely placed on international Principal Recipients, as a mechanism to manage delivery risks. Implementation responsibilities are still mostly placed on national programs, where possible. An analysis of expenditure from GC4 to GC6 shows that 24 (out of 29) country portfolios subject to the ASP have less than half of their grants managed by national entities, of which 14 portfolios have less than 10%.[41] Five countries have most of their grants managed by national entities. Of these, some have disease components still managed by international implementers (e.g., Pakistan, Sudan), and some (e.g., Mauritania) transitioned back to local implementers. On average,[42] ASP portfolios have 29% of total grant expenditures managed by the Ministry of Health or national entities, compared to 75% in other Global Fund portfolios (see Figure 12). In terms of number of grants, this represents 36% of grants under national PR-ship in portfolios subject to the ASP, compared to 60% in other Global Fund portfolios.

41 Note that a few portfolios (e.g., Burkina Faso, Liberia, Pakistan) have been put on ASP in recent years and therefore % MoH PR expenditure may be over-represented

42 Weighted average

3.2 Implementation of ASP measures

FIGURE 12
Ministry of Health[1] PR expenditure as % of total expenditure in ASP portfolios, GC4 to GC6

Category	#	<10%	10%-50%	>50%	Category average[4]
ASP	29	**14** CAR, Congo, Djibouti, Haiti, Iran (Islamic Republic), Nepal, Papua New Guinea, South Sudan, *6 non-CCM portfolios*	**10** Angola, Burundi, Chad, DRC, Guinea, Guinea-Bissau, Mali, Niger, Nigeria, Zimbabwe	**5** Burkina Faso, Liberia, Mauritania, Pakistan, Sudan	**29%**
Others[3]	84	14[2]	12	58	**75%**
Total	113	28	22	63	

1. MOH or national entities;
2. "Focused" countries, except for Panama, Philippines and Myanmar;
3. Does not include multi-country grants;
4. Weighted average

Source: GF Tableau/CDW (25 June 2024)

Notes: currency: USD equivalent; C19RM 2021 is excluded, but C19RM 2020 is included in HTM grants; ASP categorization as of June 2024. GC6 expenditures are at 31 December 2023 (except for a few exceptions for which they are at June 2023).

Higher indirect costs

The deployment of international Principal Recipients (UN agencies or INGOs) results in higher indirect costs to Global Fund grants when compared to those of national Principal Recipients. For INGOs, the Global Fund policy sets a ceiling on management costs at 3% for Health Product costs, 7% for other direct Principal Recipient costs, and 5% for funds managed by sub-recipients.[43, 44] The standard ceiling indirect cost recovery rate for UN agencies as Principal Recipient is 7% across all indirect costs.[44] Engaging international Principal Recipients also entails additional operating costs, such as travel or security costs.

As a result, in portfolios subject to the ASP, national Principal Recipients report (on average) that 17% of total expenditures are on indirect costs,[45] compared with 26% for UN agencies, and 22% for INGOs (average for GC5 and GC6).[46]

These additional costs can be material relative to overall grant budgets, particularly in resource-constrained contexts where the ASP is normally applied. At the same time, a higher cost of doing business is to be expected in such challenging environments. A more detailed cost-benefit analysis could consider the costs associated with an underperforming national Principal Recipient (i.e., from higher rates of misappropriated funds and/or ineligible expenses) compared to the costs of such additional assurance mechanisms.

Dependency on international Principal Recipients

Most country stakeholders (national programs, CCM members, international Principal Recipients) report that collaboration is generally working well between international Principal Recipients and local actors – despite an adaptation period often observed at the time when the international Principal Recipient takes on grant management responsibilities.

43 Guidelines for Grant Budgeting (2023)
44 Country Teams have the possibility to negotiate lower rates, especially for larger grants; Finance (July 2023)
45 Indirect costs refer to project management or support activities, travel costs, infrastructure costs, non-health equipment costs and other activities that do not directly impact delivery of HIV, TB and malaria activities
46 Global Fund Corporate Data Warehouse (accessed 20 November 2023). C19RM 2021 is excluded, but C19RM 2020 is included in HTM grants; GC6 expenditure data is as of June 2023

However, some challenges have been reported that threaten the overall sustainability of the model when an international organization is the Principal Recipient:

- **Reports from some country stakeholders suggest a sidelining of national entities from grant implementation discussions and decisions**. For example, these stakeholders relayed that they are not included in the selection of international sub-recipients or, in some cases, in programmatic implementation, e.g., when planning a malaria mass campaign. This not only limits the national program's ability to learn from the Principal Recipients, but it also puts pressure on their ability to report to the Ministry of Health on progress achieved. Overall, this poses a risk to the country's ability to set its programmatic and investments priorities.

> **Before, the national program was not consulted in any decision-making, or discussions**. We saw the negative impact it had on the collaboration. Now all technical and management decisions are made with them. It is a step towards better balancing country ownership and risk mitigation.
>
> **International Principal Recipient (malaria), portfolio subject to the ASP**

- **The establishment of some parallel processes further undermines the ability of countries to strengthen their systems**. Beyond the insufficient engagement of national entities in grant implementation activities, parallel systems (financial, procurement, supply chain, data etc.) have been deployed by international Principal Recipients in some countries. While this may be required in the short term to advance implementation, when existing systems are not evaluated to be fit-for-purpose, such reliance on international entities and systems threatens efforts to strengthen national ownership in the long-term. Common issues reported include programmatic delays, issues with data integrity, and additional cost burden. It was also noted that in some cases, national entities then become accountable for the financial and project management challenges of the integration.

> Until the international PR was removed, a lot of grant money was used to build and maintain parallel systems. **They built warehouses, but we already had a national supply chain system that other donors were using** […] That money could have been used to help strengthen what was already in place.
>
> **CCM, portfolio subject to the ASP**

Limited ability of the CCM to monitor grants

When an international Principal Recipient is appointed, the obligation[47] of the Principal Recipient to cooperate with the CCM is not always met when it comes to regularly discussing plans, systematically sharing information regarding program performance, and communicating program-related matters. In such cases, the ability of the CCM to effectively monitor grant implementation may be affected.

This has been confirmed in some of the countries that have been interviewed, where the CCMs highlighted that they are often sidelined in grant monitoring discussions (e.g., when reviewing the achievement of programmatic milestones and discussing potential grant risks). While there is no contractual obligation for the CCM to be invited to attend all grant-related meetings between the Global Fund and the international Principal Recipient, a lack of transparency and information sharing can drive some tensions and risks to efficient monitoring of the grant by the CCM.

47 As described in paragraph 32 of the Country Coordinating Mechanism Policy, approved by the Global Fund Board in 2018

3.2 Implementation of ASP measures

> The CCM no longer has its role. The [international] PR speaks directly with the Global Fund Country Team **without involving us** in the discussions.
>
> **CCM, portfolio subject to the ASP**

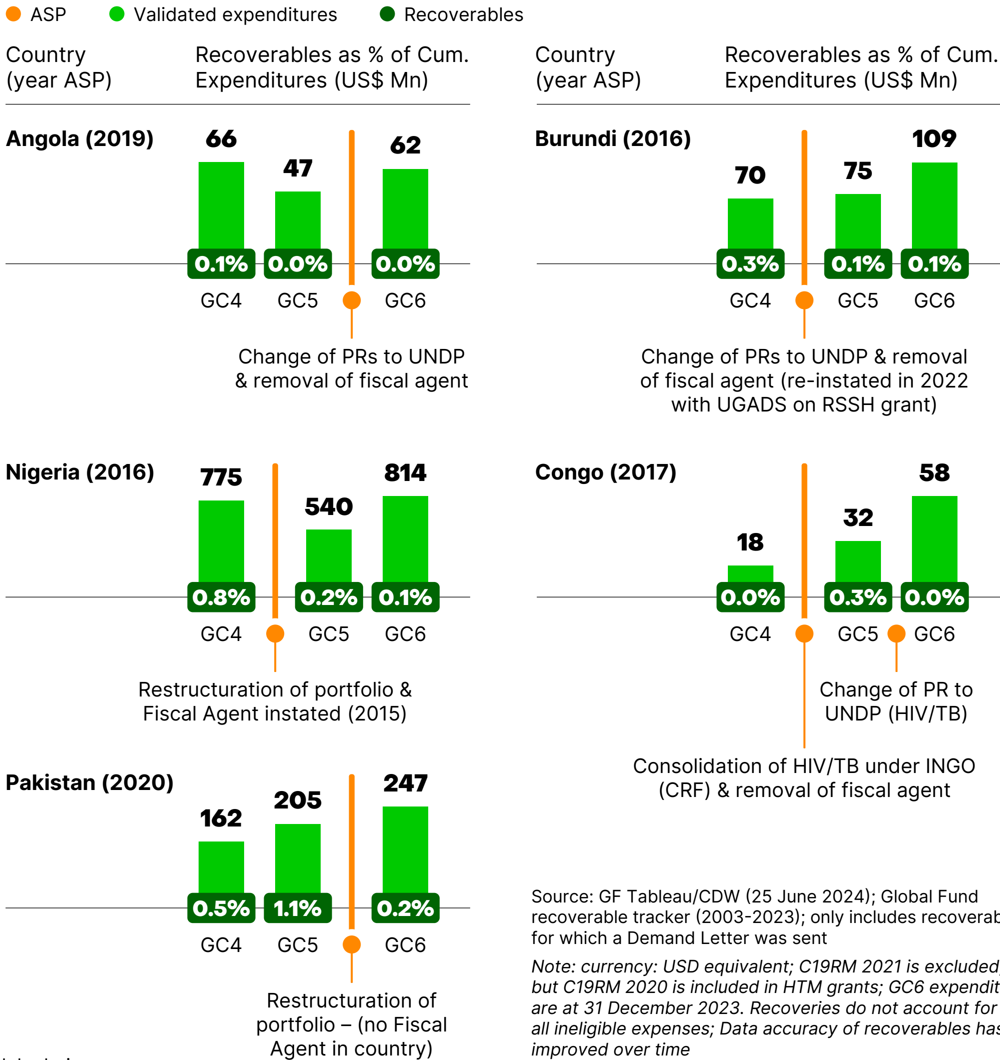
3.2.4

Stronger financial controls are observed with the application of the ASP, but with additional administrative burden

Most analyzed countries report a **reduction in ineligible expenses** in the period following the application of the ASP.[48] Data also shows an **increase in the quality of expenditures**, described as a downward trend of recoverable amounts as a percentage of cumulative expenditures. An analysis of five country portfolios,[49] which were put on ASP between 2016 and 2020, reveals that the downward trend in recoverables correlates with a **change of Principal Recipient to an international NGO or multilateral partner and/or with a restructure of implementation arrangements** (see Figure 13).

While there are still some cases of high recoverable amounts in some ASP portfolios, those are singular and explained outside of their ASP risk context (for example the loss of approximately US$5 million in Guinea due to a warehouse fire or the reimbursement of VAT tax in Nepal and Pakistan).

FIGURE 13
Recoverable amounts as a percentage of cumulative expenditure



Source: GF Tableau/CDW (25 June 2024); Global Fund recoverable tracker (2003-2023); only includes recoverables for which a Demand Letter was sent

Note: currency: USD equivalent; C19RM 2021 is excluded, but C19RM 2020 is included in HTM grants; GC6 expenditures are at 31 December 2023. Recoveries do not account for all ineligible expenses; Data accuracy of recoverables has improved over time

48 Data could be collected only for 3 countries out of the seven portfolios analyzed. However, reduction was reported widely during interviews with country stakeholders

49 Angola, Burundi, Congo, Nigeria, Pakistan. This subset of portfolios subject to the ASP was selected for this analysis as they are the only portfolios with ASP status invoked between 2016 and 2020, therefore allowing a direct comparison between GC4 and GC6

The presence of complementary financial risk mitigating measures likely had a positive impact in strengthening financial controls and reducing the level of recoverable amounts. Country stakeholders emphasized that additional measures, such as Fiscal/Fiduciary Agents or RCP, helped them to adopt more robust financial and risk management practices within their organizations.

> ASP allowed us to develop certain technical and financial competencies, notably thanks to the capacity building activities from the Fiscal Agent. It also helped to create awareness at national level **on an approach towards a zero ineligibles target**.
>
> **National PMU, portfolio subject to the ASP**

Such improvements come at a cost, particularly related to the application of financial risk mitigation measures concurrently with the invocation of ASP.[50] The use of risk mitigating measures in the form of external providers (e.g., Fiscal/Fiduciary Agents) carries an additional cost burden to the grants. An analysis indicates a +3% cost increase for grants run by government/local Principal Recipients due to the presence of a Fiscal Agent.[51]

In addition, most country stakeholders interviewed reported **an added administrative burden and lengthy processes** due to the presence of a Fiscal/Fiduciary agent or application of the RCP. These measures may result in a slower disbursement of funds to the national sub-recipients and sub-sub-recipients. The impracticality of some measures (e.g., the use of mobile payment platforms in certain regions with low connectivity) has also been reported as a challenge for country stakeholders to comply with Global Fund processes. In some cases, specific protocols of international Principal Recipients (i.e., beyond Global Fund requirements) have been mentioned as well as a source of inefficiency due to the duplication of processes and requirements.

> There is a **duplication of process**: the one required from the Global Fund, as well as the one specific to UNDP. Those additional processes create delays for example to start implementation, but also to disburse.
>
> **CCM, portfolio subject to the ASP**

The aforementioned ASP-related measures were reported as a source of delays impacting "program-related" activities, such as supervision work, communication material and publications, results-based financing, and the processing of community-based salaries.

However, it should be noted that such controls only apply to a subset of expenses (20-40% for portfolios subject to the ASP that are generally highly commoditized)[51] and do not seem to result in a significant decline in absorption. Portfolios subject to the ASP exhibited an absorption rate of 80% for program-related budget lines (excluding health products and management costs) versus 81% in non-ASP portfolios in GC6.[52, 53]

3.2.5

Capacity-building efforts have shown limited impact to date in portfolios subject to the ASP

National entities in countries with portfolios subject to the ASP often have capacity gaps at the level of the CCM or national Principal Recipients. Deficient capacity of these entities is part of the triggers for ASP invocation in more than half of the cases, where lack of capacity poses a substantial risk to grant implementation and the appropriate use of Global Fund investments (see Section 3.1.3). **The provision of effective capacity-building of national entities is therefore an important factor contributing a country's successful transition out of the ASP**.

However, few countries have developed capacity-building plans tailored to the ASP exit criteria and/or to address the risks identified at the time of the ASP invocation, an issue specifically reported by international TA providers and country stakeholders interviewed in four (out of seven) portfolios selected for deep dive.

50 These additional risk mitigating measures were associated with the application of ASP before 2019 and remain in place in many ASP portfolios

51 Global Fund Finance and Admin Division analysis (June 2022)

52 Global Fund Corporate Data Warehouse (accessed 25 June 2024). C19RM 2021 is excluded, but C19RM 2020 is included in HTM grants; GC6 expenditures are at 31 December 2023 (except for a few exceptions for which they are at June 2023)

53 In-country absorption is calculated as reported cumulative expenditure/reported cumulative budget (in USD-equivalent reference rate). The budget in the expenditure reports will not align with the total budget amount in the detailed budget if the implementation period (IP) is still ongoing

3.2 Implementation of ASP measures

In recent years, there has been significant investment in capacity building – estimates suggest on average between 1-10% of grant budgets across portfolios.[54, 55] Reports from country stakeholders, Secretariat, Local Fund Agents and the OIG suggest that **such investments have not delivered material improvement in improving the capacity of national entities** (see country example: Chad). This has also been indicated by output from capacity assessments. Several factors contributing to this have been identified:

- **Misalignment between funded activities and needs**. Some activities in the capacity-building plans of international Principal Recipients do not address core needs (e.g., the purchase of a vehicle). In addition, capacity gaps observed in countries subject to the ASP can be related to systemic issues. Capacity-building plans typically cover one to three-year timelines, which appear misaligned to longer-term country needs (e.g., establishing infrastructures and governance at the level of some Ministry of Health entities, establishing an effective data monitoring system or a distribution system integrating remote hospital networks). The need to focus on more systemic gaps was reported by TA providers and country stakeholders in five (out of seven) portfolios selected for deep dive, but also by global TA providers and the Secretariat.
- **Lack of prioritization, ownership, and engagement by the Principal Recipients/national entities**. Some national programs interviewed requested to be more involved in the development of capacity-building plans. However, they also acknowledged that they are not proactive in addressing this topic with the international Principal Recipient. In some cases, international Principal Recipients reported that there is little engagement or motivation from staff members who they aim to train.
- **Failure to mobilize resources against the plan**. A financing gap to fund capacity-building activities was reported in portfolios subject to the ASP analyzed for deep dive.[56]
- **Fragmentation of efforts among different providers**. There are often multiple sources of technical assistance in countries: international Principal Recipients, the Fiscal Agent, specialized technical assistance providers (e.g., Expertise France), other partners. However, there is often lack of ownership at national level and of consolidation of the efforts in terms of planning, financing, execution, and monitoring.[57]
- **Insufficient follow-up and monitoring**. There is little accountability in terms of the implementation and monitoring of capacity-building plans (in comparison to the implementation of other grant activities) at both country and Secretariat levels. This results in limited follow-up or recourse actions in case the plan is not being successfully or efficiently implemented. It can also lead to the de-prioritization of some activities.
- **High turnover of skilled staff**. The loss of technical expertise and institutional knowledge attributable to staff attrition is a challenge to capacity-building efforts on most sampled portfolios subject to the ASP. The rotation of newly trained national program staff and management to other internal roles and the departure of staff to higher paying roles (e.g., within the private sector or development agencies) were noted as the two primary blockers to building long-term sustainable capacity.

Country example: Chad[58]

A capacity building plan by UNDP, aligned with the ASP invocation rationale, was established:

- ✓ **Clear objectives based on capacity assessment**
- ✓ **Clear and measurable milestones**
- ✓ **Time-bound activities with owners**
- ✓ **Detailed budget and financing strategy**

Implementation has nonetheless been ineffective:

- Unclear impact potential of planned activities in terms of strengthening the capacity of the PMU towards their ability to fully manage grant activities if transitioned from UNDP
- Less than 20% of planned activities finalized
- Recurring problems, e.g., 2017-2018 and 2019-2020 plans showed poor rates of execution
- 28% financing gap

Some root causes for the weak implementation have been identified by the 2023 audit:

- Weak oversight, monitoring and follow-up by UNDP
- Weak approval processes
- Delays in recruiting staff
- Issues with establishing oversight committees

54 Regardless of ASP status, estimates of 6% expenditures towards capacity-building activities on average across all Global Fund portfolios (median 5%)

55 Global Fund Corporate Data Warehouse (accessed November 2023). C19RM 2021 is excluded, but C19RM 2020 is included in HTM grants; GC6 expenditure data is as of June 2023

56 As reported by country stakeholders and/or CTs interviewed. This was made as a general consideration also by global TA providers

57 This was reported by country stakeholders or LFA in all country portfolio deep dives of this advisory, as well as by global TA providers and the Secretariat

58 OIG audit "Global Fund Grants in the Republic of Chad", 2023 (GF-OIG-23-001)

3.2 Implementation of ASP measures

Strengthening the CCM capacity is also often critical in ASP portfolios: weak CCM capacity has been a factor for ASP invocation in more than half of the portfolios currently subject to the ASP.

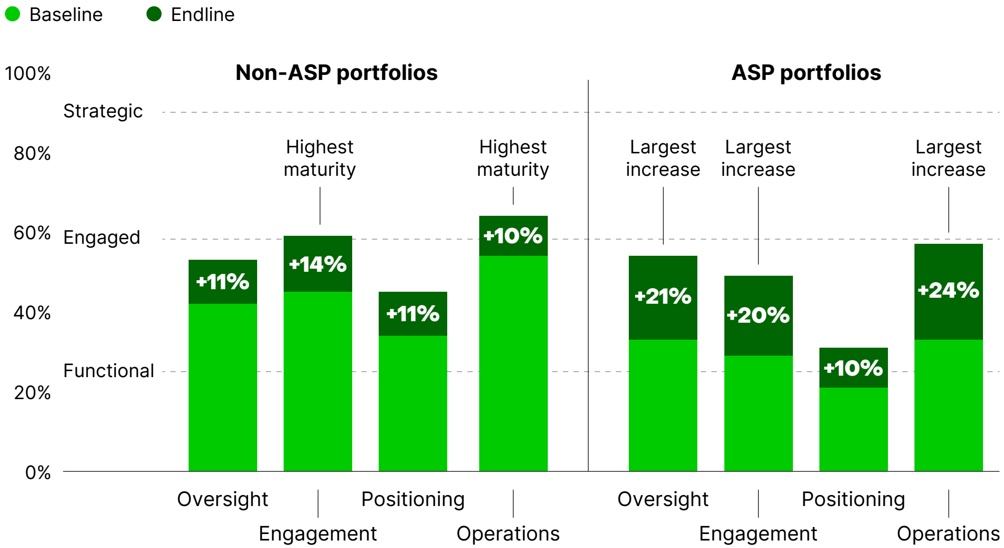
Different sources are available to enhance CCM capacity: CCM funding, the CCM Evolution Project[59] (a Global Fund Strategic Initiative) and the provision of Technical Assistance. These are applied in a differentiated manner, according to portfolio needs.

The CCM Evolution Project has brought benefits in improving governance, tools, and processes (see country example: Guinea). In fact, a recent review of the average maturity scores of CCMs of ASP portfolios showed some of the largest increases owing to the CCM Evolution Project (see Figure 14). **However, sustaining the support and the longer-term impact of the strategic initiative remains one of the key challenges perceived by both country stakeholders and the Secretariat**, especially in those portfolios that were part of the short Pilot phase (e.g., Burundi, Congo, Nepal, DRC).

Country example: Guinea

The Guinea CCM participated in the CCM Evolution Project starting from 2021. This initiative aimed to identify, in close collaboration with the CCM, improvement opportunities across four areas, namely, Oversight, Engagement, Operations and Positioning. In GC6, the CCM model was reformed in Guinea, after the newly installed government dismantled the CCM General Assembly. In this challenging landscape, CCM Evolution provided technical support to build a new CCM that could meet Global Fund requirements and strategic principles, while also adapting to its new legal status. Global Fund Technical Assistance included: updating the CCM's structure & composition, designating new CCM members, building the capacity of CCM structures – especially its Oversight Committee and Secretariat - as well as funding a CCM Oversight Officer and recruiting a Finance Officer. CCM capacity-building will continue in GC7, thanks to the partnership with Expertise France, which will complement Global Fund Technical Assistance in updating CCM procedures and increasing oversight maturity.

FIGURE 14
Average maturity scores of CCMs by areas before and after CCM Evolution Project



Source: CCM Evolution. Endline Assessment Results for 52 CCMs/RCMs as of 1 February 2024.

Note: The ASP group in the sample includes 7 countries: Nigeria, Mali, Zimbabwe, Central African Republic, Guinea-Bissau, Chad and the Republic of Congo.

59 The CCM Evolution Project was launched in 2020, following a Pilot phase in a few countries, to provide targeted technical support to CCMs to "mature" the mechanisms across four dimensions: Oversight, Engagement, Positioning and Operations

3.2 Implementation of ASP measures

Recommendations

The ASP is meant to be transitional. The application of the policy and related measures should remain in place until the national grant implementers can ensure the accountable use of Global Fund financing. However, some Global Fund Secretariat processes need to change in order to achieve a more proactive approach to support a progressive transfer towards national control of grants, where possible.

3.2.A

The Global Fund Secretariat should support a country-led development of an ASP exit plan.

- Provide templates, guidance, and support to CCMs to develop a **detailed exit plan**, which, depending on the capacity of countries, may cover multiple grant cycles. The exit plan should reflect the activities required to achieve the exit criteria. It should outline ownership over processes, milestones and, ideally, should be budgeted and complemented by a financing strategy.
- Create opportunities for discussion between the CCM and TA providers, where there is an interest and capacity, for potential **ad-hoc support** in developing, implementing and/or monitoring the exit plan.
- Request and monitor a plan for the **transfer of implementation and grant management activities from international Principal Recipients** along the same timelines as the exit plan and aligned with its key milestones.

3.2.B

Capacity-building activities should be prioritized and be more effectively planned, implemented, and monitored.

- Ensure a **consolidated capacity-building plan** exists, ideally owned by the CCM, incorporating contributions and responsibilities of all stakeholders and partner agencies, and that the plan addresses the main gaps to be filled as part of the ASP exit plan, including the strengthening of internal controls, processes and procedures at the implementer level.
- Consider **changing capacity-building providers** in cases where effectiveness of implementation has been low, e.g., from international Principal Recipients to specialized Technical Assistance providers (other models to consider include Gavi's request for proposals on program management and leadership capacity-building). The Global Fund Secretariat should monitor implementation when the plan remains under the responsibility of an international Principal Recipient.
- Trigger conversations with countries around **long-term capacity-building plans** to address more systemic gaps.

Note: most capacity-building challenges are not specific to ASP portfolios and remain the responsibility of country stakeholders to address (e.g., staff retention, cultural differences, leadership, etc.). Broader efforts are likely required to address these issues and optimize delivery of capacity-building activities.

3.2 Implementation of ASP measures

3.2.C

When a country builds requisite capacity and advances with the implementation of its exit plan, the Global Fund should support the progressive removal of ASP-related measures.

Continue to explore options for a **gradual shift of responsibilities** towards the CCM for the selection of Principal Recipients and towards national entities for the management of Global Fund-financed grants (and selection of sub-recipients), where appropriate. Examples of gradual shift towards national entities taking responsibility in the management of grants include:

i) the introduction of a **co-PR-ship** model (e.g., Chad);

ii) the appointment of a program **coordinator role within the Ministry of Health** without managing the funds (e.g., Nepal);

iii) a phased approach using a local Principal Recipient on **smaller or capped grants** (e.g., Burundi); and

iv) considering the application of the ASP on **specific disease components or grants** (e.g., focused on key populations) instead of the entire portfolio.

Best practices and lessons learned should be shared within the Global Fund Secretariat.

3.2.D

The Country Teams should enable CCMs to effectively monitor grants subject to the ASP.

- (Re-)emphasize **Principal Recipient accountability towards CCMs** and their obligations related to the timely communication of program-related information (as per CCM OPN).
- Stress the importance for **Country Teams to play a role in ensuring CCMs receive the necessary information** on international Principal Recipient-related grants to accomplish their oversight role – interceding with the international Principal Recipient on behalf of the CCM if needed.
- Explore options – country by country – to ensure CCMs have the **appropriate resources** to manage additional responsibilities related to a portfolio's ASP status (e.g., the development and monitoring of an exit plan). This may include facilitating access to different financing options available (e.g., CCM funding, Technical Assistance providers, etc.).

3.2.E

The Secretariat should develop guidance that clarifies the different options for selecting Principal Recipients/sub-recipients by the Global Fund, while maintaining the flexible nature of this decision-making process.

- Leverage pre-existing efforts (e.g., "Principal Recipient Selection Guidelines and Procedures for Managing an Appeal process" by the Kenya Coordinating Mechanism[60]) to:
  - **Provide foundational principles** (e.g., independence of the oversight process of Principal Recipient selection).
  - **Propose selection criteria** (e.g., grant management experience, understanding of national health systems, institutional capacity, etc.).
  - **Propose a step-by-step process** with clear decision-making points, and responsible parties.
- **Create relevant guidance** on e.g., how to decide whether to continue or change the implementation arrangement, how to identify Principal Recipient selection criteria, how to execute a call for interest, how to communicate decisions to the CCM, how to plan integration of a new Principal Recipient into country health systems, etc.

60 Kenya is not a portfolio subject to the ASP. The Kenya Coordinating Mechanism had decided to develop this guidance to support an efficient decisioning during selection of implementers

3.3 Monitoring and revocation of the ASP status and associated measures

Monitoring and exit processes are laid out clearly in the OPN. However, actual monitoring has been weak so far, partly due to the lack of exit criteria definition. Transition out of the ASP has been managed ad hoc, and only three portfolios have seen the ASP removed (all in different circumstances).

3.3.1

Monitoring of the ASP status and associated measures is not done efficiently, hindering the ability of countries to transition out of the policy

According to the Global Fund ASP OPN (see Figure 15),[61] the Country Team should monitor risk factors, implementation arrangements, additional risk mitigating measures, and ASP exit conditions as part of their routine operational risk management functions. For High Impact and Core portfolios, the review of ASP-related risks should be conducted as part of the annual review of portfolio risks by the Country Team and Risk Department.[62] For Focused Portfolios, such review should be conducted annually as part of the Annual Funding Decision-making process.

As requested by the Country Team, the Local Fund Agent should monitor ASP mitigation measures through in-depth assessments of Principal Recipients and sub-recipients, and review progress on conditions to revoke a portfolio's ASP status.

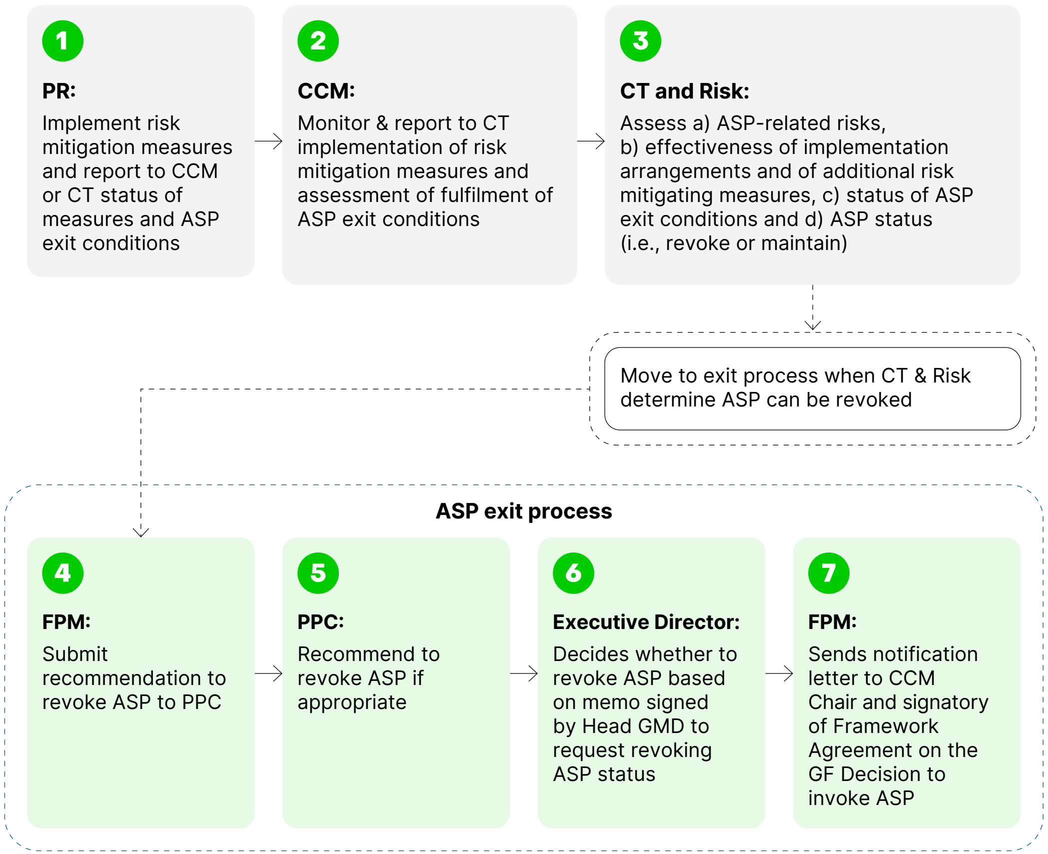
When an international organization has been selected as Principal Recipient as a result of the invocation of the ASP status on a portfolio, the review should consider the value for money of additional management costs as part of the overall risk-based discussions.

As part of the regular monitoring process, the Country Team may propose revocation of the ASP status for a particular portfolio.

The PPC should review the proposal and recommend revocation of the ASP status if the following conditions are met:

- Circumstances that gave rise to the original decision of invoking the ASP have materially changed and/or the country or grant implementers have put in place systems and safeguards to ensure accountable use of Global Fund financing; or
- Further grant implementation experience has demonstrated that the risks identified at the time of ASP invocation have not materialized, such that the applicable ASP measures are no longer warranted.

FIGURE 15
Overview of process for monitoring and revoking the ASP



Source: Additional Safeguard Policy OPN 2019

61 ASP OPN, approved by Executive Grant Management Committee in 2019

62 As per OPN on Risk Management Across the Grant Lifecycle (2018)

3.3 Monitoring and revocation of the ASP status and associated measures

As at August 2024, there is however a **critical gap in monitoring of the ASP status and measures**. Country Teams usually present the ASP as a key mitigating action in their Key Risk Matrix, and only mention the ASP to be in place when presenting their Country Portfolio Review to the PPC. However, the holistic review required by the OPN (i.e., including a review of the effectiveness of the measures) on an annual basis is generally only documented following a request by the country or as the result of an OIG Agreed Management Actions (AMA).

No specific guidance or templates were provided to Country Teams to date to align expectations on the monitoring processes, and the Secretariat currently does not have a mechanism in place to verify compliance with monitoring processes.

In addition, any changes to the ASP rationale or to the exit criteria that result from the monitoring – for example, following changes in the country's risk landscape – are at the discretion of each Country Team. There is **no formal process for reviewing or validating such amendments**. This can limit the ability of the Global Fund to ensure consistency between the different portfolios subject to the ASP, but also increases the risk of loss of institutional knowledge, which has been observed during this advisory, as well as reported by the Secretariat.

The OPN also **lacks guidance on how to prepare and implement a portfolio's transition out of the ASP**, and on how to support country stakeholders and international Principal Recipients during the transition.

The insufficient monitoring and lack of guidance related to the transition out of the ASP likely contributed to the number of portfolios subject to the policy for an extended period, as well as to the perception of some country stakeholders that the measure is a permanent status.

Finally, **discussions with countries on ASP-related topics are fragmented**. They generally happen at the time of the Funding Request, and often are aimed at addressing a particular issue raised by the country (e.g., the administrative burden of some measures). This can contribute to heightening the tensions between the country leadership and Secretariat. In addition, this further confirms the fact that the implementation of the ASP in countries is not being monitored on an ongoing basis, to review the ASP status, the evolution of associated risks and progress towards achieving exit criteria.

3.3 Monitoring and revocation of the ASP status and associated measures

The Global Fund Secretariat should ensure that robust monitoring mechanisms are in place and complied with to support countries transition out of the ASP, where applicable.

3.3.A

Country Teams should monitor ASP more effectively.

- Ensure that the Country Team conducts an **annual review** of a portfolio's ASP status. This includes assessing the rationale behind this status, the effectiveness of the measures in place to address the risks associated with this rationale, and ensuring that progress towards exit criteria takes place, as per the ASP OPN.
- Conduct a more **detailed review** of the ASP and assess the need and validate any changes to a portfolio's ASP status, rationale or exit criteria with senior management at least every grant cycle.[63] Such reviews should be based on fact-based evidence, such as:
  - Tailored CAT assessment (linked to ASP invocation rationale/exit criteria) and/or, if available and relevant, Principal Recipient performance assessment (PR rating)
  - CCM eligibility requirements
  - Regular risk assessment/Key Risk Matrix
  - Other reports e.g., from OIG, Local Fund Agent, partners.

  Any changes to the ASP rationale, status, measures or exit criteria should be **communicated and discussed with the country** in a timely manner.
- All the above should **leverage existing processes and systems as much as possible** e.g., if verification of progress against exit criteria is to be supported by the LFA, this could be done right after the preparation of the PUDR to leverage information collected; integrate monitoring processes into the **Integrated Risk Management (IRM) tool**.

3.3.B

Discussions with country stakeholders on the ASP should be regular, with an official review of the portfolio's status every grant cycle.

- Discussions with country stakeholders on the ASP should be ongoing as part of **regular monitoring and support processes** (e.g., progress towards exit criteria, capacity building, etc.).
- Country Teams should plan for a **formal communication every grant cycle**. This should include:
  - A reference to the decision to invoke or maintain the ASP status, as mentioned in the Allocation Letter
  - A notification letter specifying i) the outcomes of the detailed ASP status review (e.g., updates to ASP rationale, evaluation of the effectiveness of ASP measures in addressing the risks etc.), ii) an evaluation of the progress towards exit criteria.

  This formal communication should be discussed with the CCM and partners, in person where possible.

63 The detailed review would replace the annual review for that year (not be conducted in addition to the usual annual review)

3.4 Cross-cutting issues

Findings

The OIG analysis has highlighted two elements that would need improvement across the ASP "lifecycle", from invocation to monitoring and exit: around the internal governance in the Global Fund Secretariat and around the amount and effectiveness of communication from the Secretariat to country stakeholders on the topic of the ASP.

3.4.1

The Global Fund Secretariat lacks ownership of ASP governance and related processes, contributing to inconsistencies across portfolios and a general lack of guidance and monitoring

Until 2023, there was no appointed team dedicated to the oversight of ASP governance and ASP-related processes within the Secretariat, and **ownership was fragmented**. Any ASP-related discussions had so far involved teams across multiple Divisions in the Secretariat: Grant Management, Risk, Legal, Finance, and the CCM Hub. In addition, there is a **gap in the templates and guidance on ASP processes**, beyond the OPN.

As a consequence, the following issues were noted:

- **Delayed processes**. Most decisions (e.g., establishing exit criteria) require lengthy consultations to reach consensus. This has contributed to delays in communicating decisions to country stakeholders.
- **Inconsistencies**. While flexibility is required when it comes to the selection and management of ASP measures, this advisory identified several issues and inconsistencies related to 1) communication to countries, 2) internal documentation, and 3) compliance to OPN processes.
- **Loss of institutional knowledge**. There is a lack of central knowledge management (e.g., handover notes, status reports etc.), which has led in some cases to loss of institutional knowledge.

In 2023, the Secretariat appointed the Implementation and Challenging Operating Environments (ICOE) team as business owner of ASP governance and processes. While the team was already in place at the time of this advisory, the Secretariat perceived the outcomes of this report as an important input to decisions needed to address the above-mentioned issues; roles, responsibilities and processes still had to be fully established.

3.4.2

Lack of transparency and unclear communication with the countries contribute to some misconceptions and stigma surrounding the ASP

There is a **general stigma associated with a portfolio being subject to the ASP**. Country stakeholders, as well as some teams from the Global Fund Secretariat, have referred to the ASP as a "blacklist", a "life sentence" or an "unnecessary penalty".

Multiple root causes have been identified:

- The **lack of exit criteria and a path forward** limits the ability of countries to understand what is needed to transition out of the ASP and fuels the perception that the application of the policy is a long-term measure. The fact that the ASP is not presented as a "temporary" measure in some observed communications to countries may contribute to strengthening this misperception about the policy.

> The ASP seems to be a **dead-end directive** because it seems impossible to get out once you enter it.
>
> **Representative from implementer constituencies**

- The **use of certain stigmatizing language** (e.g., "ASP country") has also been heard in interviews when referring to portfolios subject to the ASP. This has shown to have an impact on the perceptions of some country stakeholders. In addition, the construction of ASP invocation letters suggests that the policy is invoked because of specific triggers (for example, "history of failing to meet specific commodity commitments"). The risks and potential impact on grant implementation are generally not addressed. This contributes to the perception of some country stakeholders that the ASP is applied as a form of punishment.

> “
>
> We need to decolonize our language: **stop the lists, stop the stigmas**. Let’s talk about risk mitigating measures instead, together with the country.
>
> **Former FPM, portfolio subject to the ASP**

- **Inconsistent and, in some cases, limited education about the ASP**. Following the 2019 ASP OPN revision, some progress has been made by the Secretariat to prepare materials describing the policy and its processes. However, misunderstandings persist – both at the country level and within the Secretariat. Examples include the distinction and complementarity of the ASP and COE policies or the dissociation from ASP of other financial risk mitigating measures (such as the Fiscal Agent or restricted cash policy). Country stakeholders have reported a lack of transparency and/or prioritization in discussions on ASP-related topics from the Global Fund Secretariat, especially at the time of invocation.

> “
>
> ASP was only communicated to us as a side informal communication. We had **no initial ASP orientation**. We had to “learn on the job”. It was difficult as we were receiving **conflicting guidance** from the country team, LFA, Fiscal Agent and auditors.
>
> **National PR, portfolio subject to the ASP**

Improvements have been observed in the formal communication of ASP rationale, implications and exit criteria following the 2019 ASP OPN revision (e.g., Liberia, Burkina Faso).

It should also be noted that in a minority of cases, communication to country stakeholders regarding the rationale for the invocation of ASP, associated risks and exit criteria may be limited for justifiable reasons (e.g., when it may disrupt implementation of grants or negatively impact the Secretariat’s relationship with the national entities).

3.4 Cross-cutting issues

Recommendations

3.4.A

The ICOE team should establish itself as the owner of ASP processes and governance.

- The **ICOE team should be recognized** by all teams involved in ASP topics as the owner of ASP-related cross-cutting activities, processes and governance, and deliverables (e.g., support materials, internal monitoring of portfolios subject to the ASP). They should serve as the **single point of contact internally**.
- The ICOE team should prepare and make available to Country Teams **resources to support the management of the ASP and ensure a more consistent process**, while maintaining the flexible nature of Secretariat decision-making on ASP-related issues, such as:
  - A standard "educational" presentation on the ASP;
  - Templates and guidance for i) exit criteria (co-creation support to Country Teams, Risk and Finance); ii) monitoring
  - Guidance for implementers selection by the Global Fund;
  - Advice for developing a transition plan.
- The **OPN RACI**[64] **matrix should be reviewed** to differentiate the roles of the different Global Fund Secretariat teams for identified situations where there is unclarity (e.g., when reviewing exit criteria), and to provide accountability for any newly agreed processes.

3.4.B

The use of language around the topics of the ASP needs to be simple, clear, and non-stigmatizing, especially at the time of communicating the invocation of the ASP for a portfolio.

- The purpose of the ASP should be described as finding a balance between **country ownership, programmatic impact, and risk**, whilst articulating the potential trade-offs and operational implications (e.g., in Burkina Faso's notification letter to the Ministry of Health, it is clearly stated that the cost impact of the selection of international Principal Recipients would lead to budget modifications).
- Selection of Principal Recipient and/or implementing arrangements should be clearly articulated as a measure of **"last resort"** (compared to other risk mitigating measures) and **temporary** in its application.
- More efforts should be made in communicating reasons **why such a "last resort" measure is required** to address the observed risks, the impact on a portfolio and what implications the policy will have on the short and medium term for grant implementation, service delivery to beneficiaries, and collaboration with the Global Fund.
- **All external references to "ASP countries" should be avoided** – favoring "portfolio/grant subject to the Additional Safeguard Policy", focusing on the risk mitigation measure versus a country's "ASP status".

3.4.C

Communication of ASP invocation to non-CCM portfolios should be differentiated, and the OPN updated accordingly.

- **Communication to non-CCM portfolios** (or in instances when there is no dialogue with the active government) should be tailored and directed to partner organizations delivering the grant.

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