



Investing in our future

**The Global Fund**

To Fight AIDS, Tuberculosis and Malaria

18 August 2005

**Fact Sheet**

## **TERMINATION OF GRANTS TO MYANMAR**

### **OVERVIEW**

1. Given the epidemic proportions of HIV/AIDS, Tuberculosis and Malaria in Myanmar and its potential ramifications for the region, the Global Fund decided to award grants to Myanmar to combat all three diseases, totaling USD 98.4 million over a 5-year period.

<b>Disease</b>	<b>Start Date</b>	<b>2-Year Amount</b>	<b>5-Year Amount</b>	<b>Disbursed</b>
<b>HIV/AIDS</b>	<b>April 1, 2005</b>	<b>US\$ 19.2 M</b>	<b>US\$54.3 M</b>	<b>US\$ 6.1 M</b>
<b>Malaria</b>	<b>April 1, 2005</b>	<b>US\$ 9.5M</b>	<b>US\$27.0 M</b>	<b>US\$ 3.0 M</b>
<b>Tuberculosis</b>	<b>Jan 1, 2005</b>	<b>US\$ 7M</b>	<b>US\$17.1 M</b>	<b>US\$ 2.7 M</b>

### **WHY DID THE GLOBAL FUND DECIDE TO TERMINATE THE GRANTS TO MYANMAR?**

2. As in the case of a small number of other countries, Myanmar was subject to additional safeguards<sup>1</sup> to ensure that the benefits from the programme benefited the affected population and not the Government. Given new restrictions recently imposed by the government which contravene earlier written assurances it has provided the Global Fund, the Global Fund has now concluded that the grants cannot be implemented in a way that ensures effective program implementation. After discussions with UNDP, the Global Fund has decided to terminate the grant agreements, effective August 18, 2005.
3. Both the Global Fund and UNDP are very concerned about the tremendous need to provide humanitarian assistance and to prevent further spread of the three diseases in Myanmar. It is therefore with considerable regret that the Global Fund, after consultations with UNDP and a number of international partners has had to terminate its grants to Myanmar.

### **WHAT ARE THE CHANGES THAT MADE PROGRAM IMPLEMENTATION IMPOSSIBLE?**

4. The Government of Myanmar decided, in July 2005, to institute new travel clearance procedures which would have the effect of restricting access of the Principal Recipient, staff of implementing partners and staff of the Global Fund to grant implementation areas. The government also imposed additional procedures for review of procurement of medical and other supplies (a vital aspect of Global Fund project implementation). As a result, the Global Fund concluded that these measures would effectively prevent the implementation of

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<sup>1</sup> The Global Fund's "Additional Safeguards Policy" is detailed in par. 15 – 17 below.

performance-based and time-bound programs in the country, breach the government's commitment to provide unencumbered access, and frustrate the ability of the Principal Recipient to carry out its obligations. The travel restrictions appear to be the most recent manifestation of a gradual change in the government's attitude towards international and national humanitarian efforts in Myanmar over the past few weeks.

### ***DOES THE DECISION TO TERMINATE THE GLOBAL FUND GRANTS REFLECT EXTERNAL PRESSURE TO DISENGAGE FROM MYANMAR?***

5. The precarious public health situation of the Burmese population of over 50 million and the potential repercussions for the entire region if HIV, TB and Malaria are left unchecked are well-known among all groups and donors. There has been a consensus, by and large, that humanitarian support should be provided for the population. As such, the decision to terminate the grants is a result of a change in the environment, which makes it extremely difficult to implement the safeguards system, rather than due to pressure on the Global Fund.

### ***WHY HAS THE GLOBAL FUND NOT HEEDED WARNINGS FROM THE START THAT IT WOULD BE IMPOSSIBLE TO IMPLEMENT GRANTS IN MYANMAR?***

6. Given the status of the three epidemics, the need for humanitarian assistance, and the quality of grant applications from Myanmar, the Global Fund approved the grants for Myanmar. The Myanmar government, the PR, sub-recipients, and all other relevant parties have been made fully aware of the Global Fund's conditions and safeguards from the start. Following written guarantees from the government to respect the Global Fund's performance-based grant system and the additional safeguards, the Global Fund authorized the implementation of the grants. All three grants were progressing during their first months after grant start, and all involved parties were initially optimistic about their prospects.

### ***WHAT WILL HAPPEN NOW?***

7. The Global Fund will work with the PR to gradually terminate activities, sub-recipient contracts, and all other contracts. The aim is to have terminated all activities by 1 December 2005. All unspent assets will be returned to the Global Fund. The Global Fund will over the coming days calculate how much of the disbursed funds can be returned. It is expected that this will amount to a large part of the US\$11.8 million disbursed.
8. The UN family will now work with other development partners to explore appropriate alternative ways of responding to these three epidemics in Myanmar.

## **BACKGROUND INFORMATION**

### ***WHY DID THE GLOBAL FUND APPROVE GRANTS TO MYANMAR IN THE FIRST PLACE?***

9. The situation of Myanmar as regards HIV/AIDS, Tuberculosis (TB) and Malaria is extremely precarious. (a) HIV/AIDS: Myanmar is situated between three countries with serious HIV problems (India, China, Thailand), and is the most affected in South East Asia after Thailand. The disease is now spreading from high-risk groups into the general population: 2% pregnant women are infected with HIV. (b) TB: Myanmar has among the highest TB rates worldwide, with 97,000 new cases detected each year. Multi-drug resistant TB – an

incurable form that does not respond to the cheap anti-TB drugs available – has jumped from 1.5% (1995) to 4% among new patients, and 15.5% among previously treated patients. HIV is fuelling the TB epidemic. WHO estimates that 6.8% of TB patients are co-infected with HIV/AIDS and that 60-80% of AIDS patients have TB. (c) Malaria: is the leading cause of morbidity and mortality in Myanmar, and is the biggest cause of death of children under the age of five. 71% of the population is at risk, especially the poor, with around 600,000 cases and 3,000 deaths reported yearly. Multi-drug resistant malaria is widespread, requiring combination drugs that are beyond the reach of most of the population at risk.

10. Together with the relatively porous borders with key neighbors, especially Thailand, this means that, without resolute intervention, these diseases could soon reach catastrophic proportions, affecting the entire region. This could endanger gains in controlling these diseases in other countries as well.
11. Recognizing the severity of the problem, the Board of the Global Fund approved grants to combat all three diseases in Myanmar: the approved two-year funding for the TB Grant is US\$ 6.9 million, for HIV US\$ 19.2 million, and for Malaria US\$ 9.5 million.

### **HOW WAS UNDP INVOLVED?**

12. As is the case in 25 countries, UNDP was chosen by the Global Fund to be “Principal Recipient” (PR), i.e., accountable for the grant investments in Myanmar and the achievements of the agreed-upon targets for the three diseases. In making the selection, the Global Fund recognized that UNDP was the only agency that could viably take on this role while possessing a sufficient institutional base at different levels to leverage networks and partners effectively.
13. UNDP has been actively working at the community level in Myanmar through the “Human Development Initiative” for over 10 years, which embodies a commitment to alleviate the humanitarian crisis faced by the poor and vulnerable populations of Myanmar without supporting the Government. In accepting the role of PR for the Global Fund, UNDP was acutely aware of the need for a similar balance, i.e., to reduce the burden of the three diseases without supporting the Government through access to funding, assets, or political capital. UNDP also added value by ensuring that national responses to HIV/AIDS, Tuberculosis and Malaria were addressed from a development perspective.
14. In taking on this difficult challenge, UNDP’s strategy for Global Fund implementation was to adopt a collaborative UN approach, forming partnerships with agencies that have existing technical capacities, including WHO (for the TB and Malaria grants) and UNAIDS and UNICEF (for the HIV/AIDS component). These agencies provided technical and oversight support to strengthen implementation, assess progress against benchmarks, and prepare consolidated reports.

### **WHAT IS THE “ADDITIONAL SAFEGUARDS POLICY” AND HOW DOES IT APPLY TO MYANMAR?**

15. In order to safeguard its assets, the Global Fund has instituted an Additional Safeguards Policy (ASP) to be applied to grants in certain countries where conditions suggest that Global Fund monies could be placed in jeopardy without the use of such additional measures. The Secretariat applies the ASP as required based on the facts and circumstances of each particular grant. Conditions which contribute to the imposition of additional safeguards include:
  - (1) significant concerns about governance;
  - (2) lack of a transparent process for identifying a broad range of implementing partners;

- (3) major concerns about corruption;
  - (4) widespread lack of public accountability; and the following three additional criteria:
  - (5) recent or ongoing conflict in the grant environment;
  - (6) poorly developed civil society/lack of civil society participation; and
  - (7) lack of a proven track record in managing donor funds in the health sector.
16. To ensure that the benefits from the program accrued to the affected population and not to the Government, additional safeguards have been applied to the grants to Myanmar. The Global Fund authorized utilization of a greater than usual portion of the Grants to finance these special measures. These included:
- Close monitoring by UNDP to ensure that the Government of Myanmar did not benefit from, or take credit for, actions conducted with Global Fund funding, and that the program could be implemented effectively. The government provided written assurance that staff from UNDP, KPMG, and the Global Fund would have unhindered access to program sites;
  - An expanded role for the Local Fund Agent, which was fully authorized to monitor all programs and budgets in addition to undertaking its regular contractual auditing and oversight responsibilities;
  - A “zero cash policy,” which means that no national entities were to receive any funds from the grant. UNDP directly undertook all procurement of assets, payment of incidental expenses for food and transport, and ensured that services were provided;
  - Stringent monitoring of project implementation by the PR: Payment for incidental expenses to individuals (health/technical/community workers) were to be made directly by UNDP staff only after careful scrutiny, as well as verification that they were not on the US/EU visa ban list; all personnel recruited for implementation of the Grants were to be contracted by UNDP, not by national entities; inputs were to be provided and monitored along the supply-chain, all the way to the end-users; and, at the end of the project, all assets remain the property of the PR; and
  - Consideration of additional international monitoring personnel, including possible deployment in the field of up to 20 UN Volunteers to assist in monitoring Global Fund implementation.
17. In addition, unreasonable delays in or obstacles to importation of drugs and other commodities necessary for grant implementation would slow down grant implementation and therefore put the grants’ results in peril. This would endanger the continued funding of grants in the Global Fund’s performance-based financing system. If such or other delays could be seen as an attempt to undermine the grants, this would be seen as a breach of the agreement that grants should be given the conditions necessary to be implemented effectively.

### ***HOW WAS THE GLOBAL FUND PROGRAM IMPLEMENTED IN MYANMAR?***

18. The achievement of the Global Fund public health objectives in Myanmar necessitated the involvement of a range of organizations in implementing the program. Therefore, a number of international organizations and national entities had been chosen by the Global Fund for implementation of the three Grants, with the selection of each based on a careful review of the political situation as well as technical considerations. Specific arrangements in this regard were finalized by the Fund only after discussion with, and approval from, the main opposition group in Myanmar, the National League for Democracy (NLD). Moreover, as in other countries, the PR was under the continuous oversight of a “Local Fund Agent” namely, KPMG, which has also approved all entities that would work under the Global Fund grants.

19. As in other countries, several international organizations have been granted the status of “sub-recipients,” i.e., able to receive and manage Global Fund funds; enter into procurement arrangements as defined in the sub-grant agreement; and conduct activities, and report on achievements and spending according to Global Fund guidelines. In Myanmar, these consisted of the following: Population Services International; Burnet Institute (Center for Harm Reduction); CARE Myanmar; CESVI Cooperation and Development; World Vision Myanmar; Marie Stopes International; and Médecins du Monde.
20. The Global Fund, in consultation with the NLD, KPMG and UN partners acknowledged that these international organizations, individually and collectively, do not have the ability to implement the full program on the required scale. Accordingly, four national NGOs were approved to participate in the program: Myanmar Council of Churches; Myanmar Anti-Narcotics Association; Myanmar Medical Association; and Myanmar Nurses Association. These NGOs did not receive financial compensation; instead, incidental expenses (mainly for transport and food) are reimbursed directly to individuals who are involved in training activities and provide services to the community.
21. The Global Fund projects were also in communication with national entities responsible for national programs to combat the three diseases, because of their unique position to implement the public health interventions on the required scale. These include the Central Committee for Drug Abuse and Control, and the Drug Treatment Center. This association was limited to issues such as registration of drugs and nomination of health personnel to deliver services and participate in training, and these entities received no financial transfers.
22. UNDP has been engaging with all key stakeholders to ensure maximum transparency about its operations and its work within the guidelines prescribed by its own Executive Board. As the Global Fund operations represent a greatly expanded role, UNDP recognized the need to provide regular and comprehensive information about these projects as implementation got under way. Accordingly, UNDP has been holding structured monthly meetings with the NLD in Myanmar as well as periodic consultations with interested groups in the region. In addition, UNDP and the Global Fund have been briefing key stakeholders in the United States and Europe.
23. It was made clear from the start that both UNDP and the Global Fund maintained the option, at any time, to unilaterally stop or suspend all activities – including withdrawal of UNDP from the PR role – if anything in the implementation of the Grants would raise concerns.

#### ***WHAT PROGRESS HAD BEEN MADE SO FAR?***

24. Implementation of the TB component has been initiated, with funds disbursed to WHO and PSI. A technical working group led by WHO recently reviewed and endorsed the first quarterly reports for the TB Grant. The safeguard measures entail an enhanced role for KPMG, which undertook detailed discussions with UNDP, WHO, PSI and the National TB Program before endorsing financial and narrative reports, which were then submitted to the Global Fund for the second tranche of disbursement.
25. The progress and experience gained from the TB program, which had demonstrated that a proper monitoring and oversight system had been put in place, and this was guiding the execution of the of the malaria and HIV grants, which were signed six months later than the TB grant. Today, the termination of the three grants is an acknowledgement by the Global Fund that this oversight system is no longer viable.

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