

Operational Policy Note

Additional Safeguard Policy

Approved on: 1 May 2019
Approved by: Executive Grant Management Committee
Process Owner: Grant Management Division

Overall Objectives

1. The Additional Safeguard Policy (the “ASP”) is one of an array of Global Fund risk management tools. It was instituted by the Board at its Seventh Meeting¹.
2. ASP can be invoked in full or in part 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” (see [ASP Policy](#)). The ASP is primarily focused on addressing material issues that arise when program implementers (e.g., Principal Recipients and Sub-Recipients) have demonstrated a lack of capacity or failure to effectively deploy, implement and/or safeguard Global Fund grant funding and assets as a result of factors within and beyond the control of existing implementers in a particular country (e.g., civil unrest, an influx of displaced persons, governmental instability, and inadequate national program capacity).
3. This OPN situates the ASP within the overall portfolio risk management framework of the Global Fund and provides the parameters for the application of the ASP within that risk framework. This OPN complements the existing policies on Challenging Operating Environments (COE) and Risk Management across the grant life cycle.

Operational Policy

Scope of ASP

4. The ASP may be invoked for an entire portfolio of Global Fund grants in a particular country or for a specific disease component.
5. The ASP may be invoked when there are significant portfolio or disease-specific risks that compel the Global Fund to take the primary role in prescribing and deciding the implementation arrangements for a particular portfolio or disease component.
6. **Triggers.** Applying the ASP may be prompted by the following:
 - Global Fund Secretariat assessments;

¹ Report of the Governance and Partnership Committee GF/B7/7 - <https://www.theglobalfund.org/board-decisions/b07-dp14/>

- Findings of the Office of the Inspector General;
 - Reports from Local Fund Agents (“LFAs”);
 - External auditor reports; and
 - Assessments from partners or other sources assessing risk factors in a particular portfolio.
7. Examples of these triggers include (but are not limited to):
- Political instability or lack of a functioning government;
 - Poorly developed or lack of civil society participation;
 - Lack of a transparent process for identifying appropriate implementing partners;
 - Identified fraud or misuse of Global Fund financing and/or any other funds; and
 - Recent or ongoing conflict limiting capacity for the Country Coordinating Mechanism (“CCM”) to conduct a transparent selection process for implementers.
8. **ASP safeguards.** In determining specific implementation arrangements under the ASP, the Global Fund may select the Principal Recipient(s) (“PR(s)”), and/or Sub-recipient(s) (“SR(s)”) and other implementing entities.
- **Selection of PRs.** The Global Fund may elect to lead the selection of implementers for the program. The nomination of the PR(s) may be made directly by the Global Fund, in consultation with the CCM and other development partners. Such PR(s) may include multilateral or bilateral organizations, NGOs or other suitable entities as determined by the Global Fund².

When selecting a PR, the applicable Global Fund Country Team is expected to conduct a capacity assessment of potential organizations to transparently select the most suitable entity for the implementation of the grant(s). The capacity assessment will be tailored to identified risks specific to the portfolio or disease component and consider existing assessments.
 - **Selection of SRs and Other Implementing Partners.** The Global Fund may also select or make final decisions on the nominated SR(s) and implementing entities. The selection will be based on assessment of risks which may include review of existing financial management systems, institutional and programmatic structures, procurement systems, and where applicable, monitoring and evaluation structures.
9. **Additional Risk Mitigation Measures.** The ASP safeguards, whereby Global Fund selects the implementer(s), can complement or be complemented by risk mitigation measures such as the installation of fiscal/fiduciary agents, restricted cash policy, use of GF Pooled Procurement Mechanism and other measures as specified in the Risk Management OPN and the Global Fund Guidelines on Financial Risk Management. The proposed additional risk mitigation measures and the ASP safeguards form part of the overall risk management approach for a particular portfolio and/or disease component.

Invoking the ASP

10. The decision to invoke and subsequently revoke the ASP for a particular portfolio is taken by the Global Fund Executive Director based on recommendation from the Head, Grant Management Division in consultation with the Portfolio Performance Committee (PPC). In emergency and crisis situations, the Head, Grant Management Division can recommend invoking the ASP to the Executive Director in consultation with the Chief Risk Officer as PPC Co-Chairs. The decision to invoke the ASP by the Executive Director will be succeeded by a PPC Executive Session to further discuss the situation and review the overall risk mitigation measures applied to the country.

² In the event that UNDP is selected as Principal Recipient, the special ASP standards terms and conditions of the grant agreement for UNDP should be used.

11. A decision to invoke the ASP can be taken prior to or during the submission of a funding request for a particular funding cycle, so that the decision to invoke ASP can inform the design of funding requests and resulting grants. However, in some cases, significant risks may arise during the implementation stage which would justify the subsequent invocation of ASP for a particular portfolio.
12. A Country Team proposal to apply ASP for a portfolio should be supported by a comprehensive risk assessment. In proposing to invoke the ASP, the Country Team should clearly state:
 - a. the rationale for proposed invocation of the ASP and clear identification of applicable risk factors;
 - b. the proposed implementation arrangements that will be determined by the Global Fund
 - c. any additional risk mitigation measures that are or will be applied to the portfolio proposed for ASP; and
 - d. specific conditions to be met to revoke the ASP status.
13. Proposed conditions to revoke ASP status include clear, time-bound, strategic actions to be implemented by the CCM and/or the PR(s), for factors that are within their control, as a precondition to the revocation of ASP status.
14. Risk factors and Country Team recommendations to invoke the ASP should be discussed with the CCM including the implications of invoking ASP for the applicable country portfolio. The CCM should be notified about the final decision to invoke the ASP status.
15. ASP status is valid until the Global Fund has made a decision to revoke the ASP for a particular portfolio or disease component based on an analysis of risks, the effectiveness of implementation arrangements, the status of the additional risk mitigation measures and the extent to which the conditions to revoke ASP status have been met.

Monitoring and Revoking the ASP

16. As part of the routine operational risk management functions, the Country Team monitors risk factors, the implementation arrangements, the additional risk mitigation measures and the conditions related to ASP.
17. For High Impact and Core portfolios, the review of ASP-related risks will be conducted as part of the annual review of portfolio risks by Country Team and Risk Department as captured in the Key Risk Matrix (see *OPN on Risk Management*). For Focused portfolios, such review will be conducted annually as part of the Annual Funding Decision-making process. The review will focus on the current status of relevant risks and the effectiveness of the implementation arrangements, the existing risk mitigation measures and conditions previously identified to revoke the ASP status. When assessing the mitigation measures in place, such as a requirement to use an international organization as PR, the value for money of management costs are a factor to be considered but should not be the sole basis for a transition to a national PR and must always be part of a risk-based discussion with approvals at the appropriate level.
18. As part of the regular ASP monitoring process, the Country Team may propose the revocation of ASP status for a particular portfolio. The proposal to revoke ASP status will be presented to the PPC. This review may occur through scheduled country portfolio reviews as applicable or through a PPC Executive Session (as defined by the PPC TORs). In proposing to revoke ASP status, the Country Team should clearly indicate to the PPC:
 - a. the rationale for the proposed revocation, providing an update on the status of risk mitigation measures and fulfilment of conditions to revoke the ASP for the applicable portfolio; and
 - b. the continuing relevance of the implementation arrangements that were originally imposed on the portfolio.

19. The PPC will review the proposal and analysis conducted by the Country Team. The ASP may be revoked if:
 - a. circumstances that gave rise to the original decision to invoke the ASP for the specific country portfolio 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
 - b. further grant implementation experience has demonstrated that the risks identified at the time the ASP was invoked have not materialized, such that the applicable ASP measures are no longer necessary.
20. In circumstances where the annual risk review reveals a negative upward risk trend and worsening situation of a specific country portfolio, the PPC will review the full scope of risk mitigation measures and flexibilities in place including the ASP.

Secretariat Tracking and Reporting of ASP

21. The Secretariat will report cases in which the ASP has been invoked or revoked to the Strategy Committee on a regular basis.
22. The Operational Efficiency Team, GPS Department will track the status of ASP countries and the Head, Grant Management Division will report newly added and removed ASP countries to the Strategy Committee.

Amendments to this Policy

23. The ASP, as set forth in this Operational Policy Note, will be reviewed and updated as necessary based on specific cases and experiences.

Responsibilities and Procedures

Responsibilities

24. The **Country Team** is responsible for the monitoring of the ASP within the risk management of country portfolios and in proposing to the Portfolio Performance Committee whether:
 - Any country portfolio should be managed under the ASP;
 - The imposed implementation arrangements and additional risk mitigation measures imposed on the country portfolio managed under the ASP are effective or require revision; and
 - The ASP should be revoked for any country portfolio currently being managed under the ASP, based on the fulfilment of the special conditions to revoke the ASP status.
25. The **Risk Specialist** is responsible for reviewing the risk analysis undertaken by the CT, ahead of the PPC review for invoking, revoking or monitoring the progress of the ASP. The Risk Specialist conducts annual review with the Country Team of the portfolio risks as a part of the annual update of the Key Risk Matrix.
26. The **Operational Efficiency Team, GPS Department** is responsible for managing the list of ASP countries and updating the ASP portfolio categorization in the Global Fund Operating System (GOS).
27. The **Portfolio Performance Committee (PPC)** reviews the proposals to invoke or revoke the ASP for a particular portfolio. The PPC also reviews the progress on the additional risk mitigation measures and ASP conditions.
28. The **Head, Grant Management Division** is responsible for reporting to the Strategy Committee on country portfolios where ASP is invoked or revoked. The Head, Grant Management Division will recommend invoking or revoking the ASP status to the Executive Director for final decision.

29. The **Executive Director** considers the recommendation from the Head, Grant Management Division and makes final decision to invoke or revoke ASP in a particular portfolio.
30. The **Country Coordinating Mechanism** is informed of the Secretariat risk assessment and decision to invoke or revoke ASP. The CCM oversees the implementation of ASP conditions as part of its in-country oversight and holds the relevant stakeholders accountable.
31. The **Principal Recipient** is responsible for safeguarding the Global Fund investments and implementing the grant as agreed with the Global Fund. They are responsible for ensuring the implementation of the specific risk mitigation measures and reports to the CCM on the status of mitigation measures.
32. The **LFA** assists the Country Team, by assessing the risks of a particular country portfolio and recommending appropriate risk mitigation measures and/or conditions and, as requested, oversee ASP mitigation measures such as in-depth assessments of the PR and SRs and review progress on conditions to revoke the ASP status.