



### **Additional Safeguard Policy**

**Decision point:**

The Governance and Partnership Committee recommends that the Board adopts the Additional Safeguard Policy, as described in the attached paper.

## **Introduction**

1. The Board took the following decision during the Sixth Board meeting:

“The Board requests the GPC to develop with reference to the Framework Document guidelines recommendations for alternative funding mechanisms where particular constraints exist about funding the proposed Principal Recipients and sub recipients. These recommendations should reflect the humanitarian spirit of the Global Fund and the desire to direct funds quickly and accountably to affected populations. These modalities, subject to approval by the Board, should also apply to all approved proposals in Round 3.”

## **Policy Recommendations**

2. This paper outlines the approach and key entry points where the current funding mechanisms could be modified, enhanced, or altered to ensure funds are accountably used and move quickly to affected populations where particular constraints exist about funding the proposed Principal Recipients and sub recipients. This would result in an Additional Safeguard Policy for determining how the Global Fund interacts where constraints exist.

3. The Use of the Additional Safeguard Policy: The Additional Safeguard Policy would be invoked by the Secretariat when the 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 such additional measures. Examples could include 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. The application of the policy would be decided upon by the Secretariat.

4. Operating principles/procedures: To ensure the necessary transparency, fiduciary accountability, and reporting when dealing with constrained partnerships, the Secretariat would introduce additional procedures and criteria during the proposal/grant cycle. These would continue through the entire life of the grant. The alternative funding mechanism would, therefore, have operating principles based on the Framework Document guidelines, the Global Fund’s existing policies/procedures and the additional compliance criteria.

5. The Additional Safeguard Policy could include the following procedure/criteria:

- a) Selection of PRs: The nomination of the Principal Recipients would, in consultation with other development partners who have experience in working within the constrained environment, be the responsibility of the Secretariat. PRs could include multilaterals, bilaterals, NGOs, or other suitable entities. As is the current practice, these entities would be assessed for their ability to successfully implement the program. The final selection of PRs will be based on the PR assessment and remain with the Secretariat.

The Grant agreement will only be signed after the PR implements the recommendations of the full PR assessment.

- b) In addition to the normal assessment of the PR, which is based on the Global Fund's PR Assessment Tool Kit, a special emphasis will be placed on the transparency and accountability of the flow of funds to sub-recipients, and in certain cases, contractors, and sub-contractors. This would include a review of the nature, type, and past experiences of sub-recipients, contractors, and sub-contractors proposed.
  - c) As with other grants, disbursement of funds will be made based on achieving performance indicators. In addition, consideration will be given to disbursing funds based on statement of expenditures and actual contracts to further ensure accountable use of Global Fund financing. Where possible the Global Fund may arrange for direct payment to contractors/vendors in order to avoid direct or indirect payments to constrained partners.
  - d) Where there are major distortions between the official exchange rate and the market rate, the Global Fund will work with other development partners and participate in acceptable currency exchange rate baskets to remove any distortions.
  - e) The Global Fund will, at its discretion, instruct the LFA to carry out detailed assessments of any or all proposed sub-recipients. The LFA will also be instructed to provide more frequent site visits and accounting reviews than under normal circumstances. The Global Fund, as part of the grant negotiations process, should receive assurances in the form of a side letter between the LFA and the government that these additional steps will be permitted by the host government.
6. Reporting and Follow-up: The Secretariat will report to the GPC the cases in which the Additional Safeguard Policy has been used. The Secretariat will furnish information on why the policy was invoked and how particular obstacles were or were not overcome in reaching a grant agreement (e.g., the selection of the Principal Recipient, if there were major discrepancies between the official and market exchange rates, etc.). The Additional Safeguard Policy will be reviewed and updated as necessary based on specific cases and experiences.